The co-operative bank

Pace pension scheme

Your 2023 update

from Pace DC

The Pace Trustee encloses this update with your benefit statement each year so we can tell you about any changes that might affect your retirement plans. This year, you may notice that the pension figures shown in your statement look different from last year. This update explains why.

Changes to your benefit statement figures

You have lots of options for how you take your pension, but when Legal & General creates your annual benefit statement, they only show a few of these. The statement has to show your projected income in the future, and to work this out Legal & General has to use a method that is set out in legislation.

The law has changed this method for all statements calculated on or after 1 October 2023. This means that the annual income in your statement may look very different to last year.

How have the calculations changed?

Last year we assumed…	This year we assume…
you'd take 25% of your pension pot as tax-free cash and used the rest to buy an annuity policy	you don't take any tax-free cash and instead use all your pension pot to buy an annuity policy
that the annuity policy paid out a pension that increased each year	that the annuity policy pays out the same amount each year without increasing
the annuity policy was a 'joint life' policy which meant it would pay out to a spouse or partner after your death	the annuity policy is a 'single life' policy which means it would cease when you die

These differences mean that the annual income shown in this year's benefit statement may look higher than it did last year. Remember, it's just an illustration of one potential retirement option. There are other options available such as a cash lump sum and income drawdown. It's your choice how your benefits are taken at retirement, and you do not have to decide until retirement.

Legal & General's website has a DC pension modeller that allows you to model different retirement options. You can also access a personalised version of the modeller through Manage your Account.

It's also worth remembering that investment returns over the year will also affect your pension pot, as will changes to annuity prices. A fall in annuity prices and market movements over the year may mean that your projected pension is much higher than last year's illustration.

Why are the projected investment returns different?

When Legal & General works out what your Pace account might be worth at retirement, they also have to make assumptions about future investment returns for the funds you invest in.

The method they need to use for this has also changed significantly this year and is now the same across all pension schemes.

The fund/funds you are invested in have been grouped into one of four 'volatility groups', depending on the performance of the fund over the five years to 30 September 2022. These volatility groups are then used to estimate the expected future performance of the fund /funds, i.e. how much it's projected to grow before you reach your retirement date. More volatile (and therefore higher risk) investments are assumed to have higher growth of; up to 7 % a year for the riskiest funds, down to 1 % a year for the least 'risky'.

Historically, we'd expect funds that invest in bonds to be less volatile and therefore have a lower return. However, there has been a lot of movement in bond markets over the last two years, so under the new method, funds that invest in bonds (like the Pace Pre-Retirement Funds) actually look as volatile as other traditionally higher growth assets like equities. If you're in a Pre-Retirement Fund, you may notice on this year's statement that those funds have a higher expected return. While this looks odd, it's a result of the new law and not any change to how the Pre-Retirement Funds are actually invested.

Bonds

Bonds are basically a promise to pay back your original investment at a set date in the future, plus payments at regular intervals between now and then. Bonds issued by the UK Government are called 'gilts'.

Equities

When you buy equities (also called shares) you are buying a portion of a company. This means you also get to share in the profits (paid out as dividends).

Investment performance

Remember that the change in the value of your pension pot reflects how investments have moved over the last 12 months and doesn't necessarily indicate how they will perform in the future as returns can go down as well as up. It's important to take a long-term view and not make any impulsive changes in response to current market conditions.

Climate reporting

The Trustees continue to consider responsible and sustainable investment options for Pace members. As you may know, we provide an annual climate change risk assessment report in line with the Task Force on Climate-related Financial Disclosures (TCFD) requirements. This will be the second year we've produced this 'TCFD' report. You can read the latest here: **https://bank.pacepensions.co.uk/useful-information/pace-investments/**

Pensions noticeboard

Money from the taxman

From 6 April 2024, if you don't earn enough to pay income tax and you're paying into a DC pension, HMRC may contact you after the end of the tax year to make a top-up payment to you. This extra payment will be equal to any income tax relief you're eligible to receive from the government on your pension contributions. HMRC will make this payment direct to your bank account, so they'll get in touch to ask for your bank details.

Changes to pensions tax allowances

The government has raised the limits on how much you can save into a pension scheme without having to pay tax on those payments. Most people can now pay up to £60,000 tax free into their pension pot a year (up from £40,000). If you have a very high income (over £200,000) or have already taken money out of your pension pot, the limit is lower: £10,000 a year (it was £4,000).

Another change has been made to the Lifetime Allowance. This is a limit on how much you can build up in a pension pot tax free over your lifetime and has been frozen at just over £1 million for some time. If you went over the limit, you had to pay a charge at retirement on the amount over the LTA of up to 55%. The government scrapped this tax charge from April 2023 and plans to get rid of the LTA entirely from next year – but this change still has to be passed into law.

Neither the Bank nor Legal & General can provide advice on personal financial matters, so if you think you might be affected by these changes, you should consider speaking to an independent financial adviser. You can search for an adviser on the MoneyHelper website, **www.moneyhelper.org.uk**

Stay alert to the threat of pension scams

Anybody can become a victim of a pension scam and the number of people being scammed out of their retirement savings is growing. Pension scammers offer seemingly attractive 'investment opportunities' to encourage you to transfer your retirement savings into their funds. These scams could result in the loss of all your retirement savings and you could also face significant tax penalties.

Find out more at: **www.fca.org.uk/scamsmart/how-avoid-pension-scams** or on the pension scams section of the Pace website (under 'Transfers') where you can find links to other useful websites. We've enclosed a flyer from the Financial Conduct Authority, 'Don't let a scammer enjoy your retirement'. This includes tips on how to avoid pension scams.

Scan me!

Don't sign up for anything that you don't understand. If you have any doubts, you should contact Money Helper on 0800 011 3797 or **www.moneyhelper.org.uk** to discuss your concerns.

Scan me!

Cost of living

If you're struggling with everyday costs, you may be tempted to cut back on your pension contributions – or even to dip into your retirement savings if you're aged 55 or older. However, it's important to balance your short-term financial needs with the long-term risk of not having enough to live on in retirement. Remember that, by cutting back on your contributions, you may also be cutting back on contributions from your employer and on National Insurance savings. Before you make a final decision, it's worth visiting the government's MoneyHelper website. As well as lots of useful information about day-to-day money matters, you can get specific help and advice here about dealing with the cost-of-living crisis. Find out more at **http://bitly.ws/RqYA**

Manage your Account: your pension at your fingertips

Legal & General's Manage your Account site (**www.legalandgeneral.com/mya**) allows you to easily check your Pace DC pension online, any time of day.

You can see how much you've saved, what your last contribution was, change your investment choices , inform us of your chosen beneficiaries and update your retirement age. It's important to let us know if you change your retirement age (the default retirement age in Pace is 65), especially if your account is invested using one of the Target options, where Legal & General automatically switch your funds according to how far from retirement age you are.

If you haven't already registered on Manage your Account you'll need your Pension Account Number (which is on your benefit statement) and an email address.

There's also a live chat option if you need help. Just click on the 'Help' button – it's available weekdays, 9am to 5pm, but you can also get help from a 'virtual assistant' outside of those hours.

In brief

- **Pensions dashboard** – an online system which will allow people with a number of pensions to view them all in one place. This project has again been delayed by the government and the launch is now scheduled for 2026. We'll be in a good position to share data with the project when it launches, but you can help us keep our data in tip-top shape by updating your details on Manage your Account whenever they change.
- **Normal minimum pension age** – remember, this is changing from 55 to 57 from 6 April 2028.

*All calls to this number are free. Please note, calls may be recorded and monitored. Your personal data will be treated in line with Data Protection legislation and our Privacy Policy which can be found at: www.legalandgeneral.com/privacy-policy