Your **fund guide**

Pace pension scheme

A guide for members of **Pace DC** (including Additional Voluntary Contributions)

Co-op Section

PENSION QUALITY MARK PLUS

co op

August 2018

Welcome to your fund guide for members of Pace DC

This guide is for members of The Co-op Section of Pace. If you're a member of The Co-operative Bank Section, you should visit the Bank's pensions website **www.co-operativebank.co.uk/pensions** for pension information thats relevant to you.

When you and The Co-op pay into Pace DC, the money in your account is invested on your behalf.

This guide:

- Tells you how your account will be invested and what you need to think about.
- Provides information on the choices that you have.
- Gives you some basic background on investments in general.

You're able to choose where your Pace account is invested with Legal & General, and there are different investment options available that are designed to match the different options available on retirement. The aim of investing is to make the value of your account grow.

Please read this guide together with the **Pace DC pension guide** and the **AVC factsheet**. Both of these can be found at **coop.co.uk/pensions**

Do you wish to choose your own investment funds?

Yes

If you want to make a choice about how your money is invested, you can choose from six different investment funds. You can find out about these funds in **Section 2**.

No

Are you more than 10 years away from your selected retirement age?

Yes

As you have more than 10 years to retirement, you may not have decided how you want to use your Pace account when you retire. You may wish to consider investing in the Target: Lump Sum option and review your choice when you get closer to retirement. You can read more about the Target: Lump Sum option on **page 7**.

The Target: Lump Sum option is the 'default' option. This means you will automatically be placed in this option if you do not make an investment choice.

No

Have you decided how to use your Pace account at retirement?

Yes

I'd like to take a lump sum at retirement.

The Target: Lump Sum option has been selected by the Trustees and is appropriate for members who want to take their account as a lump sum at retirement. You can read more about the Target: Lump Sum option on **page 7**.

The Target: Lump Sum option is the 'default' option. This means you will automatically be placed in this option if you do not make an investment choice.

Yes

I'd like to use my account to buy a pension (also called an annuity).

The Target: Secure Income option has been selected by the Trustees and is appropriate for members who want to use their account to buy a pension.

You can read more about the Target: Secure Income option on **page 8**.

If you want to invest in this option, go to **coop.co.uk/pensions** and follow links to **Manage your Account**. You should then select this option.

Yes

I'd like to keep my account invested and take sums of money directly from it. (Please note that remaining invested within the scheme after retirement is not an option from Pace DC and you would have to transfer to another pension arrangement at retirement.)

The Target: Flexible Income option has been selected by the Trustees and is appropriate for members who want to keep their account invested and take sums of money directly from it. You can read more about the Target: Flexible Income option on **page 9**.

If you want to invest in this option go to **coop.co.uk/pensions** and follow links to **Manage your Account**. You should then select this option.

No

If you're close to retirement and you have not decided how you want to use your Pace account, there are some useful websites and contact details on **page 23 and 24**.

In each Target option, your money will move into funds that closely match how you want to take your Pace account as you approach retirement. You can read more about Target options in **Section 1**.

What's inside?

Target options

Pace DC offers three Target options which are designed to be appropriate for the different retirement options you can take from Pace:

1. Target: Lump Sum (the default option)

This option is designed to be appropriate if you want to take your account as a lump sum at retirement.

This is also the option your contributions will be invested in if you do not make an alternative choice.

Pace DC also offers other Target options that are suitable for the other retirement options available:

2. Target: Secure Income

This option is designed to be appropriate if you want to use your account to buy a pension (annuity) at retirement.

3. Target: Flexible Income

This option is designed to be appropriate if you want to have the flexibility to leave some or all of your account invested and take sums of money from it (this is sometimes referred to as 'drawdown'). Please note that option 3 is not available directly from Pace DC and you would need to transfer to another pension arrangement at retirement.

Key information

Don't forget that the earlier you retire, the less time your account will have to grow. Retiring early could significantly reduce the amount of money you could save for your retirement.

You can read more about the Target: Lump Sum option on **page 7**, and information on the Target: Secure Income and Target: Flexible Income options is on **pages 8 and 9**. You'll also find charts on **pages 7 to 9** showing how your money moves between the different funds under each of the Target options.

In each of the Target options, your account is invested in different ways at different times in your working life. The way this happens is all pre-arranged; you don't need to get involved.

If you do not want to invest in one of the Target options you can select your own investment options from a range of funds.

How it works

While you are younger, and further away from retirement, the money you and The Co-op pay into your account is invested in funds that give your pension savings the greatest opportunity to grow. This can mean that the value of your account may go up and down a lot in the short term. However, the aim is that the value of your pension savings should go up in the long term.

As you get closer to retiring, it's usually best to invest your money in ways that don't have these ups and downs. This is because you don't want the value of your pension savings to fall just before you retire; you will want a good idea of how much you've saved.

Therefore, under the Target options, when you're 10 years away from retiring, the money in your account will gradually be moved into funds that aim to reduce risk and match your retirement objective.

The process of moving your pension savings between different types of investments happens automatically – you don't have to do anything to prompt them. **You should let Legal & General know at what age you plan to retire, so the switches can begin at the right time.**

If you're paying Additional Voluntary Contributions (AVCs), you can use one of the Target options to invest your savings. See **Section 3** for further details.

What if I don't want to retire at age 65?

The normal pension age for Pace is 65, but you can take your pension at any time from 55. If you plan to take your pension earlier or later than 65, you should tell Legal & General. This is because the Target options are designed to automatically move your pension savings into funds that aim to reduce risk and match your retirement objective 10 years before your selected retirement age.

For example, if you want to retire at 55, your pension savings will begin to move into funds that aim to reduce risk and match your retirement objective under the Target options when you're 45.

If you don't tell Legal & General that you want to change your retirement age, your pension savings might still be invested in funds that do not match your retirement objective when you're close to retiring and there is a bigger risk that your account could fall in value just as you are about to take your benefits.

What if I want to use my Pace account for a number of options at retirement?

The Target: Lump Sum option is also appropriate for members who want to use their account to provide several lump sums. Please note that this is not an option directly available from Pace and you would need to transfer to another pension arrangement at retirement.

You can also choose a combination of options, for example take a lump sum and a flexible pension. Depending on what options you want to take, you may need to transfer to another pension arrangement at retirement.

1. Target: Lump Sum (the default option)

Target: Lump Sum

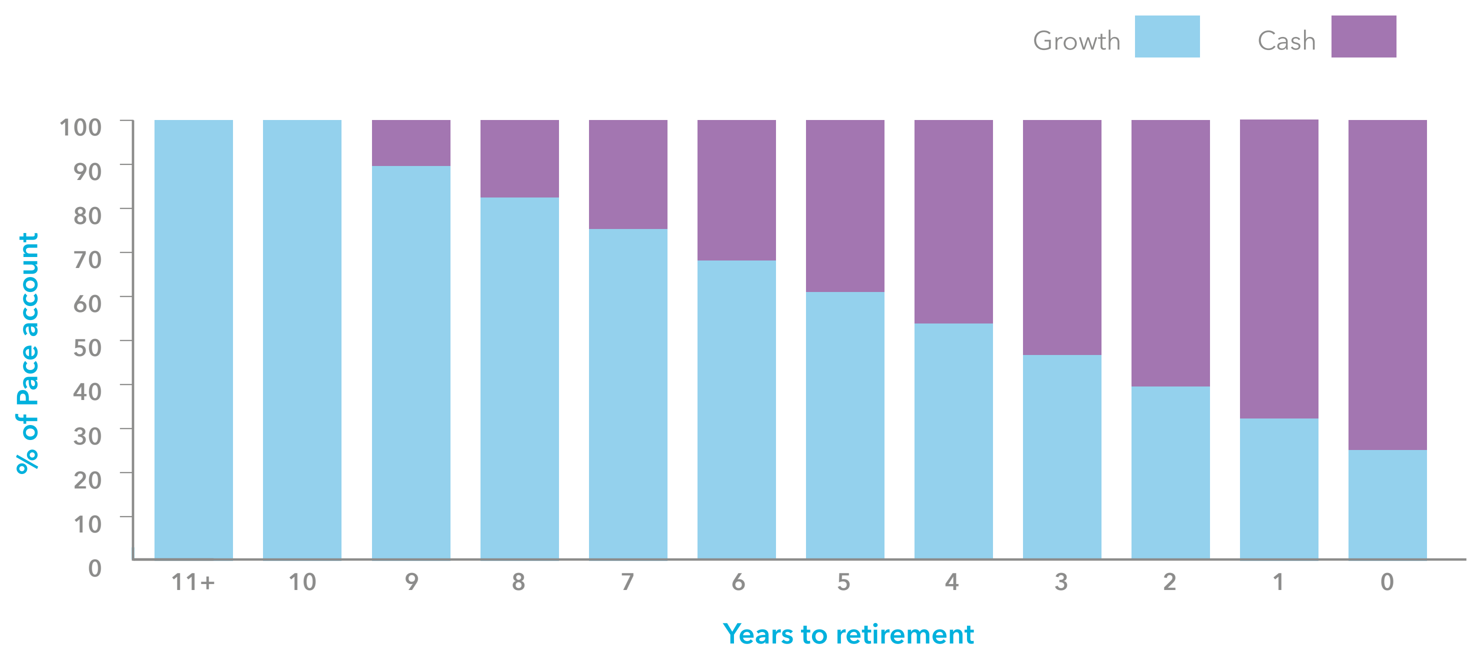
- The default investment option
- Designed to be appropriate for members who want to take all of their account as a lump sum
- This is where your money will be automatically invested if you don't make your own investment choice

How will my account be invested?

The Target: Lump Sum option uses two investment funds. (Find out more about each fund on **pages 12 to 14**.)

- During the early years, the aim is for your account to grow over the long term and it will be invested in the Pace Growth (Mixed) Fund. As you approach your selected retirement age, the money in your account will start to switch automatically into funds that are less likely to fall in value and closely match your retirement objective.
- When you're around 10 years away from retirement, your money will start to be moved gradually into the Pace Cash Fund.
- When you reach age 65 (or your selected retirement age, if different), 75% of your account will be invested in the Pace Cash Fund and 25% of your account will be invested in the Pace Growth (Mixed) Fund.

This chart shows how your account will be invested at the start of each year as you approach retirement:



There are other Target options that have been designed to match the other retirement options you have in Pace DC. You can read about these on **pages 8 and 9.**

Note that the Trustees monitor the Pace investment options on an ongoing basis and the funds, including the funds used under the Target: Lump Sum option and the timing of the switches as you approach retirement, could be subject to change.

You can change where the money in your account is invested and change where your future contributions go, at any time. You can do this online at **coop.co.uk/pensions** by following links to **Manage your Account**, or by writing to Legal & General.

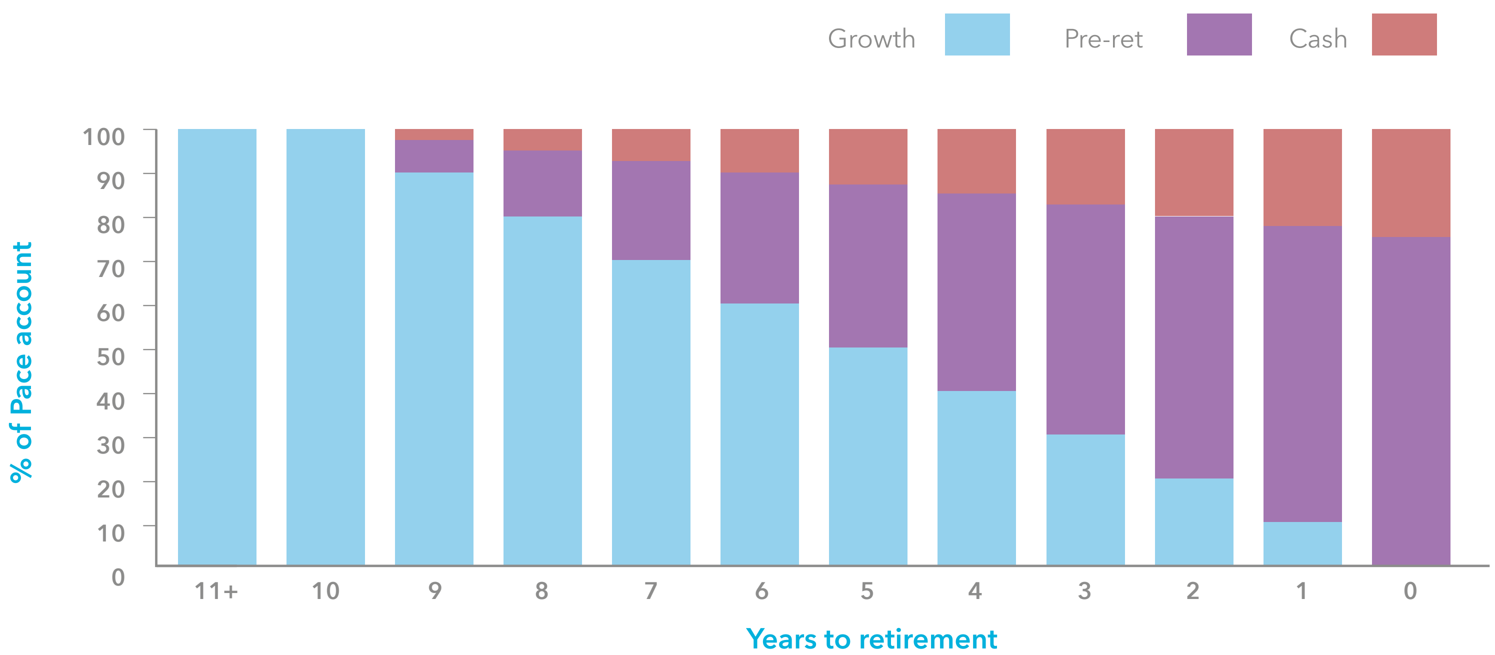
2. Target: Secure Income

How will my account be invested?

The Target: Secure Income option uses three investment funds. You can find out more about each fund on **pages 12 to 14**.

- During the early years, the aim is for your account to grow over the long term and your account will be invested in the Pace Growth (Mixed) Fund. As you approach your selected retirement age, the money in your account will start to switch automatically into funds that are less likely to fall in value and closely match your retirement objective.
- When you're around 10 years away from retirement, your money will start to be moved gradually into the Pace Pre-retirement Fund and the Pace Cash Fund.
- When you reach age 65 (or your selected retirement age, if different), 75% of your account will be invested in the Pace Pre-retirement Fund and 25% of your account will be invested in the Pace Cash Fund. This is because the Target: Secure Income option is designed to closely match people taking their account as an annuity and most people take 25% of their account as a tax-free lump sum (the maximum tax-free amount allowed by current pensions law).

This chart shows how your account will be invested at the start of each year as you approach retirement:



You can choose to invest in the Target: Secure Income option, which is designed to be appropriate for members who want to use their account at retirement age to buy a pension (also called an annuity). If you want to, you can take up to 25% of your account as tax-free cash and use the rest to buy an annuity.

3. Target: Flexible Income

You can choose to invest in the Target: Flexible Income option, which is designed to be appropriate for members who want to keep their account invested after retirement age and take sums of money directly from it (doing this is known as 'income drawdown'). You can either take these as a series of cash sum payments or as a regular income, or a combination of both. (Please note that remaining invested within the scheme after retirement is not an option from Pace DC and you would have to transfer to another pension arrangement at retirement.)

The chart shows how your account will be invested at the start of each year as you approach retirement:

How will my account be invested?

The Target: Flexible Income option uses two investment funds. (You can find out more about each fund on **pages 12 to 14**.)

- During the early years, the aim is for your account to grow over the long term and your account will be invested in the Pace Growth (Mixed) Fund. As you approach your selected retirement age, up to a quarter of the money in your account will start to switch automatically into funds that are less likely to fall in value. This chart on the left shows how your account will be invested at the start of each year as you approach retirement.
- When you're around 10 years away from retirement, your money will start to be moved gradually into the Pace Cash Fund.
- When you reach age 65 (or your selected retirement age, if different), 75% of your account will be invested in the Pace Growth (Mixed) Fund and 25% of your account will be invested in the Pace Cash Fund. This is because the Target: Flexible Income option is designed to closely match you keeping part, or all, of your account invested after retirement age and taking cash payments or regular income from it.

Note that the Trustees monitor the Pace investment options on an ongoing basis and the fund options, including the funds used under the Target: Secure Income and Target: Flexible Income options, and the timing of the switches as you approach retirement could change in the future.

Making your own investment choices

If you want to choose how your account is invested and you don't want to invest in any of the three Target options, the Trustees have made six funds available for this purpose.

If you decide you want to invest in one of the Target options, they are explained in **Section 1** on **pages 7 to 9**.

What investment funds are available?

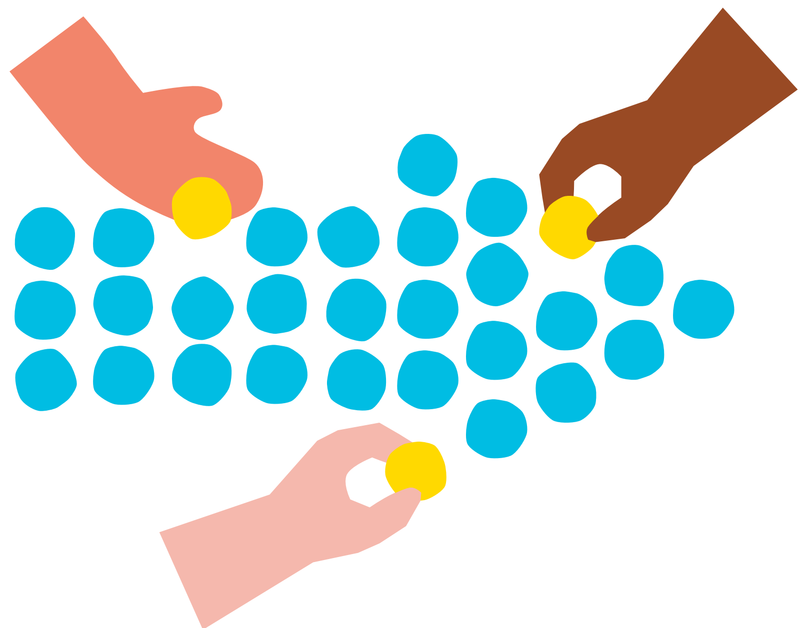
Pages 12 to 14 contain information on the six investment funds that are available to you. As well as the name of each fund, we've also included:

- A brief description of how each fund aims to invest your pension savings.
- An indication of the level of investment risk that you'll be taking when you invest in each fund. You can find out more about risk on **page 19**.
- How much it costs to invest in the fund each year. This is called the 'fund management charge' (you can find out more about charges in Section 3 of the **Pace DC pension guide**.

Where can I find out more about different types of investment?

If you would like to know more about different types of investment and how they aim to make your account grow, please see **Section 4**.

Risk
Risk is the chance that something won't happen as you expected. When it comes to investing your pension savings, there are several types of risk. You can find out more about different types of risk on **pages 19 to 21**.



How many investment funds can I choose?

If you don't want to invest your account in one of the three Target options, you can invest your account in as many or as few of the available six funds as you like. For example, you can choose to pay half of your contributions into one fund and half into another. Go to **page 12** for more information on the different funds.

Note that if you invest in one of the Target options, then you can only invest in that option on its own.

How do I move my investments between different funds?

You can change where the money in your account is invested and change where your future contributions go, at any time. You can do this online at **coop.co.uk/pensions** by following links to **Manage your Account**, or by writing to Legal & General.

You can change your investment choices as often as you want. You should remember that pensions are a long-term investment and it is not usually advisable to move your investments too often.

Pace investment funds

Pace Growth (Shares) Fund – Higher risk

This option is generally suitable for people who are a long way from retiring. If you invest in this fund, your account will be invested in a variety of businesses with the aim of sharing in any profits they make and any rises in the overall value of those businesses. Around 30% of these businesses will be based in the UK and around 70% will be based overseas. If you choose this fund, you can expect to see the value of your account move up and down a lot, especially in the short term.

Fund management charge: 0.14%
Annual management charge: 0.13%*

Total charge: 0.27% (27p per year for every £100 invested)

Pace Growth (Ethical Shares) Fund – Higher risk

This fund is designed for people who are a long way from retirement. If you invest in this fund, your money will be invested in businesses from across the world that meet globally recognised corporate responsibility standards. The aim is to share in any profits that these businesses make, and any rises in the overall value of those businesses, whilst also benefiting from innovations in corporate social responsibility, and businesses which are doing more to manage their social, ethical and environmental risks. If you choose this fund, you can expect to see the value of your account move up and down a lot, especially in the short term.

Fund management charge: 0.30%
Annual management charge: 0.13%*

Total charge: 0.43% (43p per year for every £100 invested)

* Please note that the annual management charge will increase from 0.13% to 0.16% if you leave The Co-op's employment and choose to keep your account in Pace. For more details please see the **Pace DC pension guide**.

Pace Growth (Mixed) Fund – Medium risk

This fund is generally suitable for people who are a long way from retiring and it will invest your account across a range of different types of investments. If you invest in this fund, some of your account will be invested in businesses all over the world including those based in the UK. Some of the money in your account will be loaned to governments and companies, which will pay interest (these investments are called 'bonds'). Some of your money will also be invested in businesses that invest in commercial properties such as factories, shops and warehouses or infrastructure such as roads and hospitals (in order to make money from the rent and any rise in values).

Fund management charge: 0.13%
Annual management charge: 0.13%*

Total charge: 0.26% (26p per year for every £100 invested)

Pace Pre-retirement (Inflation-linked) Fund – Low to medium risk

This fund is usually suitable for people who are getting close to retiring, and who are thinking of purchasing a pension which increases each year in line with inflation. If you invest in this fund, your account is used to loan money to both the government and to major UK-based businesses. They then pay interest on these loans, which helps your account grow. Because the government and the businesses that are loaned the money are seen as relatively 'safe' (they are unlikely not to repay the loans), the interest rate they pay is often quite low in comparison to the potential returns of investing in shares. This means that your account is unlikely to grow as quickly as it might by investing in a medium or higher-risk option. However the value of your account should move broadly in line with the cost of buying a pension that increases with inflation and so helps to reduce the fluctuations in pension values.

Fund management charge: 0.13%
Annual management charge: 0.13%*

Total charge: 0.26% (26p per year for every £100 invested)

This fund is used as part of the Target: Lump Sum option

This fund is used as part of the Target: Secure Income option

This fund is used as part of the Target: Flexible Income option

* Please note that the annual management charge will increase from 0.13% to 0.16% if you leave The Co-op's employment and choose to keep your account in Pace. For more details please see the **Pace DC pension guide**.

Pace Pre-retirement Fund – Low to medium risk

This fund is usually more suited to people close to retiring, and who are thinking of purchasing a pension which does not increase in line with inflation. In this fund, your account is invested in a very similar way to the Pre-retirement (Inflation-linked) Fund (see **page 13**) and aims to follow the changing cost of buying a pension income. When you invest in this fund, your account is unlikely to grow by a large amount in comparison to investments in shares.

Fund management charge: 0.12%
Annual management charge: 0.13%*

Total charge: 0.25% (25p per year for every £100 invested)

Pace Cash Fund – Low risk

This fund is usually only suitable for people who are very close to retiring. The fund generally invests in cash. The money is lent to banks and similar organisations that repay the money invested with them, plus interest, after a set period of time. Here, your account is unlikely to fall in value but it's unlikely to grow very much. This is very useful when you're close to retiring. However, if you choose to invest your pension savings in cash when you're a long way from retiring, there is a very high risk that your money won't grow very much, so when you come to retire, your Pace account could be much lower than you want or need it to be.

Fund management charge: 0.10%
Annual management charge: 0.13%*

Total charge: 0.23% (23p per year for every £100 invested)

This fund is used as part of the Target: Lump Sum option

This fund is used as part of the Target: Secure Income option

This fund is used as part of the Target: Flexible Income option

There's a factsheet available for each of these funds. Fund factsheets contain more information about the fund, including specific details of how they invest and how they have performed. You can view the fund factsheets in the **useful information** section of **coop.co.uk/pensions**

* Please note that the annual management charge will increase from 0.13% to 0.16% if you leave The Co-op's employment and choose to keep your account in Pace. For more details please see the **Pace DC pension guide**.

Investment options for Additional Voluntary Contributions (AVCs)

Do I have to choose where my AVCs will be invested?

Yes. With AVCs, there is no default investment option. You must tell Legal & General where you want your AVCs to be invested. If you don't complete the investment section on the **Start paying AVCs form**, then your request to pay AVCs will not be processed.

What investment options are available for AVCs?

You have the same investment options for AVCs as for your standard contributions. You can invest in one of the Target options set out in **Section 1**, or you can choose from the six funds set out in **Section 2**.

How do I tell Legal & General where I want my AVCs to be invested?

When you start paying AVCs, you will need to tell Legal & General where you want your contributions to be invested by completing the **Start paying AVCs form**. You can change where your AVC account is invested or change where your future AVCs go at any time. You can do this online at **Manage your Account**.

Do I have to invest my AVCs in the same way as my standard contributions?

No, you can choose to invest your AVCs in a different fund to your standard contributions if you wish to do so.

See the **AVC factsheet** at **coop.co.uk/pensions** for more information.

At a glance

If you wish to pay AVCs, you'll need to decide how to invest them. The same options are available for AVCs as for standard contributions. You can invest your AVCs in a different way to your standard contributions, if you wish to do so.

More about Pace investments

Investing can be complicated. In this section, we explain some of the basics that you might find useful if you're thinking about making your own decisions about where to invest your account. Don't forget that many people are not comfortable with making investment choices, which is why the Trustees have set up the Target options.

What charges apply to my account?

The charges that Legal & General apply to your account cover two areas; namely the administration and the investment of your account. The administration charge is called the annual management charge and is 0.13% of your account each year. The investment charge is called the fund management charge and is between 0.10% and 0.30% of your account each year, depending on your investment choices. The fund management charges for each of the funds are shown alongside the fund descriptions in **Section 2**. Full information on charges is provided in **Section 3** of the **Pace DC pension guide**.

Who looks after my investments?

When you invest your account, your money goes into something called an 'investment fund'. Investment funds are looked after by a fund manager. A fund manager's job is to make decisions about how to invest people's money. For example, this could be what types of businesses to invest in, or what sort of organisations to loan money to. In the end, their main objective is to get the best return for investors based upon the stated aim of that fund. The funds that the Trustees have chosen for Pace are all managed by Legal & General, the largest pension fund manager in the UK.

At a glance

Your account is invested by Legal & General.

Different funds invest in different types of investments, with different levels of risk.

Another thing to bear in mind about investment funds is that when you invest in one, your pension savings are pooled with the pension savings of thousands of other people. The two great things about this are:

- The fund manager can invest in a far wider range of different things on your behalf than you could on your own. This reduces the amount of risk you take.
- It keeps costs down because everyone invested in the fund shares the charges, such as those made for buying and selling different investment types.

The Pace Trustees will closely monitor the Legal & General funds and check that they perform as expected. The Trustees may change the funds available in future if they consider this would be in the members' interests. The Trustees are also responsible for monitoring the performance of the fund managers they select.

How funds are managed

Different investment funds have different objectives. Sometimes a fund manager will pick the individual investments that make up the fund in line with the objectives of the fund. Then, as time goes by and the market changes, they may change the investment mix in an attempt to maximise its performance at any given time. This is known as 'active' fund management.

Alternatively, a fund can be managed to track as closely as possible the performance of a particular 'index', for example, an index of shares such as the FTSE 100 (the one hundred largest companies whose shares are traded on the London Stock Exchange). This is known as 'passive' fund management.

Most of the investment options listed in **Section 2** are passive. The only exceptions are the Pace Growth (Mixed) Fund (which is mostly passive but some parts of it are active) and the Pace Cash Fund, which is active.

What do the funds invest in?

Earlier in this guide, we said that funds invest in things such as businesses or that they loan money in return for interest payments. These different types of investment are known as 'investment assets'. Investment assets are the building blocks of investment funds. The four main types are:

1. Shares

Shares, also known as 'equities', are where you buy a small part of a company. This entitles you to a share of any profits the company makes. If the company is seen to be successful, their shares may be in high demand, pushing up the share price. Share prices do also fall. Share values can go up and down a lot in the short term but can give you great long-term growth potential.

2. Bonds / Fixed Interest Securities

Fixed interest securities are more usually known as 'bonds'. All bonds are basically IOUs – a promise to pay back your original investment at a set date in the future, plus payments at regular intervals between now and then (in a similar way to interest being paid on a loan). Bonds can be 'corporate bonds', issued by companies to raise money, or government bonds. UK government bonds are sometimes referred to as 'gilts'.

Bonds make money in two ways: as well as receiving interest type payments from the company or government, bonds, like shares, can be traded. This means it may be possible to sell a bond for more than it was bought for.

Investments in bonds often grow less than investments in shares but they also tend not to go up and down so much in the short to medium term.

3. Property

In investment terms, property means commercial property such as offices, shops, warehouses, factories, leisure facilities and other business buildings. Investors in property look to make money in two ways: from rent paid by tenants and from rises in the value of the property itself. Property can offer good prospects for long-term returns but property prices can fall too – particularly in the short term.

4. Cash

You may not think of cash as an investment but it's an important asset in its own right. Although your pension savings may not grow very much when they're invested in cash, investing in cash can be useful. For example, investments held in cash are very secure. What's more, the value of investments in cash tend to be far more stable than investments in other types of asset. Cash can be a useful investment option as you get close to retirement, and is used in each of the Target options in the last few years before retirement.

What are the risks?

When it comes to your pension, there are a number of risks that you need to consider. But don't forget that taking risks isn't necessarily bad for you. Taking investment risk, for example, generally means that you have the opportunity to benefit from higher returns over the long term. The risks that you should be aware of are explained below.

Time

Time is one of the most important things to consider when it comes to investing. Higher risk options are often a better way to invest if you've got many years to go before you retire. On the other hand, if you're going to be retiring in only a few years, lower risk options could be more suitable.

What's your attitude to risk?

Different people think about risk in different ways. Some people are prepared to take a great deal of risk when they invest while others won't. Your own attitude to risk is an important factor when you choose how to invest your account.

Investment risk

This is the risk that your investment choices won't perform as well as you want them to. Shares, for example, can be volatile. If you invest in a fund that invests in shares, the value of your pension savings may go up and down a lot. However, over the long term (five years or more), shares usually gain in value. However, there is the risk that their value won't increase as much as you want them to or that they could go down in value.

Equally, investing in cash will usually mean that your pension account will only grow very slowly. This could mean that when you come to retire, your pension account won't be as large as you want it to be. Investing in cash over the long term can also see your buying power reduced by the effects of inflation.

Inflation risk

The rate of inflation is the rate by which the prices of goods and services increase. As prices increase, what you can buy with a fixed amount of money will fall. For example, suppose a loaf of bread costs £1.00. If the annual rate of inflation is 4%, then the following year, you could expect a loaf of bread to cost £1.04. If the rate of inflation stayed at 4%, then in 20 years' time, a loaf of bread could cost over £2.10 – more than double its cost now.

This is why inflation is a risk that you need to think about carefully. If, over the time you're saving for your retirement, your account grows by less than the rate of inflation, you'll not get as much value out of your pension savings as you would have done if you'd invested in a fund which kept up with inflation. It's worth noting that the Pace Cash Fund is unlikely to keep up with inflation over the long term.

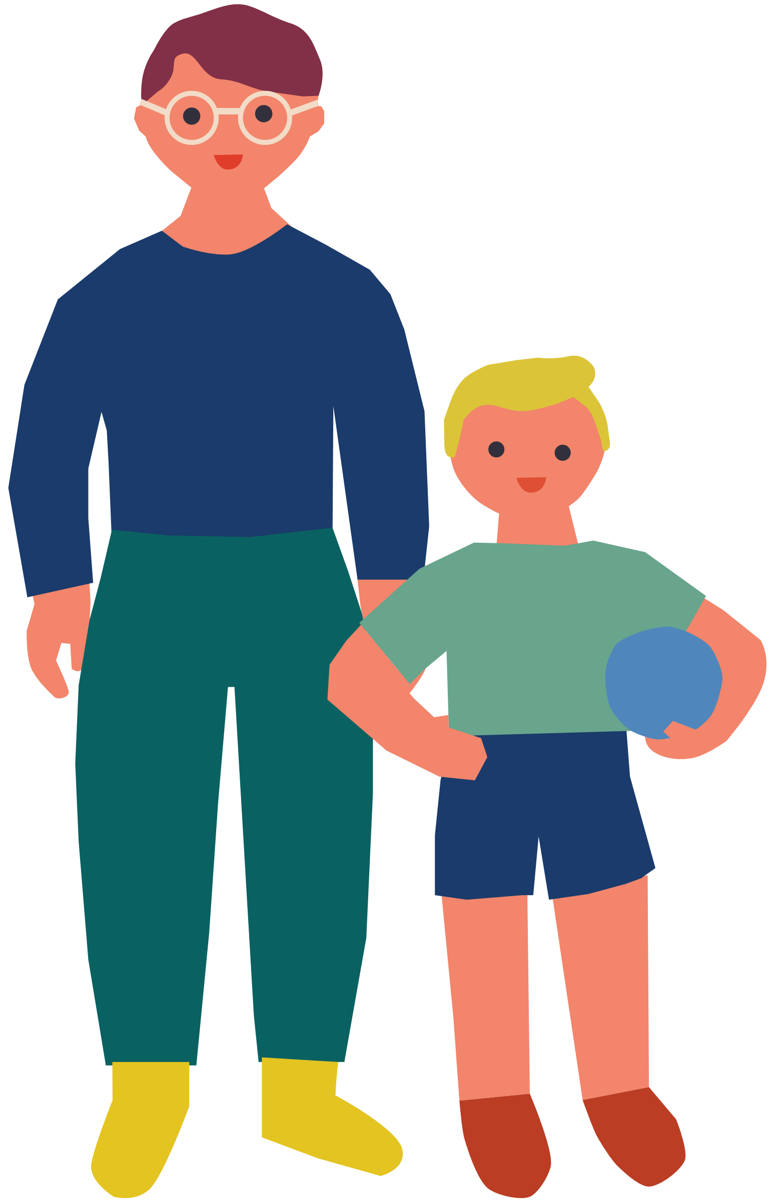
Life expectancy risk

When you come to retire, you might use the money in your account to buy a pension (also called an annuity) from an insurance company. The insurance company will then guarantee to pay you a pension for the rest of your life. As people are living longer, the cost of buying a pension is increasing. In other words, for every £1 you use to buy your pension, the amount of guaranteed income you'll get has decreased. As life expectancy increases, the amount of pension you can buy for your money will reduce, as the insurance company will be expecting to pay your pension for longer. When you come to buy your pension, this could mean that you'll need a larger Pace account to get the level of income you want.

Similarly, if you want to use the money in your account to take a lump sum when you retire, you may need more money in your account to get the level of cash that you require to fund your retirement. It's therefore important to consider this when thinking about how much you'll need your pension savings to grow by. You will be given information on your pension options when you come to retire. See Section 5 of the **Pace DC pension guide**.

Annuity rate risk

If you choose to buy a pension with your retirement account, the amount of pension that you can get from an insurance company can change depending on market conditions at the time. This may mean that you could need more money in your account to get the pension income you want. The Pace Pre-retirement Fund is intended to be a good match for annuity rates and so it tends to be suitable for people who are close to retirement. If you invest your account in the Target: Secure Income option, then part of your account will be invested in the Pace Pre-retirement Fund in the 10 years leading up to your retirement (see **Section 2**).



How secure is my account?

Money paid into Pace DB is held in a trust, which means that the assets are entirely separate from the assets of The Co-op. Your account in Pace is held in an insurance policy with Legal & General. The insurance policy allows Pace members to invest in funds from the Legal & General Group.

What happens if Legal & General or the Legal & General Group were to fail?

In the event of a failure of Legal & General, the Trustees would be eligible to make a claim under the Financial Services Compensation Scheme (FSCS). This means that the Pace Trustee would be able to make a claim for 100% of the value of your account and this would be recovered from the FSCS, with no upper limit. Therefore if your account within Pace was valued at £100,000 then the Trustees would be able to claim £100,000 from the FSCS on your behalf.

The investment options currently available are provided by both Legal & General and other companies in the Legal & General Group. If one of the other companies in the Legal & General Group was to fail, then the Trustees would not be able to claim through the FSCS. The value you would get back would depend on the value that Legal & General could recover.

How can I find out more information about the FSCS?

Further details can be found on their website **www.fscs.org.uk**

How financially strong is Legal & General?

One of the reasons why the Pace Trustee choose Legal & General to help manage the DC Section is that it is a very large and durable company. It is also considered to be financial strong by independent credit rating agencies such as Standard & Poors and Moody's Investors Service. The Trustees regularly monitor Legal & General's financial strength.

Some terms you should know

Annual management charge
The cost of managing your account each year, currently 0.13% of the total value of your account.

Annuity
In a defined contribution scheme, when you retire you can use the value of your account to buy an annuity from an insurance company. This annuity gives you a guaranteed income for the rest of your life.

Assets
Investment assets are the 'building blocks' of all investment funds. Assets are simply the things that funds invest in. The four main types of investment assets are equities (shares), bonds, property and cash.

Bonds
Bonds are also sometimes referred to as 'fixed interest securities'. Simply put, these are IOUs issued by a government or company. You can find out more about bonds on **page 18**.

Cash
Cash is one of the four main types of investment asset. You can find out more about investing in cash on **page 18**.

Equities
See 'shares'.

Drawdown
An alternative to cash or an annuity as a way of taking your DC benefits. You can leave your account invested and take money directly from it instead.

Fund
Your Pace account is invested in one or more investment funds. Investment funds are controlled by a fund manager and invest in different assets with the aim of helping your account grow.

Fund factsheets
Fund factsheets contain lots of detailed information about investment funds. You can find a factsheet for each of the six funds available to you by logging into **Manage your Account** available at **coop.co.uk/pensions**

Fund management charge
This is the cost of managing your investments each year. It varies between 0.10% and 0.30% of your account, depending on your investment choices. The fund management charges for each fund are shown alongside the description of the funds in **Section 2**, and full information on the charges that apply to your account can be found in Section 3 of the **Pace DC pension guide**.

Property
By property, we mean commercial property. Commercial property is one of the four major asset types. For more information, please see **page 18**.

Shares
Sometimes known as 'equities', owning shares means you own part of the company that issued them. Amongst other things, this gives you a share of any profit that company makes. Shares are one of the four main asset classes. You can find out more on **page 18**.

There are lots of other useful terms in the **Pace DC pension guide**.

Where can I get further information?

You can find out detailed information about Pace DC at: **coop.co.uk/pensions**, including:

- The **Pace DC pension guide** and various factsheets.
- Statement of Investment Principles – this is a document which the Trustees have put in place to record their investment objectives.
- Information about Pace DB and The Co-op's other closed pension schemes.

If you need further help, contact Legal & General:

Legal & General
Trustee Services Team
City Park, The Droveway
Hove BN3 7PY

Tel: 0345 026 8689

Email: **cooppensions@landg.com**

The Trustees have appointed HUB Financial Solutions, specialists in the retirement market, to help you to choose the best option for you (the cost of advice will be explained to you before you decide to go ahead). If you'd like to speak with HUB Financial Solutions, you can contact them on 0345 863 0495 or email **retirementsolutions@hubfs.co.uk**

Pension Wise

If you are aged 50+ and have built up pension savings in a defined contribution scheme (like Pace DC), you can receive free, impartial guidance from the Government, by going to: **www.pensionwise.gov.uk**

The Pension Wise service can offer you:

- Impartial guidance (online, over the telephone or face to face) to explain what options you have and help you think about how to make the best use of your pension savings.
- Information about the tax implications of different options and other important things you should think about.
- Tips on getting the best deal, including how to shop around.

Choosing what to do with your pension savings is an important financial decision; you can often get more for your money by shopping around.

Useful websites

You'll find lots of useful information about money, pensions and investing on the internet. Here are some websites that you might want to look at.

The Money Advice Service provides unbiased information about managing your finances. You'll also find some useful tools on their website such as a pension calculator to help you work out how much you should be paying into Pace. You'll find the website at **www.moneyadviceservice.org.uk**

If you'd like financial advice before deciding how to invest your account, you should speak to an independent financial adviser (IFA). You should bear in mind that an IFA will charge for any advice given. To find an adviser in your area, visit **www.unbiased.co.uk**. The website also contains some useful information about pensions and investing.

The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance on pensions and retirement. You can visit the website at **www.pensionsadvisoryservice.org.uk**

HUB Financial Solutions

The Pace Trustees have appointed a company that specialises in the retirement market called HUB Financial Solutions. If you'd like to speak with HUB, you can contact them on 0345 863 0495 or email **retirementsolutions@hubfs.co.uk**

Large format available

This summary is available in large print and as an audio file. Please contact Legal & General to request a copy.

Neither the Trustees, The Co-op nor Legal & General can guarantee the performance of any investment fund. Please remember that the value of your Pace account can go down as well as up depending on market conditions. Past investment performance of funds is not necessarily an indication of future performance. If appropriate, seek independent financial advice. Neither the Trustees, The Co-op nor Legal & General can provide you with financial advice.

Pace is run by the Trustee Board; further information about the Trustees is given in the **Pace DC pension guide**. The role of the Trustees is to provide you with an appropriate range of funds where you can invest your account, and to review the fund options from time to time. Note that it is not the role of the Trustees to try to predict market movements. Nor will the Trustees be responsible for the performance of any investment fund or any loss arising from a member's choice of investment fund.

This guide is not intended to be a legal promise to members, as it's only a summary of the terms and conditions of Pace. If there is any conflict between this guide and the Rules, the Rules (as amended from time to time) will be overriding. If you want to see a copy of the Rules, or have any questions concerning the contents of this guide, please contact the Co-op Pensions Department.