



12<sup>th</sup> July 2017

## **Pace Complete**

### **FAQ regarding the recent announcement by Co-operative Bank**

#### **1. What has the Bank announced?**

On 28<sup>th</sup> June 2017 the Co-operative Bank announced that it had come to an agreement with a group of its existing investors to raise funds to meet its longer term capital requirements.

As the Co-operative Bank is one of the sponsoring employers of Pace, the Pace Trustee and its advisors have been in detailed discussions with the Bank, the Co-operative Group and regulatory authorities to identify and address any implications for Pace.

#### **2. Will my benefits in Pace Complete be affected by the Bank's recent announcement?**

No, the Bank's capital raising exercise doesn't have any effect on the benefits you have built up in Pace Complete or on any pension that you're already receiving from Pace. The assets of Pace Complete are entirely separate from the Bank and the Co-operative Group, and your benefit entitlements are not affected by developments at the Bank.

#### **3. I am a pensioner member of Pace Complete. Will there be any changes to my pension as a result of the Bank's announcement?**

No, the pension you receive will continue to be paid to you in line with the Rules of Pace.

#### **4. Will the announcement have any implications for Pace Complete?**

If clearance is given by the Pensions Regulator and the Bank's capital raising exercise is completed successfully, there will be some changes to the structure of Pace in the future. Although Pace will continue as a single pension scheme, with the same single Trustee overseeing the whole scheme, two separate ring-fenced sections will be created. There will be a Group Section, with the Co-operative Group as the principal employer, and a Bank Section with Co-operative Bank as the principal employer. Around 79% of the assets and liabilities of Pace Complete will be allocated to the Group Section and around 21% will be allocated to the Bank Section.

Under this arrangement the Bank will no longer have an obligation to support the pension liabilities of the Group section. However the Group continues to have an obligation to support the pension liabilities of the Bank section in limited circumstances.

The Trustee and its advisers have worked hard with the Group and the Bank to protect the security of all members' benefits, across both the Bank and Group sections.

#### **5. Why create two sections within Pace Complete?**

If the Bank's capital raising is completed successfully, it will be necessary to create two sections within Pace Complete to ensure that the pension obligations of the two employers are separate.

The Trustee and its advisers have worked hard with the Group and the Bank to ensure the security of all members' benefits, across both the Bank and Group sections.

#### **6. How will the Group section of Pace be funded?**

The Co-operative Group, as the principal employer of the Group Section of Pace, will have a continuing obligation to ensure that this section is properly funded in order to secure members' benefits. The Bank will no longer be responsible for supporting the pension liabilities of the Group Section.

Pace as a whole is currently in good health and is well funded. The last triennial actuarial valuation was carried out as at 5 April 2013 and showed that Pace Complete was 93% funded on a prudent basis. The next triennial actuarial valuation is being carried out as at 5 April 2016 and the results will be available in due course. In the meantime the deficit recovery plan agreed at the last valuation remains in place, pending the 2016 valuation being finalised.

The Trustee will continue to work closely with the Group to ensure that the Group Section of Pace continues to be strongly funded.

#### **7. How will the Bank section of Pace be funded?**

The Co-operative Bank, as the principal employer of the Bank Section of Pace, will have a continuing obligation to ensure that this section is adequately funded in order to secure members' benefits.

Following discussions between the Trustee and the Bank, the Bank has also agreed to contribute £100m to the Bank Section over 10 years. These contributions will be backed by security over certain assets of the Bank, initially to the value of £216m.

In addition the Co-operative Group has committed to provide support to the Bank Section in limited circumstances.

#### **8. When will the two sections of Pace Complete be created?**

There are a number of stages which need to be completed before two sections of Pace Complete can be created – including clearance from the Pensions Regulator and the completion of the Bank's capital raising exercise. After this point is reached the Trustee will be in a better position to update members on the proposed approach and timing for creating the two sections.

#### **9. How will members be allocated into the two sections?**

Members will be allocated to either the Group Section or the Bank Section through a process that will take a number of factors into account.

At this stage it is not possible to tell members which section of Pace they are likely to be a member of. The Trustee will communicate this directly with members in due course.

#### **10. What is the role of the Trustee in this process?**

The Trustee is responsible for ensuring that the interests of all Pace members and the security of their benefits are protected.

Over recent months Trustee and its advisors have been in detailed discussions with the Bank, the Co-operative Group and regulatory authorities to identify and address any implications for Pace that may arise from the Bank's need to raise more capital.

The Trustee believes that the solution outlined for Pace is fair for all members and provides appropriate safeguards for the funding of both sections of Pace Complete. The Trustee will continue to work hard to ensure that the process to create two sections of Pace protects all members' interests, and that both sections continue to be strongly funded in the future.

[For more details about what Trustee does and who they are, click here.](#)

#### **11. I am also a member of Pace DC. What effect will the announcement have on Pace DC?**

The Bank's announcement won't have any impact on the money you've built up in your Pace DC account. As a member of Pace DC your pension account will remain in Pace, as a separate account administered on the Trustee's behalf by Legal & General. This is your own pot of money and it will continue to be invested for your retirement. [The Trustee has prepared a separate Q&A for members of Pace DC, which can be found on the Pace website.](#)

#### **12. I'm a member of the United / Yorkshire / Plymouth / Somerfield scheme – how does this affect me and my benefits in that scheme?**

This announcement doesn't impact your benefits in the United / Yorkshire / Plymouth / Somerfield scheme. The Co-operative Bank is not and never has been one of the sponsors of your scheme, and the proposals only relate to Pace.

[If you're also a member of Pace DC, an FAQ is available on the Pace website regarding your benefits in that scheme.](#)

#### **13. I'm a member of the Britannia Pension Scheme**

If you have pension benefits with the Britannia Pension Scheme, these are not affected by the proposal to create two sections within Pace. The Trustees of your scheme are aware of the announcement and you will receive further communications from the Britannia Trustee in due course.

#### **14. How will members of Pace be kept up to date with developments?**

The Trustee will be in a position to update members of Pace Complete again after the Bank has completed its capital raising exercise, which is expected by the end of September 2017. The Trustee will also ensure that the Pace website is kept up to date with news of any further developments.

**15. What if I still have a question?**

If you have a question about Pace Complete which isn't addressed in this FAQ, please email [staffpensions@coop.co.uk](mailto:staffpensions@coop.co.uk).