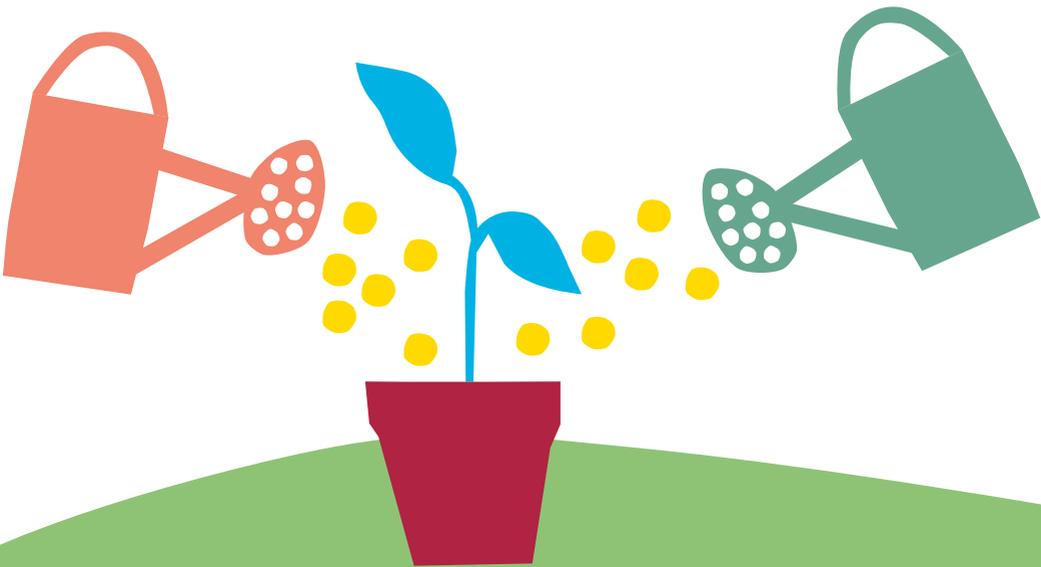




Your 2019 update

from Pace DC



Welcome to your yearly Pace DC update from the Trustees of Pace.

Your 2019 statement

How much will you have in your pension account at your retirement date and will it be enough for an enjoyable retirement? Your annual benefit statement gives you an idea of how much you'll have, to help you stay on track.

You might notice that the figures shown in your statement for pension pot value and yearly pension income are different from last year's. Here's why:

1. Contribution increases

In April 2019, contributions for some members of Pace went up. If you were paying 2% of your Pay, this increased to 3% - and the Co-op's contributions also went up from 3% to 5%. This means your estimated pension pot value at your retirement date may also have increased.

2. Expected investment performance

For most of Pace's funds, future investment returns are assumed to be lower than in last year's statement. This is because of movements in the financial markets. However, all of the funds have performed positively (gone up in value) during the last 12 months.

3. The cost of buying a pension

You don't have to use your account to buy a pension for life - you can choose what to do with the money, including taking it all out as a cash lump sum or keeping it invested and taking money out when you need it.

Legal & General uses **annuity rates** to work out how much pension income you might get when you retire, if you used the money in your account to buy an **annuity**. The assumed rates used this year are a bit lower than last year, so you might get slightly less pension for your money, but remember this is only an assumption.

Annuity

If you buy an annuity when you come to take your benefits, the money in your pension account is paid to you as a regular pension income for the rest of your life.

Annuity rate

This is the price of buying an annuity. The higher the annuity rate, the more you get for your money. Different insurance companies have different rates, so it pays to shop around. The exact income you could receive will depend on your personal details and the options you choose. Market annuity rates can, and do, vary significantly over time.



Check your retirement date

If you haven't told Legal & General what age you'd like to retire, they'll record your retirement date as your 65th birthday. If you think you might want to retire earlier or later than this, you should contact Legal & General to let them know. State Pension ages are increasing, so if you'd like to check your State Pension age, you can do so here: <https://www.gov.uk/state-pension-age>. Most members of Pace have their account invested so that the money is moved slowly out of higher-risk funds and into lower-risk funds as retirement gets closer. So if Legal & General doesn't have the right retirement age, you may not get the most out of your investments.

If you've recently contacted Legal & General to change your retirement age, this may not be shown on your statement.

If you want to change your retirement age, you can do it easily online by going to coop.co.uk/pensions and selecting Manage your Account from the menu, or by contacting Legal & General.

Transfer other pensions into Pace

Did you know you can transfer other pensions into Pace DC, if you'd like to?

If the pension you'd like to transfer is from a **defined contribution (DC) scheme**, you should read the guide on the pensions website called 'Your guide to pension transfers'.

You can find it under 'I'm in Pace DC'.

It explains the things you should think about, including where your previous pension is invested and whether the charges are higher or lower than those in Pace DC. You can then complete the transfer request form and return it to Legal & General.

You must be an active member of Pace DC to be able to transfer benefits into Pace DC. You're an active member if you're currently employed by the Co-op and are paying into Pace DC.

There are some pension arrangements, including defined benefit (DB) schemes, that Pace DC can't accept transfers from, unless you've received advice from an authorised financial adviser.

DC pension

This is a type of pension arrangement like Pace DC, where the benefit you receive at retirement will depend on the amount paid into your account and investment returns.



Changes to your investments in Pace DC

We've made some changes to the Pace Growth (Mixed) Fund to bring it more in line with our responsible investment policy. If you haven't made your own investment choices, some or all of your pension account will be invested in this fund.

In June 2019, we moved members into a new investment fund. The fund has the same financial objectives but now aims to take into account the environmental and social behaviours (including climate change) of the businesses it invests in, as well as how well they are governed and run, when deciding how much to invest in different companies. There were no changes to the charges you pay as a result of this move.

If you'd like more information about this fund, you can find it on the pensions website or by logging into Manage your Account.

Investment changes planned for 2020

Earlier this year, we also reviewed the way the three Target investment options work, including the default option. We took advice from our investment adviser and considered how much investment risk members could take at different ages and how much they might save for their retirement.

Following this review, we've decided that members who are more than 20 years from their chosen retirement date should have more of their pension account invested in equities (company shares). Although equities are higher risk, they also offer a higher expected return - which may help to improve members' pension outcomes at retirement.

We'll introduce this change in 2020 and more information will be available through the pensions website. If you've made your own investment choices and selected one of the six investment funds available to you, rather than choosing one of the Target options, or if you have fewer than 20 years to go until your chosen retirement date, this change won't affect you.

Target options

Pace DC offers three 'Target' investment options, which are designed to be a good match for the different retirement options you can take from Pace DC: a cash lump sum, an income for life or a flexible income (drawdown). Further information on these options can be found in your Retirement Guide at coop.co.uk/pensions

Changes to Pace's Trustee Board

In September 2019, we, the Trustee Board, agreed with the Co-op and the Co-operative Bank that there would be some changes to the Trustee Board. This means that instead of 11 Trustees, we now have 4 - all independent, professional Trustees. You can find out who they are on the pensions website, under About Pace/The Trustees.

The changes mean that the Trustee Board no longer includes employer and member Trustees. However, a Members' Consultation Committee has been established which will include former member-nominated Trustees. This Committee will meet throughout the year with representatives from the Trustee Board and Co-op senior management to discuss current Pace DB and Pace DC matters and strategic plans. We're also committed to hearing the views of Pace's DB and DC members through various colleague and pensioner focus groups.

We've carefully considered the changes to the Trustee Board, discussed them with our advisers and believe that the new structure is a reasonable and appropriate change.

We'd like to give our sincere thanks to the employer and member Trustees who have performed their duties extremely well and made a great contribution throughout their appointment.

Alongside the Co-op Pensions Department, we'll continue to manage Pace, looking after your benefits in exactly the same way as before, and these changes will not have any impact on your benefits.

Death benefits - some information on tax

There is a maximum level of death benefits that can be paid from all pension schemes (set by the Government) without incurring a tax charge; as of 6 April 2019 this was £1.055m. The lump sum payable on death whilst working for the Co-op will count toward this, as will the value of your Pace DC account. More information about death benefits (including those that would be paid if you were previously a member of Pace DB) can be found at coop.co.uk/pensions

