



Your 2020 update

from Pace DC

Remember, you can check your Pace DC savings 24/7 through Manage your Account.



Hello!

This yearly update from the Trustees of Pace is sent along with your annual benefit statement, to give you some background to your pension and help you understand what you can do to keep your retirement plans on track.

Of course, the last year has been dominated by COVID-19. The outbreak led to a lot of uncertainty in financial markets, as well as in our daily lives. While we should expect continuing ups and downs in the times ahead, there are signs that economies are adjusting. However, if you're worried about day-to-day living costs, the Money Advice Service website has a page that tells you more about the financial support that is available from the Government, and also has useful tips on managing your money: moneyadviceservice.org.uk/en/articles/coronavirus-and-your-money

For someone like you, whose pension is invested in the stock market, these recent events have highlighted how important it is to make sure you've selected your correct retirement age. Most of our members are invested in the Target options, which move your savings towards less risky investments as you approach retirement. If we don't have your correct retirement age, this process won't work in the way it's supposed to, leaving you more exposed to the risk of losing money just before you plan to retire.

As before, the figure shown in your statement for yearly pension income is different from last year's. It's worked out using certain assumptions, including what future investment returns might look like and how the cost of buying a pension for life (an annuity) might change, if you decided to use the money in your pension account in this way.



- **Investment returns**

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.

- **The cost of buying a pension**

The Government says we have to show how much pension your account could buy from an insurance company, which is why we include this in your benefit statement. You don't have to use your pension account in this way though - you can take it all as cash or keep it invested. 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 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

An annuity is a type of insurance product where an insurance company pays you an income in retirement (a pension), usually for the rest of your life. In exchange, you pay the insurance company a lump sum - which could be all or some of the money in your pension account.

Annuity rate

This is the price of buying an annuity. It is usually expressed as a figure (say, £4,500). This is how much annual income you might get if you paid the insurance company a lump sum of £100,000. Different insurance companies have different rates - so one might quote a rate of £4,500 and another a rate of £4,200. That's why it pays to shop around.

The higher the annuity rate, the more you get for your money. The exact income you could receive will depend on your personal details and the options you choose. Annuity rates can, and do, change over time.

Investment changes planned for 2020/21

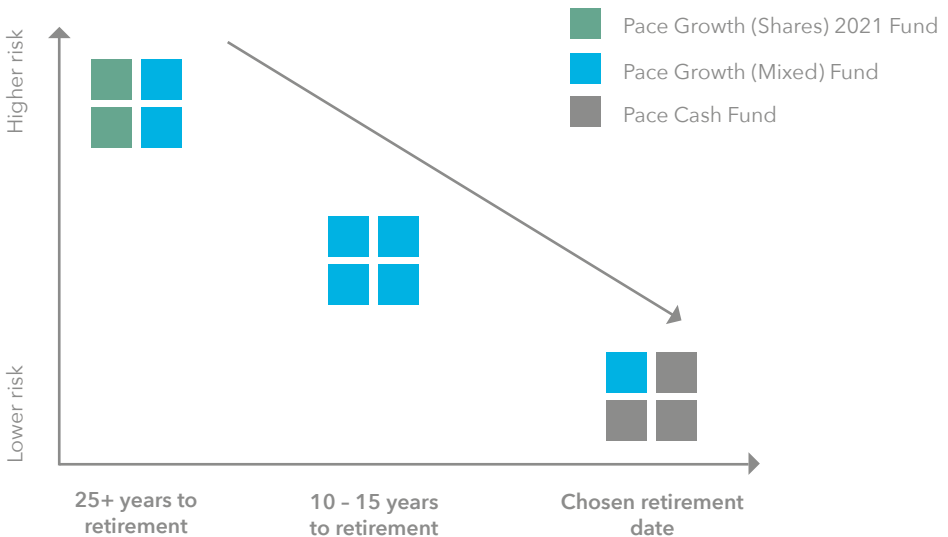
Last year, we talked about changes we had planned to the investment strategy for members in the early years of saving with Pace, which we were looking to make in 2020. As a result of the COVID-19 pandemic, we took advice and delayed making the changes to the Pace Target options. We still think it's important to go ahead with these changes, because they will hopefully help your pension account grow quicker.

What changes are being planned?

After taking professional advice, we decided that members who are more than 15 years from their chosen retirement date can handle a bit more risk with their Pace investments, so we think they should have more of their pension account invested in equities (company shares). Although equities are higher risk, they can also improve the chances that your pension account will grow faster.

We'll also be adding a new equity fund to the range of funds available to members: the Pace Growth (Shares) 2021 Fund. We believe this is more suitable than the current Pace Growth (Shares) Fund and are planning on closing the old fund to new members and transferring existing members to the new fund.

How does the new fund fit into the Target: Lump Sum lifestyle strategy?



When will the changes be introduced?

We're looking to make these changes in early 2021 for existing members of Pace DC, although we're planning to introduce them slightly earlier for new joiners to the scheme.

Do I need to do anything?

If you're in the default fund, or one of the other Target investment options, but have less than 15 years to go until your chosen retirement date, this change won't affect you. If you're more than 15 years from retirement, we'll post information on the website later this year that explains the changes in more detail, so be sure to check it out.

If you make your own investment choices and you selected the current Pace Growth (Shares) Fund, we'll be writing to you about the switch to the new Pace Growth (Shares) 2021 Fund. You'll be able to stay invested where you are, if that's what you prefer.

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

Latest SIP available

We have updated our Statement of Investment Principles (SIP) to reflect how we implement our policies on environmental, social and corporate governance (ESG) issues (including climate change). The SIP is a document that sets out how the Trustees make decisions about the scheme's investments and strategy. The latest SIP is available on the website at coop.co.uk/pensions, as well as a statement setting out how we complied with our ESG policies over the year.

Important reminders

Check your retirement date

If you're planning to retire earlier or later than 65, it's important to let Legal & General know. 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.

If Legal & General doesn't have the right retirement age for you, that means you may not get the most out of your investments.

If you recently asked Legal & General to change your retirement age, this change might not show on your statement - but you can always check your details are up to date by going online to coop.co.uk/pensions and selecting Manage your Account from the menu, or by contacting Legal & General. It's also easy to change your retirement age online through Manage your Account - so if you haven't registered yet, now's the time to get online!



Keep your Nomination form up to date

If you die before you're able to take your pension savings, the money in your account will be paid to your beneficiaries (the people you'd like the money from Pace DC to go to when you die). And, if you're paying into Pace DC, they'll also get a death-in-service lump sum. The size of the lump sum depends on how much you're paying into Pace DC.

The Pace Trustees will generally decide who gets the death benefit. (This may also allow death benefits to be paid free from Inheritance Tax.) The Trustees need to be satisfied that the money is distributed in the most appropriate manner - so having an up-to-date Nomination form can help us a lot. Remember to update your Nomination form to reflect any changes in your circumstances. Although the Trustees cannot be bound by your request, we will take your wishes into account.

You can download and print a Nomination form from the website, coop.co.uk/pensions