

Pace DB

Members' Report



2025

Chair's welcome

I'm pleased to update you on the latest news from Pace DB and the wider world of pensions. I hope you find it both informative and interesting.

As a reminder, your Pace DB benefits are now secured by several insurance company 'buy-ins', with Aviva, Pension Insurance Corporation (PIC) and Rothesay. This means that Pace DB owns a number of insurance policies which very closely match the benefits payable to all members, backed up by the security of these three regulated insurers and their significant capital reserves. The Trustee remains responsible for paying members' pensions, with administration carried out by our in-house Co-op Pensions Department.

We are now progressing towards an insurance buyout for Pace DB. This is a common step after a buy-in and represents the natural next step for schemes like Pace in securing members' benefits over the longer term. You can find out more about our plans on page 4.

In the meantime, we'll continue to manage Pace, and we're embarking on a major project called Guaranteed Minimum Pension (GMP) equalisation, which you can read about on page 6. This project will ensure that all member records are up to date by the time we're in the position to progress to a buyout. Member engagement and clear communication will remain central to our approach as we navigate this important phase in our history.

I hope you enjoy reading this *Members' Report* and find it useful. If you have any comments or if there are any topics you would like to know more about in a future issue, please get in touch using the details on page 16.

Chris Martin (Independent Trustee Services Limited)
Chair of the Pace Trustee board



The contact details on page 16 are for questions about Pace DB benefits administered by the Co-op Pensions Department. If you also have Plymouth Fund or Yorkshire Fund benefits which transferred into Pace DB in March 2021, you will receive another copy of this report which includes the contact details for Aptia (formerly Mercer), the administrator of those benefits.

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From buy-in to buyout: protecting Pace

We've previously told you about our work in partnership with the Co-op to increase the security of your benefits in Pace DB. This has included purchasing a series of 'bulk annuity' insurance policies with regulated insurance companies: Aviva, Pension Insurance Corporation (PIC) and Rothesay.

These are all well-established insurers bound by strict regulations and robust safety requirements. Buying these policies (sometimes referred to as buy-in policies) supports our continued commitment to risk management and providing security and reassurance for members.

All Pace DB members are now covered by insurance policies supporting the payment of their benefits. When a member or their dependants take a benefit from Pace (e.g. pensions in payment, transfer values, death benefits), the policies will pay money to Pace that covers the value of these benefits. This removes the risk of Pace not having enough funds to pay benefits in full and provides you with additional protection to ensure you receive what you're entitled to.



To help you identify information about changes to Pace, look out for the 'Protecting Pace' logo on future communications.



Important information about protecting Pace and increasing member security

Building on the positive actions taken by the Trustee and the Co-op, the Trustee is now working towards what is known as a buyout, which will create a personal insurance policy for you with one (or more) of the three insurers named on page 4.

Following a buyout, the insurance company would pay your benefits direct to you, in full when they're due, instead of paying the money across to Pace first.

This is a positive change towards guaranteeing you a more secure pension income. Once the buyout is completed, Pace would close (or wind-up). This is something that many schemes like ours work towards.

There are some actions we still need to complete for the buyout to happen, and we'll keep you updated as things progress.



Who's in Pace?

As at 5 April 2025, Pace DB had 59,754 members.



Closure members 2,316

These members were paying contributions into Pace DB before it closed in October 2015. They now pay contributions to Pace DC, the Co-op's pension scheme for all colleagues, which has around 86,400 members.



Deferred members 24,777

These members haven't yet started to receive their pension but have a preserved pension in Pace DB.



Pensioner members 32,661

These members are receiving a pension from Pace DB.

Total 59,754

GMP equalisation

You may have heard about GMP equalisation already, either from reading about it in the press or because you have a pension in another scheme that is also going through this process.

It only relates to benefits built up in Pace DB – and only to those benefits that built up in Pace DB during the period 17 May 1990 to 5 April 1997. This is a period when you may have been contracted out of the State Second Pension and paid lower National Insurance contributions as a result. GMP equalisation doesn't apply to any benefits built up in Pace DC or in any other Defined Contribution (DC) scheme.

GMP equalisation will ensure members receive the correct level of benefits they're entitled to.



Top things to know

- **What we're doing.** We're reviewing the part of members' Pace DB benefits that may have been calculated differently during the period 17 May 1990 and 5 April 1997 because of their sex and UK laws in the past.
- **It's not just about female members.** Both male and female members could be affected if they built up contracted-out benefits in Pace DB during this period.
- **Your pension won't decrease.** GMP equalisation will not reduce anyone's benefits in Pace DB.
- **Don't expect a big change.** The impact for most members, if any, won't make a big difference to their total Pace DB pension.
- **You won't see any change for now.** Rest assured, if you're affected by GMP equalisation, we'll let you know.

A bit more detail

Under law, UK pension schemes have only been required to provide equal benefits for male and female members from 17 May 1990, following a European Court of Justice ruling. At the time, it wasn't clear whether this law covered the part of members' benefits that is known as GMP, the calculation of which is set out in legislation and is different for males and females.

In 2018, the UK High Court ruled that all schemes like ours must take action to address any sex-based inequality arising from any GMP earned between 17 May 1990 and 5 April 1997 (when GMP ended).

The process we need to follow to address this inequality is known as GMP equalisation.

If you're affected by GMP equalisation, we'll let you know. You'll hear from us at different times depending on whether you're already receiving your pension or if you have benefits in Pace DB which you've not yet taken.

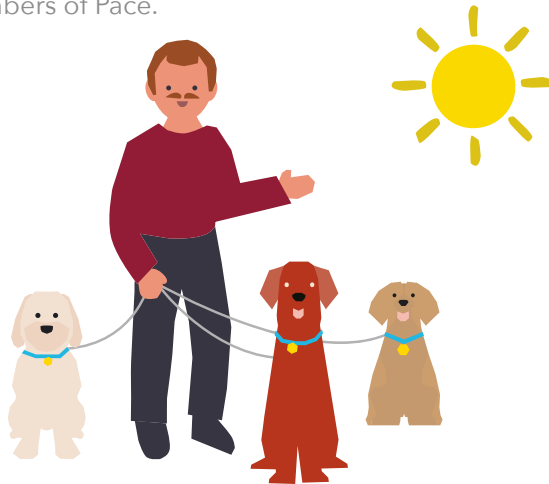


Our investments

As we have reported previously, we now have three insurance policies which provide the Co-op Section of Pace DB with the means to pay the promised pension benefits.

The value of the benefits secured by these policies is around £4.6 billion, and the Co-op Section also holds money in cash funds to meet any uninsured benefits, the future running costs and other expenses.

The Trustee remains responsible for paying pensions to all members of Pace.



Responsible investment

As long-term investors, making sure Pace's assets are invested responsibly and sustainably is important to the Trustee, which wants to invest in order to pay benefits in a way that takes into account broader social and environmental concerns.

In 2024, we published our third climate change risk assessment report, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition to Scope 1 and 2 emissions that were previously reported on, Pace also reported its Scope 3 carbon emissions.

You can find out more in the latest responsible investment report and the climate change risk assessment reports available on our website, coop.pacepensions.co.uk/useful-information/pace-investments

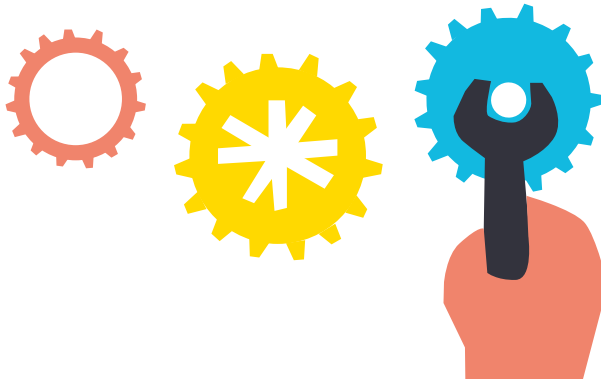
Pace noticeboard

Valuation update

This *Members' Report* doesn't include a funding update. That's because the actuary, an adviser to the Trustee, is currently reviewing Pace DB's finances as part of the scheme's formal valuation.

A valuation takes place every three years and looks at the financial strength of Pace DB on a particular day - in our case, usually 5 April. The actuary also carries out less detailed check-ups in the years between valuations.

Having insured members' benefits through three buy-in policies (see page 4), Pace DB is now largely protected against changes that impact its funding level. We will, of course, update you when we know the results of the valuation. However, please be assured that, regardless of the funding position, your Pace DB benefits will be covered in full by the three insurance policies. This is because the policies will always cover the value of your benefits and remove the risk of Pace not having enough funds to pay benefits in full.



Check the website for updates

The pensions website at **coop.pacepensions.co.uk** remains your first port of call for the latest news about Pace or your pension. If service in future is disrupted for any reason, we'll post updates on the website as they are confirmed - making this the quickest way to keep in touch with Pace. It's also a good idea to check the website regularly anyway, as it has lots of useful information about Pace and how your pension works.



Winter Fuel Allowance update

The government has rowed back on its plans to means test the Winter Fuel Allowance by linking it to Pension Credit, so all eligible State pensioners in England and Wales will receive the payment this winter. However, if your pension income is higher than £35,000, HMRC will take the money back through the tax system. You can opt out of receiving the Winter Fuel Payment if you don't want to receive it. Find out more at www.gov.uk/winter-fuel-payment

Lost a pension?

In 2022, the value of lost pension pots was estimated to have reached £26.6 billion. If you think you may have lost a pension, the Pension Tracing Service is a free government service that can help. You can phone the service directly on 0800 731 0175 or search 'pension tracing' on www.gov.uk

Boost your State Pension - a reminder

For most of us, the State Pension will form a valuable part of our retirement income. You can check your forecast at www.gov.uk/check-state-pension

You'll also be able to see how many qualifying years you've built up and make any top-up payments if needed.

If you had gaps in your National Insurance (NI) record between April 2006 and April 2016, the window for filling them with voluntary NI contributions has now closed. However, you can still fill any gaps going back six years. The government website has a tool to check if you have any gaps, how much it would cost to fill and how much extra State Pension you might get.

Did you know?

It's possible to defer the payment of your State Pension if you want to. To help you decide, first find out when you can start claiming your State Pension - visit www.gov.uk/state-pension-age

Pension Credit

Even though Pension Credit no longer automatically qualifies you for a Winter Fuel Payment (see page 10), it does provide many other financial benefits, so it's worth checking if you're eligible. You might be able to get Pension Credit even if you have a personal pension, savings or own your own home. You can use the Pension Credit calculator to find out if you're eligible (www.gov.uk/pension-credit-calculator) or call the claim line on 0800 99 1234 (Monday to Friday 8am to 6pm).

Have you registered for Member Online?

Details of your Pace pension are available 24/7 via our secure online service, Member Online. There's an online guide to help you through the registration process, and once you've set up your account you can easily access your payslips, P60s and other important documents with just a few clicks.

Visit memberonline.pacepensions.co.uk to get started.

A note about pension arrears

We can only pay pension arrears of up to six years (or eight years for that part of your pension which is guaranteed minimum pension, or GMP) once you get past age 75. This means that if you didn't start receiving your pension until age 82, you would receive arrears of your GMP from age 75 but only receive arrears of your non-GMP pension back to age 76.



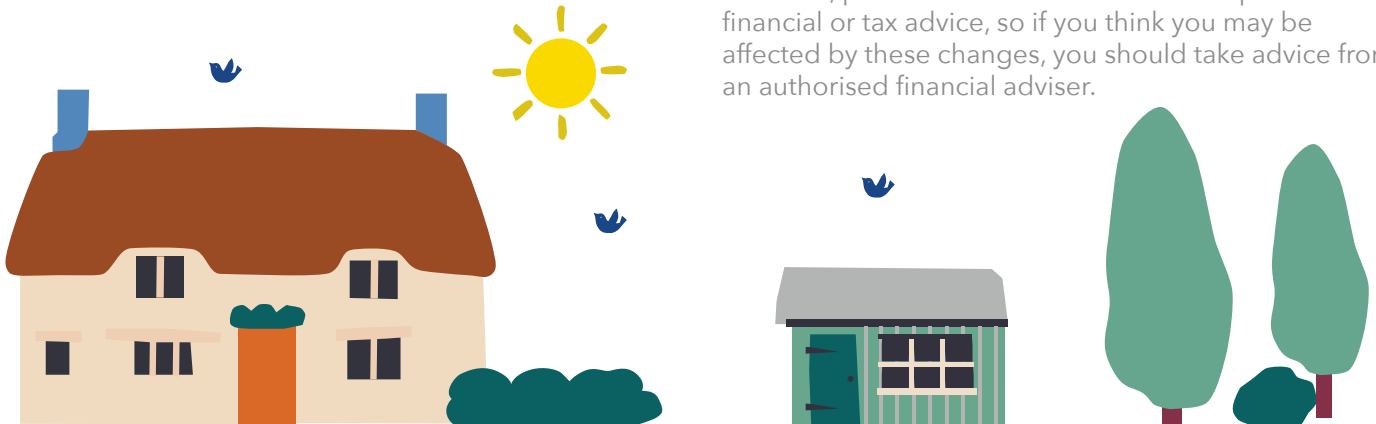
Pensions news

Inheritance tax and your pension

Currently, lump sum death benefits from pension schemes aren't considered part of your estate, so won't be subject to inheritance tax (IHT). However, the government plans to introduce legislation to change this, so that from 6 April 2027, most unused lump sum pension savings and death benefits will be included within the value of your estate for IHT purposes. This means that, unless passed to a spouse or civil partner, these funds may be subject to IHT.

The government has recently consulted with the pensions industry on how these reforms might work in practice. Following this consultation, the government has confirmed that lump sum death in service benefits (payable if you die while still working) and spouse/dependant scheme pensions will not be included in the value of your estate and will continue to be free of IHT. The government is continuing to gather feedback from the industry on its proposals, so once we know more, we'll update you.

However, please note that we're unable to provide financial or tax advice, so if you think you may be affected by these changes, you should take advice from an authorised financial adviser.



Taking lump sums from your pension

Last year's newsletter looked at the introduction of two new pensions tax allowances that limit how much tax-free cash can be taken from a pension:

- **The Lump Sum Allowance (LSA)** – when you take your benefits, you can usually take up to 25% tax free, but the LSA caps this amount at the lower of £268,275, your available LSDBA (see below) or the amount permitted under the pension scheme's rules (this applies across all pension schemes, not just Pace DB).
- **The Lump Sum and Death Benefit Allowance (LSDBA)** – a limit of £1,073,100 now applies to the tax-free elements of lump sums that can be paid from all your retirement savings, including any paid on your death or ill health.

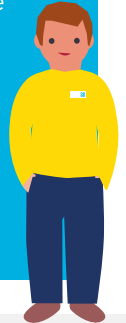
All members should consider how the new allowances may affect their own financial and retirement plans. We've updated the tax factsheets that appear on the Tax Information section of the pensions website, for those members who'd like more details.

Change in earliest retirement age

The government is increasing the minimum retirement age (the earliest age at which you can draw your pension unless you are in ill health) from age 55 to age 57 in 2028. This won't apply to pension savers who already have a protected early retirement age below 55, and in some cases, members may be able to 'lock in' (or protect) early retirement at age 55 as long as it's set out in the Rules of their scheme.

If you have a protected early retirement age under any of your pension schemes, please take care if you're thinking about transferring your benefits to another scheme. In most cases, you'll lose your right to retire before age 57 unless you already have a protected early retirement age under the scheme you're transferring to, or your transfer is a block transfer (where two or more people are transferring to the same scheme). Please check these details with your new pension scheme and consider taking advice from an authorised financial adviser before you decide to transfer your benefits.

If you haven't retired yet and you're planning on retiring from Pace DB before age 57, please contact the Pensions Department.



Stay alert to pension scams

Many people have been targeted by pension scammers, who offer seemingly attractive 'investment opportunities' to encourage you to transfer your retirement savings into their funds. These scams could result in the loss of your entire retirement savings, and you could also face significant tax penalties.

Scam tactics include:

- contact out of the blue (this could be via a phone call or via social media)
- promises of high or guaranteed returns or better returns on your pension savings
- free pension reviews and/or access to your pension before age 55
- pressure to act quickly and high-pressure sales tactics
- unusual investments, which tend to be unregulated or high risk and/or have complicated structures, so it is not clear where your money will end up
- several groups or companies involved which all take a fee, meaning the amount taken from your pension will be significant.

To help you identify a scam and protect your retirement savings, the Financial Conduct Authority has launched an online tool so you can check that the firm you are dealing with is regulated and see if what you're being offered is a known scam or has signs of a scam. You can find it, along with more information on scams, at

fca.org.uk/scamsmart/how-avoid-pension-scams

Impersonation fraud

Criminals are increasingly using impersonation techniques to access members' online pension scheme accounts to steal money and/or personal data.

Please stay vigilant at all times and ensure your pension account details are up to date. You can find more information on how to avoid and report fraud on the Stop! Think Fraud website: stopthinkfraud.campaign.gov.uk

We've signed the pledge

The Pensions Regulator is encouraging trustees and administrators to make the pledge to adopt industry best practice to prevent scams. It's a voluntary commitment made by Pace which recognises the extra steps we've taken to help protect members from scammers.

Your Trustee

Pace is set up as a Trust that holds all the assets of the scheme for the benefit of its members - and it is entirely separate from the Co-op.

Last year, the governance of Pace was outsourced in full to a single professional trustee, a company called Independent Trustee Services Limited (ITS, part of Independent Governance Group). ITS's main representatives are Chris Martin (the Chair) and Priti Ruparelia who work primarily on the Defined Benefit (Pace DB) and Defined Contribution (Pace DC) sections respectively.

Using ITS gives Pace access to a broad team of pensions specialists, drawn from diverse backgrounds and disciplines. This ensures key decisions can be made quickly, in an informed, balanced and impartial way.

You can find out more about ITS, Chris and Priti on the pensions website, at coop.pacepensions.co.uk/about-pace/the-trustees



Get in touch

Please stay in touch with us and update us if you move house or change your contact details.

We'll write to you at various points, including before you retire. If we lose contact with you, this could delay you claiming your pension benefits.

Please get in touch by email if you can. If not, you can call or write to us.

Email us: staffpensions@coop.co.uk

Phone us: 0330 606 1000

Find us online: coop.pacepensions.co.uk

Write to us:

Pensions Department
Dept 10406
Co-operative Group Limited
1 Angel Square
Manchester M60 0AG

If you're a former Plymouth or Yorkshire Fund member

The contact details on this page are for questions about Pace DB benefits administered by the Co-op Pensions Department. If you also have Plymouth Fund or Yorkshire Fund benefits which transferred into Pace DB in March 2021, you will receive another report which includes the contact details for Aptia (formerly Mercer), the administrator of those benefits.



Please note: your Pace benefits are determined by and subject to the Pace Rules as amended from time to time ('the Rules'). If there is any conflict between any information in this *Members' Report* and the Rules, the Rules will be overriding and will determine the benefits you receive. You can download a copy of the Rules under Useful information/Pace DB at coop.pacepensions.co.uk