Investment choices for the TSB Pension Scheme

Investing for your retirement

The TSB Pension Scheme (or 'the Scheme') has been designed to match your needs at different times in your life.

As your circumstances change, your pension investments can change with them. The Scheme lets you invest the contributions made to your account in a number of different ways.

You should review your account regularly, as making your investment and contribution choices are not one-off decisions. You'll receive a benefit statement at least once a year so you can see how much you are saving. You can use this update as an opportunity to review your investment choices.

The 'Glossary' on page 14 will help you understand the terms used in this guide.

By law, employees of TSB, the Trustee and the Scheme administrator cannot give you investment advice. See page 6 for details about finding an independent financial adviser in your area.

Contents

You can also find details about **the Scheme** and its investment choices by visiting our website at **www.tsbpensionscheme.co.uk**

Planning for your retirement

Ask yourself the following questions:

- When would I **like to retire**?
- How much **income will I need** in retirement?
- What other **savings** or **sources of income** will I have?
- How can I build up enough savings to **achieve my target income**?
- How can I **protect my savings** as I approach retirement?
- What **type of income** will I need in retirement?

Everybody's different

The answers to these questions will shape the decisions you make. The Scheme is designed to recognise that people have different priorities at different times. It allows for changes as you make your way through life, and gives you the flexibility to alter your choices throughout your membership.

For example, if you're a long way from retirement, you might want to invest in growth funds. As you get closer to retirement, you'll probably want to protect the savings you have already built up. The Scheme makes these decisions easier by helping you understand the impact of any choices you make.

Helping you make plans

We have provided you with an online planner. It will let you see the difference that changing your target retirement age or the amount of contributions made to your account can make to your plans.

This planner is available at **tsbpensionscheme.co.uk/planning_your_retirement**

Staying focused

Risk and return

Investing for a pension is all about getting the best returns in the long term, but you need to decide how much risk you want to take. Low levels of volatility are usually associated with low potential returns, whereas higher levels of volatility are usually associated with higher potential returns. Investments typically produce higher returns only if they are subject to the possibility of more value being lost.

Changing your investments

You can change your investment choices at any time, and these will usually be processed within 10 working days. You should always contact an independent financial adviser (IFA) if you are unsure about the decisions you have to make.

There is no administration charge for changing your investment choices, although the Trustee reserves the right to review this. To change your choices contact the Scheme administrator using the contact details on the back of this guide.

Keeping yourself informed

You should review your account at least once a year, when you receive your annual benefit statement. This gives you an up-to-date valuation of your account along with a projection, in today's money terms, of the pension you might purchase at retirement. This projection assumes that your total monthly contributions will continue at the same rate. You can also request an up-to-date account value by contacting the Scheme administrator.

Your Target Retirement Age is 65, unless you have selected an alternative age to retire. If you wish to choose or change your Target Retirement Age, you can do this by getting in touch with the Scheme Administrator using the contact details on the back of this guide. As you approach retirement, you will receive a personal illustration, which will include an up-to-date value of your account. It will also give you full details of the options available to you and the decisions you need to make about the payment of your benefits.

Financial advice

The value of your account may go down as well as up. By law, employees of TSB, the Trustee and the Scheme administrator cannot give you advice on choosing your investment funds.

If you are unsure about any of the investment decisions that you have to make, it is strongly recommended that you contact an IFA. You can find details of an IFA in your local area by visiting **www.unbiased.co.uk**

The Trustee will regularly review the choice of funds available within the Scheme and will make any changes that are deemed appropriate. These changes can apply to the accrued value of your account and future contributions. The Trustee also has the ability to change the underlying managers, structure, operation and charges of each fund. Any changes can be made without prior notice but you will always be informed if you are affected.

For more information about the Scheme visit **www.tsbpensionscheme.co.uk**

Your investment choices

The investment options in the Scheme give you a range of choice and flexibility. There are two different investment paths you can choose from for your pension contributions. These are:

1. LifePlan

LifePlan is designed to adapt automatically to most members' changing investment priorities as they move through their career towards retirement.

OR

2. PersonalChoice

You might want to have more control over how your account is invested, so PersonalChoice provides you with additional options.

Cost-effective investments

We have negotiated excellent terms with the investment managers to ensure the costs you pay are low for the type of funds offered. The annual management charges (AMCs) are calculated as a percentage of the value of the investment funds and are deducted by the investment managers.

You can find details of the current fund charges at **tsbpensionscheme.co.uk/your_investment_choices**

The Trustee reserves the right to vary charges or introduce additional charges without prior notice to you.

LifePlan

How does it work?

LifePlan aims for a good level of growth in the early to mid-stages of saving for your retirement by investing your contributions in the Growth Fund. As you approach your Target Retirement Age, the investment of your account will gradually move from the Growth Fund to investments that are generally considered more appropriate for your retirement. This gradual move begins 10 years from your Target Retirement Age and takes place month-by-month until you reach your Target Retirement Age. See the following page for more information on the LifePlan choices.

If you do not retire at your Target Retirement Age, your account will remain invested in your chosen LifePlan until you choose to take your benefits.

A specific version of LifePlan called Destination Drawdown has been selected and will automatically apply to you if you do not make your own investment choices. This is summarised on the following page. Please note that a specific approach is not being recommended to you.

Why would I choose LifePlan?

LifePlan helps take the time and effort out of managing your investments because your account automatically switches to less risky funds as you approach retirement. So, if you feel uncomfortable managing your own investments, or don't have the time, LifePlan may be suitable for you.

Why would LifePlan not be right for me?

Just because your account is switched automatically, it doesn't mean that LifePlan is the best option for you. LifePlan invests in a specific manner, and you might prefer to have greater control over the way your account is invested.

LifePlan operates on the basis that you draw your pension at your Target Retirement Age. Your circumstances may change and you might need to take your pension earlier or later.

If you take an interest in investing, or want a potentially higher-growth fund or particular investments for your account, then either changing your LifePlan option or choosing PersonalChoice might suit you better.

LifePlan choices

LifePlan is aimed at anyone who wants the time and effort taken out of managing their investments. If you choose this option, as you get closer to your Target Retirement Age your money automatically switches to investments that are generally considered to be lower risk and more appropriate for your retirement.

Depending on your preferred method of drawing your funds at your Target Retirement Age, you can choose from the following three LifePlans:

1. **Destination Drawdown**
2. **Destination Pension Annuity**
3. **Destination Cash**

The Trustee (together with its investment consultant) has chosen **Destination Drawdown** as the default LifePlan for the Scheme. This means your pension account will automatically be invested in the Destination Drawdown LifePlan if you haven't made any investment choices.

Destination Drawdown (the default option):

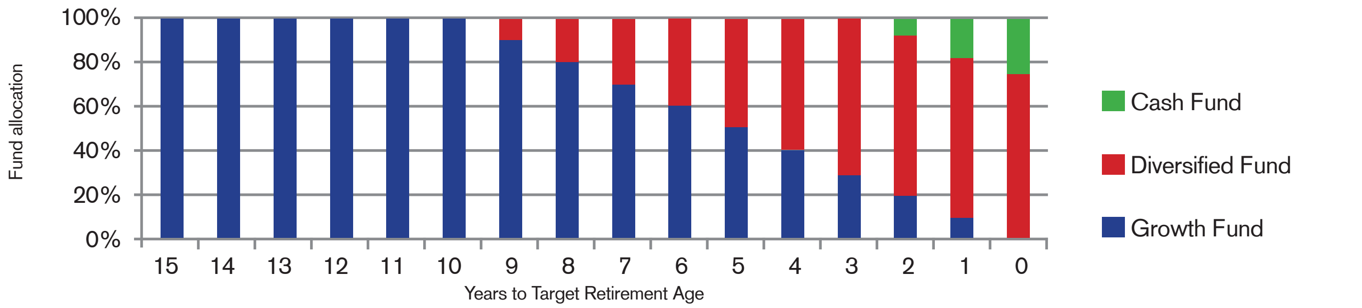
This strategy is aimed at members who anticipate taking full advantage of the greater flexibility in retirement benefits now available by drawing down funds as and when they need in retirement. Drawdown is not currently offered by the Scheme but once you reach your Target Retirement Age you could transfer your pension account to a suitable arrangement outside the TSB Pension Scheme that allows you to regularly draw down lump sums (less income tax) from your investments during retirement.

This strategy is based on the following principles:

- retaining growth potential in the early years (mainly through equity exposure with some diversification),
- reducing equity exposure and increasing diversification gradually from 10 years from your Target Retirement Age whilst retaining reasonable growth potential as the pension account increases in size and as retirement approaches, and
- building up a cash allocation gradually from three years from the Target Retirement Age to take account of the likelihood of members wishing to take 25% of their fund value as a tax free lump sum at retirement.

The following graph shows how your pension account will be invested up to your Target Retirement Age with the Destination Drawdown LifePlan.

Destination Drawdown

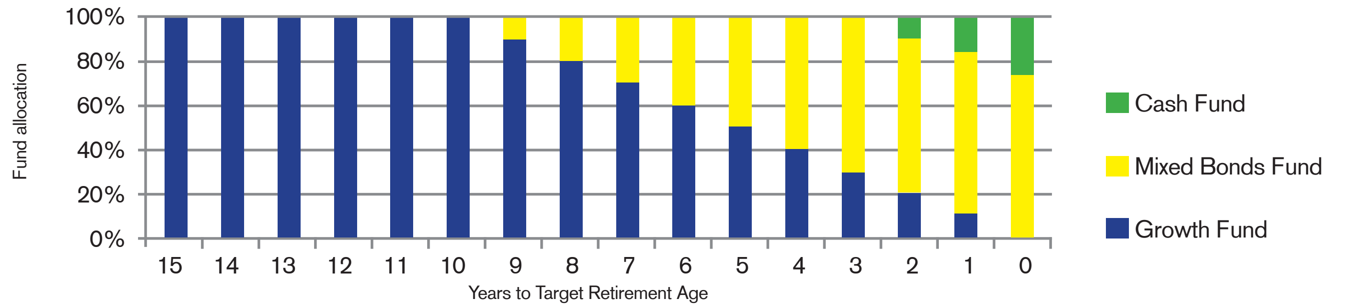


Destination Pension Annuity:

This strategy is aimed at members who anticipate taking 25% of their fund value as a tax free lump sum and using the balance of their pension account to buy an annuity (a secure pension income from an insurance company) at retirement.

The following graph shows how your pension account will be invested up to your Target Retirement Age with the Destination Pension Annuity LifePlan.

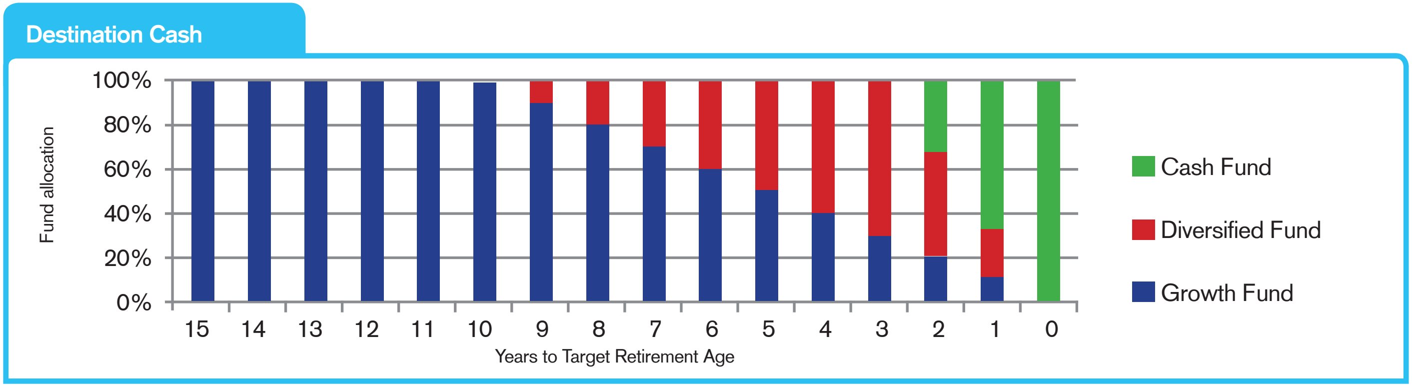
Destination Pension Annuity



Destination Cash:

This strategy is aimed at members who anticipate taking all their fund value as a cash lump sum at retirement. A full cash option is not currently offered by the Scheme unless your funds are worth less than £10,000 at that date. If they are not, once you reach your Target Retirement Age you can choose to transfer your pension account to a suitable arrangement outside the TSB Pension Scheme that allows you to take all your fund value as cash. The strategy is designed to move from the Growth Fund and Diversified Fund to 100% cash over the last three years, so you can keep assets invested in growth seeking assets for a suitable time whilst switching into cash over the period immediately prior to retirement. By taking your entire pension account as a lump sum there is a risk that your money will run out early in retirement and you may be taxed at a higher rate for this one off lump sum.

The following graph shows how your pension account will be invested up to your Target Retirement Age with the Destination Cash LifePlan.



Underlying funds

For the growth phase, which is more than 10 years from your Target Retirement Age, all three LifePlan options have the same strategy and invest your contributions in the Growth Fund, which is made up of 75% Global Equity Fund and 25% Diversified Fund.

At 10 years from your Target Retirement Age, the automatic switching of your pension account will start gradually as described above.

Your selected Target Retirement Age

The switching period under each of the three LifePlan strategies is fixed at 10 years but you can choose your own Target Retirement Age which determines when the investment switching period starts.

If you haven't made a choice it will be set at age 65 (the default). If you wish to choose or change your Target Retirement Age you can do this by getting in touch with the Scheme Administrator using the contact details at the back of this guide.

If you are unsure as to what retirement age is right for you, the Scheme has a range of tools available to help you plan at **www.tsbpensionscheme.co.uk/planning_your_retirement.**

PersonalChoice

PersonalChoice gives you extra options, in addition to the funds available in LifePlan (described on pages 8 to 11). It enables you to invest in equities within a specific market, as well as in property, bonds, multi asset funds and cash.

How does it work?

PersonalChoice allows you to invest in any combination of the available funds (listed on the following page). This approach is suited to more confident investors. You should be aware of the investment risks involved in investing in the different funds and seek independent financial advice if you are unsure.

Why would I choose PersonalChoice?

PersonalChoice gives you more control. It allows you to choose from any combination of the available funds. You can also choose how much of your account and future contributions you want to allocate to each fund.

Asset Class	Investment Fund	Characteristics
Equity	Asia Pacific excluding Japan Equity Fund	High volatility plus currency risk. Could deliver stronger long-term returns. Not aimed at members close to retirement.
	Continental Europe Equity Fund	High volatility plus currency risk. Could deliver stronger long-term returns. Not aimed at members close to retirement.
	Emerging Markets Equity Fund	High volatility plus currency risk. Could deliver stronger long-term returns. Not aimed at members close to retirement.
	Global Equity Fund	Global equities with volatile returns. Could deliver strong, long-term returns but also highly volatile. Not aimed at members close to retirement.
	Japan Equity Fund	High volatility plus currency risk. Could deliver stronger long-term returns. Not aimed at members close to retirement.
	North America Equity Fund	High volatility plus currency risk. Could deliver stronger long-term returns. Not aimed at members close to retirement.
	UK Equity Fund	High volatility, could deliver strong long-term returns. Not aimed at members close to retirement.
Bond	Corporate Bond Fund	Could suit members close to retirement and other members who are prepared to sacrifice some expected long-term returns (compared with investing in equities) in exchange for smoother year-on-year performance.
	Index-Linked Gilt Fund	Aims to reduce the risk that the amount of increasing pension your account can purchase will reduce.
	Mixed Bond Fund	Aims to reduce the risk that the amount of level pension your account can purchase will reduce.
Multi-asset	Diversified Fund	Diverse range of investments. Targets strong, long-term returns but gives up some expected return in exchange for lower volatility.
	Growth Fund	This fund is made up of 75% of the Global Equity Fund and 25% of the Diversified Fund. The characteristics of these two funds are described elsewhere in this table.
Property	Property Fund	High volatility, could deliver good long-term returns. Not aimed at members close to retirement.
Cash	Cash Fund	Invests in cash and cash-like investments. Not guaranteed to retain its value but aims to provide a high degree of capital protection and stability by providing a low-volatility return. Can be used to protect a tax-free cash amount. Aimed at members close to retirement.

Fact sheets for each of the availible funds are available from **tsbpensionscheme.co.uk/your-investment_choices/investment_performance.**

The fact sheet contains information on each funds performance and details of their underlying assets.

Glossary

Bonds and gilts	Loans to companies, organisations or governments. Bonds provide investment returns either at a fixed rate or a variable rate (e.g. linked to inflation). Bonds can also be issued for different lengths of time. They are traded in a similar way to shares so their market value will rise and fall, but not usually as sharply as the value of shares. Bonds issued by the UK Government are called ‘gilts’.
Cash	Investments in deposits and other short-term investments. The ‘Cash Fund’ invests in a range of cash and cash-like investments.
Cash-like	Funds that are typically invested in a diversified portfolio of high quality, short-term money market instruments. This can include cash deposits, floating rate notes, commercial paper and asset-backed securities (which are like secured loans). The aim is to spread the investment between many different issuers to reduce risk, deliver better investment returns than most typical bank accounts, and to provide greater short-term security of capital than other types of investments such as equities (shares). However, money market funds (including cash and cash-like funds) can still go down in value from time to time.
Drawdown	Allows you to draw money from your pension account instead of buying a regular pension at retirement. This Scheme can’t provide you with drawdown but at retirement you can transfer your pension account to another scheme or provider able to do this.
Equities (or shares)	A share in a company. The value of equities changes depending on the performance of the issuing company and underlying market conditions. Historically, shares have generally produced higher returns in the long term compared to bonds or cash but this may not be the case for prolonged periods of time. Equities can fall as well as rise in value, sometimes quite sharply.
Pension	This term is used to describe an annuity, which is an income you buy with your account at retirement. The amount of income you receive in exchange for the value of your account will vary depending on a number of factors, including the size of your account, your age, your health and the type of annuity you choose. For example, you can choose a level (flat) pension or a pension that increases in payment. In the latter case, the pension that you start with will be a lower amount than if you had chosen a level pension.
Property	Investments in commercial, industrial or retail properties. Returns come from increases in property values and from rental income. Property values can fall as well as rise. From time to time there may be restrictions and/or delays on investments in, or withdrawals from, any fund that holds property.
Volatility	The price of an investment or the return it achieves changes over a period of time. The greater the level of volatility, the wider the variation between high and low values. For example, if the price of an investment moves up and down rapidly over short time periods, it has high volatility. On the other hand, if the price remains fairly constant over time, it has low volatility.

Contact us

You can find further information online at **www.tsbpensionscheme.co.uk**

If you have any questions about the TSB Pension Scheme, please contact the Scheme administrator:

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Disclaimer

The full terms and conditions of the TSB Pension Scheme are contained in the Rules. The Rules are formal documents that are the legal basis of the TSB Pension Scheme and will prevail in the event of any disagreement. Nothing in this document confers any entitlement to benefits.

The Trustee may change any or all of the terms and conditions outlined in this guide at any time without prior notice to you. If there is any discrepancy between the content of this guide and the Rules, the Rules will always take precedence.

This document is also available in large print, Braille or audio format.

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