

Investment Options

Flexible Retirement Plan



The Pensions Trust

Investment Options



Background

The Trustee has identified nine separate investment funds to be offered to members of the Flexible Retirement Plan (the Plan).

In making this choice the Trustee has considered the full range of investment opportunities available, and has consulted with its investment advisers to ensure, that there is a range of quality investment options to satisfy the investment needs of a diverse membership.

All investment managers are subject to continuous monitoring by the Trust's Investment Committee.

Flexible Retirement Plan - Investment Funds

Fund Name	Asset Class(es)	Management Type
<i>Core Funds</i>		
Managed Fund Option*	53.3% Global Equities 19.2% Alternative Growth Assets 27.5% Bonds and Cash	Active & Passive
Pre-Retirement Fund Option*	75% Bonds 25% Cash	Active & Passive
Socially Responsible Investment Fund Option	60% Overseas Equities 40% UK Equities	Passive
Diversified Ethical Fund	28.9% UK Equities 36.1% Overseas Equities 21.0% UK Corporate Bonds 14.0% UK Government Bonds	Active
<i>Guest Funds</i>		
Global Equity Fund Option	50% UK Equities 50% Overseas Equities	Passive
Property Fund Option	100% Property	Active
Bond Fund Option	100% UK Government Bonds	Active
Index-Linked Gilts Fund Option	100% Index-Linked Gilts	Active
Cash Fund Option	100% Cash & Other Short-term Assets	Active

* Default Funds (see next page)

Investment Funds

Overview

The range of funds available to members are displayed in the table opposite.

Further details of each of these funds can be found in the Fund Fact Sheets document online:

Document Library > Scheme > Flexible Retirement Plan.

Member Options

There are two options you can take when investing for your retirement.

Option 1 – Default Funds (Low Involvement)

The default funds are portfolio funds that invest in a mix of different assets such as money market instruments, bonds, property and equities.

If you want a low level of involvement in the management of your investment fund, this could be the option for you. However, it is still important to monitor the performance of your fund.

The Trustee recognises that investment is a specialist area. If you do not choose which funds you want to invest your payments in, and until you tell us otherwise, the Trustee will invest your payments into either the:

Managed Fund Option, if you are more than five years from your selected retirement age; or if you are five or less years from your selected retirement age, a proportion of your funds will be invested in the Managed and Pre-Retirement Funds depending on the time to your selected retirement age.

Option 2 – Select your own Funds (High Involvement)

Members who prefer to design their own investment portfolio can do so by selecting from the range of investment funds shown in the table on page 2 headed 'Flexible Retirement Plan – Investment Funds'.

If you have good investment knowledge and want a high level of involvement and control over your investments, this could be the option for you.

Your portfolio can include a mixture of funds from the Core Funds and Guest Funds lists.

It is up to you to regularly monitor the performance of your funds and decide whether to change funds.

Please note that the value of assets in each asset class can go down as well as up. Past performance is not a guide to future performance.



Asset Classes

Equities

These are stocks and shares in companies. Historically, equities have produced the highest returns over the long-term. However, they also carry greater risk – their value can go up or down significantly, even over very short time periods.

Property

This allows you to invest in property in the UK. Historically, property has provided lower returns than equities, but higher returns than bonds or cash over the longer-term.

Bonds

Government and companies issue bonds as a type of loan in order to borrow money. In return they promise to repay the loan at a future date and may also pay interest. Historically bonds have produced better returns than cash, but lower returns than property or equities.

Money Market Instruments

Investing in money market instruments means putting your money in short dated securities such as floating rate notes, certificates of deposits and treasury bills, as well as bank deposits.

Money market funds are seen as an alternative to placing cash on deposit in a bank but it should be noted that under extreme circumstances the value of these funds may fall.

Over the long-term investors should expect to see greater stability than is the case for equities, property or bonds albeit with less potential for growth.

Lifestyling Options

Lifestyling options are available in the Core Funds by selecting the default option.

Lifestyling or retirement investment strategies are based on the premise that as people move closer to retirement it is likely that their tolerance towards risk will reduce.

Lifestyling recognises this issue and provides automatic switching from funds with higher volatility (more risk) over a period of time to

funds with less volatility (less risk) as retirement approaches.

Essentially this means moving from equity type investments to bonds and money market instruments. The rate of switching depends upon the term to retirement and automatically adjusts if the member brings forward or puts back their intended date of retirement.

For further information on the default option please refer to the 'A Guide for Members' booklet.

Important Notes

Please make sure you read the following notes before making your investment choices.

- The return for each investment fund is directly related to the performance of the assets in which it is invested.
- The value of the underlying assets in each investment fund can go down as well as up. As a result of this you may not get back as much money as you invest.
- You can switch monies into and out of the various funds to change the mix of your investment portfolio. However, please note that if you wish to change your funds within a year of last having done so, a charge will be payable.
- The asset mix for the Managed Fund Option is continually reviewed and may be changed in-line with developments in the equity, bond and property markets.
- The valuation of property is generally a matter of a valuer's opinion rather than fact.
- The sterling value of overseas assets in these funds may rise and fall as a result of exchange rate fluctuations.

Definitions

Active

A style of management where the aim is to outperform a chosen index.

Assets

An asset is something a fund can invest in to make a return: money market instruments, shares, bonds, and property for example.

Global Custodian

An organisation, usually part of a bank, that actually holds the shares and bonds which make up our portfolio.

Liabilities

In the case of a pension fund, it's what the fund is going to have to pay out in the future in the form of pensions and cash lump sums to members and their dependants.

Passive

A style of management where the aim is to match the performance of a chosen index.

Portfolio

A combination of financial assets (shares, bonds, property, etc.) held by an investor with a view to achieving a particular aim. The ultimate aim of a pension scheme's investment portfolio is to provide benefits for its members and their dependants.

Risk

Uncertainty, volatility or failure to meet expectations. In the case of investments, there is a risk of a fall in the value of investments.

Selected Retirement Age

This is the age that you expect to retire at and can be at any age from age 55. You should inform The Pensions Trust if you wish to change your SRA especially if you are in the Default Fund.

Shares

A share is something a company might issue in order to finance itself. By owning a share an investor owns a part of that company. A share may also rise or fall in value.

Unit Trusts

An investment vehicle which allows its holders to own a 'share' of a portfolio of assets. The price of a unit represents the value of the underlying assets, with allowances made for transaction and running costs.



Notes

A series of horizontal dotted lines for writing notes.



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