shps

Investment Options

Defined Contribution

Social Housing Pension Scheme

Administered by
The Pensions Trust

Investment Options

Defined Contribution

Background

The Trustee has identified eight separate investment funds to be offered to members of the Defined Contribution (DC) benefit structure of the Social Housing Pension Scheme (SHPS).

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.

This booklet explains the range of funds available and includes a brief description of the underlying asset classes.

On joining the DC benefit structure you need to make choices regarding the investment funds that will be used for your personal fund. This is the fund that will build up from the contributions paid by you and your employer.

You should consider taking financial advice if you are unsure what investment option is right for you. You can find details of local registered financial advisers on www.unbiased.co.uk. All investment carries an element of risk, but some types of investment carry greater risk than others.

When choosing how you want to invest your personal fund, you need to consider what level of risk is appropriate to you. The Pensions Regulator has prepared a guide 'Making Pension Fund Choices', which is available on their website at www.thepensionsregulator.gov.uk.

Investment Funds Overview

The range of funds available to you is provided in the table below.

SHPS DC Benefit Structure – Investment Options

Fund Name	Asset Class(es)	Management Type
Core Funds		
Managed Fund	65% Global Equities 35% Non Equities	Active & Passive
Pre-Retirement Fund	75% Bonds 25% Money Market Instruments	Active & Passive
Socially Responsible Investment Fund	40% UK Equities 60% Global Equities	Passive
Guest Funds		
Global Equity Fund	50% UK Equities 50% Overseas Equities	Passive
Property Fund	100% Property	Active
Bond Fund	100% UK Government Bonds	Active
Index-Linked Gilts Fund	100% Index-Linked Bonds	Active
Cash Fund	100% Money Market Instruments	Active

Your Options

You need to decide how you want to invest the money paid into your personal fund each month. There are two options you can take when investing for your retirement.

The return for each investment fund is directly related to the performance of the asset classes (e.g. equities, property, bonds and money market instruments) in which it is invested.

The Trustee recognises that investment is a specialist area. If you do not want to make investment decisions, the Trustee will automatically invest your payments into the Lifestyle option, which is a mixture of funds that vary according to your age.

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. The following section explains how these asset classes have historically related to each other.

- **Option 1 – Lifestyle (Low Involvement)**

  As people move closer to retirement it is likely that their tolerance towards risk will reduce. Lifestyling recognises this and provides automatic switching over a period of time from funds with more risk (like equities) to funds with less risk (such as bonds and money market instruments) as retirement approaches.

  If you select the Lifestyle option your contributions will be invested in the Managed Fund if you are more than five years from your Selected Retirement Date (SRD). From five years before your SRD, your existing fund and new contributions will be automatically switched in defined portions into the Pre-Retirement Fund.

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

If you choose the Lifestyle option you will need to designate a Selected Retirement Date (SRD), or age 65 will be used.

- **Option 2 – Selfstyle (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 3.

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, in whole percentage portions.

It is up to you to regularly monitor the performance of your funds. You can change the funds you invest in at any time (this is called switching). You can switch just your ongoing contributions, and leave those you have already paid where they are. You can also move the contributions you have already invested. Your new investment choices will be implemented as soon as practicable after The Pensions Trust has received your completed 'Fund Switch Form'. This form is available on the SHPS website at www.shps.org.uk > Document Library > Employee Literature.

Asset Classes

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.

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 periods of time. Shares are traded on stock exchanges and the prices can go up and down.

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, but there is less potential for growth.

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.

Management Type

Passive: Passive funds, also known as passively managed funds, simply try to give returns that follow the 'herd'. The herd is a group of investments that are bunched together in an index. You may have heard of the FTSE All-Share Index on the news. This is an index of UK companies which tracks how their share prices move. So passive investment that tracks the FTSE All-Share Index will make your money follow the same ups and downs as the share prices of UK companies.

Active: Active funds, also known as actively managed funds do not simply follow the herd. The investment managers try to pick shares or bonds that will do better than the rest. In theory, active funds should deliver a bit more investment return than passive funds if the managers are very good, but there are no guarantees.

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 available funds to change the mix of your investment portfolio. Please note that if you wish to change your funds within a year of last having done so, a charge may be payable.
- The asset mix for the Managed Fund 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.
- The annual management charge for each fund is 0.5% of the value of the fund.

Definitions

Active
A style of management where the aim is to outperform a chosen index. These funds typically have higher charges than passive funds.

Annual Management Charge
A fee charged by investment managers and taken from the funds of those who invest with them.

Asset Allocation
The balance between the different types of investment that you choose for your pension.

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

Diversification
Investing in several different funds that will behave differently, so that your investments don't go up or all go down in value at the same time.

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

Index
A measurement of the average return for a group of the same type of things: for example the Retail Prices Index is a measure of price increases; the UK FTSE All-Share Index is a measure of returns on shares of companies registered in the UK.

Investment Managers
A financial institution such as an insurance company or bank that manages investments. It can also mean the individuals who work in the investment business.

Investment Return
The return you get on your money. This could be:

- Interest on a building society account or paid to an owner of a bond.
- Capital gains on the sale of a share or bond (or your house).
- Dividends from shares.

Investments can go down as well as up.

Lifestyle
An investment option that makes changes to your funds at certain times in your life without you having to do anything.

Passive
A style of management where the aim is to match the performance of a chosen index by tracking the stocks within it. These funds typically have lower charges than active funds.

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 Date (SRD)
The date you choose for the Lifestyle option, as being the age when you think you will want to use your pension fund. This is usually (but not always) the date that you plan to retire, and can be at any age between 55 and 75. You should inform The Pensions Trust if you wish to change your SRD.

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

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