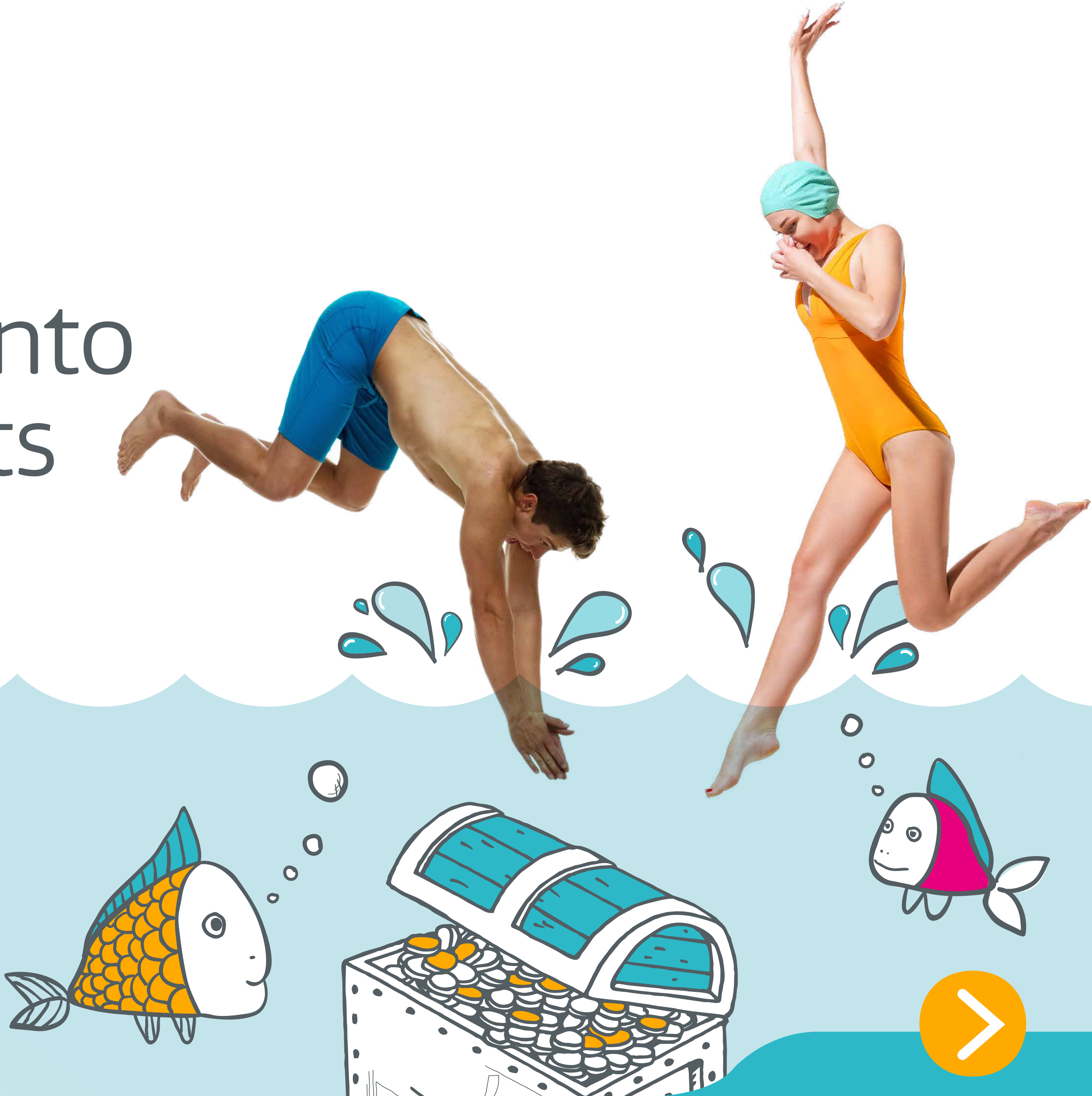
Deep dive into investments

DC Plan investment guide



You don't need to be an expert to make good choices

Choosing how to invest your DC savings is an important decision – how your investments perform will affect how much you'll have when the time comes to retire. So, it makes sense to spend time thinking about your investment options.

The good news is that we, the Trustee (who looks after the Plan) is here to support you. To help, we've selected (and continue to manage) a relevant and good range of funds and options for you to choose from. All you need to do is consider which of these options work best for your circumstances and your retirement plans (and review these choices as plans and circumstances change).

So, even if this is the very first time you're considering your investment choices, don't worry – this guide will take you through the main steps to making your decision. Our Investment Helper can also help you consider your options.

Step 1: Choose your investment approach

Step 2: Choose your Guided option ***OR*** Choose your Customised funds

Step 3: Get help if you need it

Step 4: Make your choice

You can find out more at: www.itvDCplan.com/Investing

Got a question?

The ITV Pensions team can explain your investment options and the key things to think about.

They're available from Monday to Thursday between 8.30am and 5.30pm and on Friday from 8.30am to 4.30pm by:

Calling: 01772 884488

Emailing: enquiries@itv-pensions.com

Sending us a call back request at: www.itvDCplan.com

IMPORTANT: The team aren't allowed to tell you what option to choose or to give you financial advice (if you'd like advice, see page 21 for details).

Step 1: Choose your investment approach

Customised or Guided?

One of the first things to know is that you have 2 ways you can invest in the DC Plan. The way that suits you best will depend on how confident an investor you are and how much you want to be involved in managing your investments.

Guided

A **pre-packaged approach** that invests in pre-selected funds in a defined way; there are 14 options to choose from.

Why it might suit you

Your DC savings are invested automatically for you. Over time, your savings are moved gradually to investment funds that usually reflect how you want to access them, when you're ready.

Why it might not be right for you

The funds that make up each Guided option are pre-selected and might not suit your circumstances as your goals change throughout your career.

Go to **Step 2 for Guided** – see page 6

OR

Customised

A **pick-your-own approach** that lets you choose which funds to invest in from a range of funds selected by the Trustee; there are 15 funds to choose from.

Why it might suit you

It lets you choose the investment funds that are right for your circumstances and change them when it suits you.

Why it might not be right for you

You need to decide how to invest your DC savings at the outset, keep a check on how they're invested, and manage your investments regularly so they remain suitable as your goals change throughout your career, especially as you get closer to accessing your savings.

Go to **Step 2 for Customised** – see page 16

You can change your mind

Choosing your investments is not a 'once only' decision – you can change how your DC savings are invested as often as you want, although you may have to pay an administration fee for more than 2 changes a year). You can invest your DC savings in only one approach – either **Guided** or **Customised** – at a time, although if you have different contribution 'types', you can choose to invest them differently – see page 22.

Choosing tips: let's talk about you

Making your DC Plan choices comes down to what you want from your investments, and your personal circumstances and plans. So, before you dive into the details of each option, take a minute to ask yourself...

Guided

With **Guided** your investments are managed for you over time (after you've made a few initial choices). It means you don't need to get involved in all the details and can focus on making sure you're invested in a way that suits your attitudes to risk and plans for retirement.

Guided		Customised
A little	**How involved do you want to be?**	**A lot**
Not much	**How much time do you have?**	**I have time**
Less confident	**How confident do you feel about making investment decisions?**	**Very confident**
Not very	**How interested are you in investing?**	**Very**
It's one of many	**How much of a deciding factor is Responsible Investment?**	**It's the main factor**

Customised

With **Customised** you have more opportunity to choose how much to invest in your chosen fund(s), and if and when to switch between them. This generally requires more time and involvement, and confidence to understand the impact your choices may have on the value of your DC savings.

Have a play – if you could use a little more help thinking about your choices, try our Investment Helper.

A word on responsible investment

Responsible Investment (RI) considers the impact of investment choices on people and the planet. More specifically, it involves investing in funds that focus on more positive environmental, social and governance outcomes, compared to similar funds. RI is important to us, and many members have said it's important to them too.

Our aim is to provide a fund range that reflects our strategy and principles for the future, as well as members' RI attitudes. We do this in several ways.

1. We work closely with our investment managers

Investment managers act on our behalf when working with the companies in which a fund invests. As shareholders, through their voting rights, managers have a say in how these companies are run. We check in regularly with the investment managers for all our funds to ensure they are voting to promote the right behaviours, like positive working conditions and fair and appropriate governance. Our Implementation Statement includes more about how the investment managers vote during the year.

2. We've got RI-focused funds

We offer RI funds that not only meet our RI objectives but that continue to offer value for money and have appropriate performance objectives. 3 of these RI-focused funds make up the mix of some of our Guided options and are also available through the Customised approach.

3. Watch this space

We've developed and evolved our RI strategy and principles over several years. We'll continue to adapt our approach and fund range, in line with changing attitudes and to take advantage of new investment opportunities. We'll let you know how we get on.

What's your preference?

Within the Guided approach, a large proportion of your DC savings will be invested in RI-focused funds, particularly when you're further from retiring. The benefit of this approach is that your investments are managed for you and follow a pre-defined path.

If you want to invest more of your savings in RI-focused funds, then the Customised approach gives you that flexibility. We have 4 RI-focused funds – see page 18. Keep in mind though that if you choose the Customised approach, it's up to you to manage your investments regularly so they remain suitable for your circumstances and goals.

Step 2: Choose your Guided option

This approach automatically and gradually moves your savings between different pre-selected funds based on how far you are from your target retirement date (TRD). It invests in 2 phases.

How it works

1. Growth phase

This phase aims to grow your DC savings by investing in a mix of funds that have the potential for growth, like shares, but which may go down as well as up in value. If your savings go down in value when you're younger, it's less likely to have an impact on your income in retirement as you may have time to make up any falls in value.

There are 3 options within this phase which invest in different funds depending on your attitude to risk for your savings:

- **Focused**
- **Diversified**
- **Phased**

2. Synchronise phase

As you get closer to accessing your DC savings, your savings are moved gradually to investments that reflect how you plan to access them when you're ready.

There are 5 options* within this phase which invest in different funds depending on how you plan to access your savings:

- **One-off cash**
- **Multiple cash**
- **Flexible access**
- **Flexible access (longer term)**
- **Annuity**

You can read more about each option and the pre-selected investment funds that make up each option, on pages 10-14. And turn to page 22 for details about the costs and charges that apply to your DC savings.

* the Diversified option can't be combined with the Flexible access (longer term) option – see page 8 to get into the detail...

If Guided is right for you... Choose your option:

There are 14 options (see page 8) made up of different combinations of the Growth and Synchronise options.

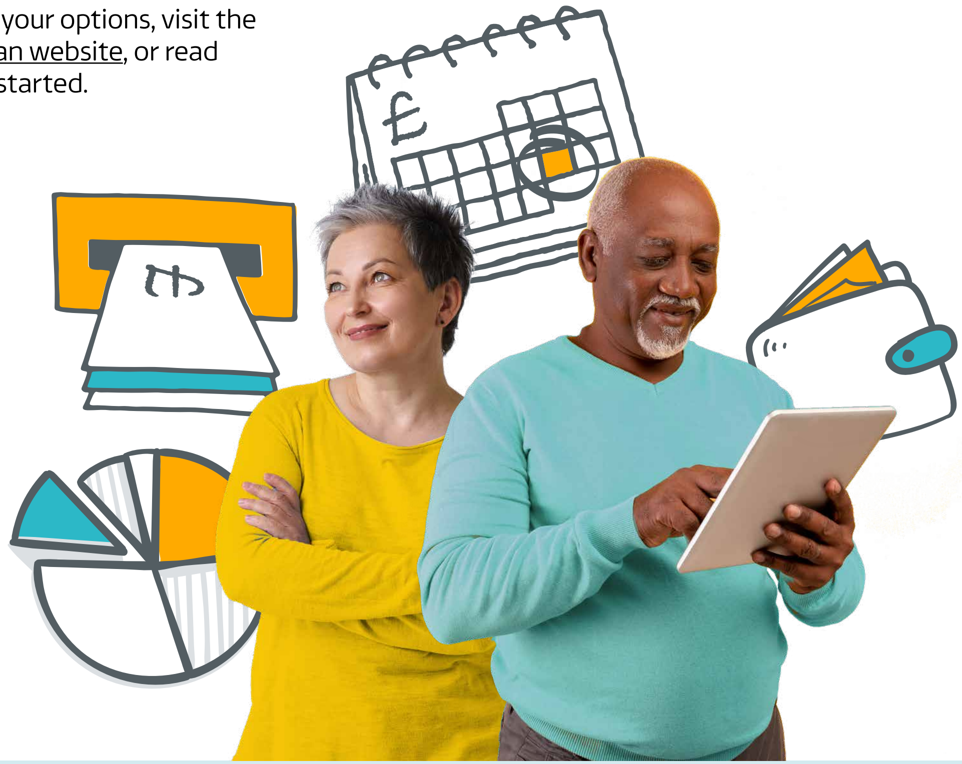
Choose your target retirement date (TRD):

- Your TRD can be any birthday from your 57th (55th until April 2028) to 75th birthday. It's typically when you want to start accessing savings – but it doesn't have to be.
- You can change your TRD when you want by filling in a Changing your target retirement date form (but keep in mind this might change how your DC savings are invested).

What do retirement choices have to do with investing?

If you have an idea of how you plan to take your DC Plan savings, it makes it easier to decide where to invest. This is particularly true in the Guided approach because the Synchronise phase aims to set you up in funds suited for taking certain options.

For more about retiring and your options, visit the retiring section of the DC Plan website, or read Have it your way, to get you started.



There are 14 Guided options

You can combine the Growth and Synchronise options in 14 different ways to create the combination that suits you.

Synchronise phase reflects how you may want to access your DC savings (you can change this later if you're not sure now)	**Growth phase** determines how your DC savings are invested when your priority is to grow your savings		
	Focused invests 100% in shares	**Diversified** invests in a broad range of investments such as shares and bonds	**Phased** invests in the Focused option and then switches to the Diversified option
One-off cash for those who want to take their DC savings as one cash lump sum	One-off cash (Focused)	One-off cash (Diversified)	One-off cash (Phased)
Multiple cash for those who want to take their DC savings as several cash lump sums	Multiple cash (Focused)	Multiple cash (Diversified)	Multiple cash (Phased)
Flexible access for those who want to start accessing their DC savings flexibly as soon as they retire	Flexible access (Focused)	Flexible access (Diversified)	Flexible access (Phased)
Flexible access (longer term) for those who want to access their DC savings flexibly but not straightaway	Flexible access (longer term) (Focused)	*	Flexible access (longer term) (Phased)
Annuity for those who want to use their savings to buy an annuity	Annuity (Focused)	Annuity (Diversified)	Annuity (Phased)

* The Flexible access (longer term) option aims for the highest level of growth, so it can't be combined with the Diversified option which aims for more modest growth in return for fewer ups and downs.

Which Guided option is best for you?

This depends on your growth aims and attitudes to risk, as well as how you want to access your DC savings when it's time to take them.

During the growth phase

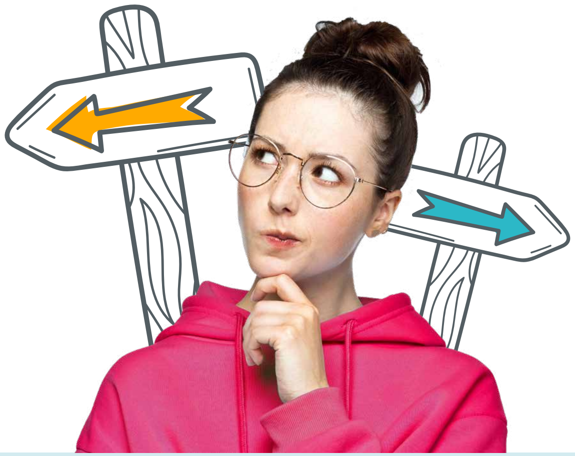
Everyone wants their DC savings to grow, but it's not quite as simple as that. Different investments have the potential for different levels of growth and all investments involve some uncertainty. Generally, the higher the potential for growth, the greater the likelihood that your savings could drop in value suddenly and by potentially a large amount; in the same way, the lower the potential for growth, the less chance there is that your savings could drop in value suddenly.

- The **Focused option** may suit you if you want the potential for the highest rates of growth and are prepared for your investments to go up and down in value, sometimes quite sharply.
- The **Diversified option** may suit you if you're willing to accept the potential for moderate growth in return for more stable returns (that is, less risk that your savings will fall sharply in value).
- The **Phased option** moves from Focused to Diversified funds so may suit you if want higher growth potential when you're a long way from retiring but would prefer less ups and downs in value as you get closer to retiring.

During the synchronise phase

Think about how you'll access your DC savings when you're ready so that your investments can be in sync with your plans. The charts on pages 10 to 14 show how each of the 14 Guided options move automatically over time and outline who they might suit according to their retirement plans.

And it's fine if your plans change: just because you choose a particular Guided option doesn't mean you can't change your mind or that you have to use your savings that way.



Help is at hand

- **Choosing your investments:** By answering a few simple questions, our Investment Helper matches investment options to your goals and attitudes.
- **Counting down to retirement:** There's lots to think about as you approach retirement. We'll guide you through the steps you need to take and let you know some of the things you need to think about.

  In the lead up to your target retirement date (TRD), we'll give you a prompt by inviting you along to an online session with other colleagues who are at a similar stage in their life. There are a couple of different sessions tailored to how far you are from your TRD.

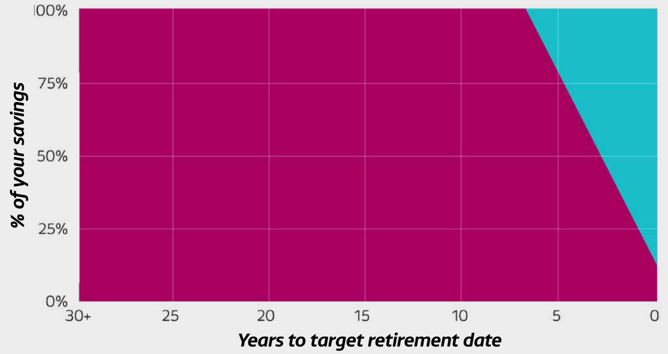
  If you're getting closer to retiring (or just want to find out more), visit www.itvdcplan.com/retiring which covers your retirement options, things to consider when making your choices, and how to get help if you need it.

A closer look at your Guided options

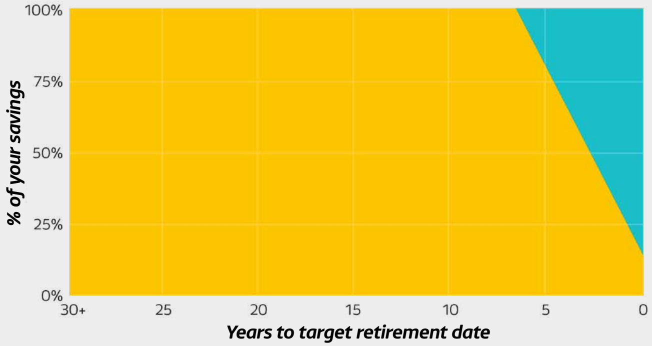
One-off cash options

The One-off cash options assume you'll take all your savings as cash. They're designed for members whose savings are relatively small and who can therefore take them in one go.

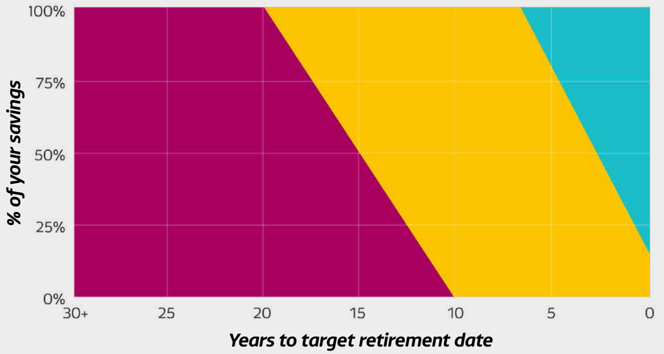
One-off cash (Focused)



One-off cash (Diversified)



One-off cash (Phased)



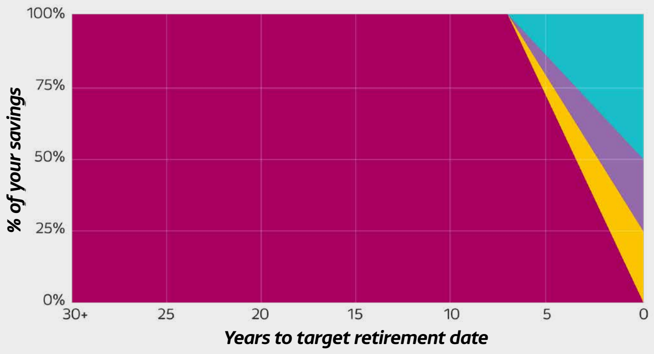
Key:

- **Global shares** made up of: Global shares (climate) (index tracker) fund, Global shares (responsible investment) (index tracker) fund, Global shares (index tracker) fund
- **Diversified investments** made up of: Diversified investments (responsible investment) fund, Diversified investments fund
- **Money markets fund**

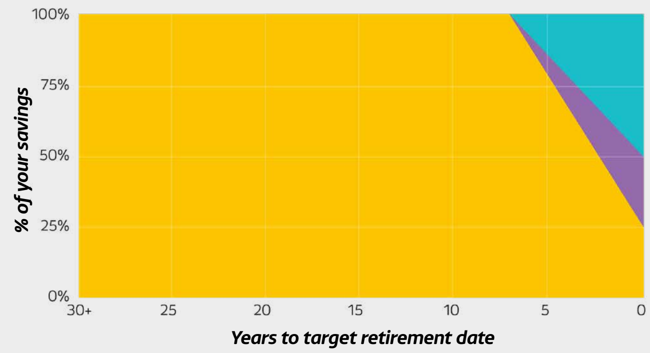
Multiple cash options

The Multiple cash options assume you'll take your savings as a series of up to 5 cash lump sums, withdrawing your savings over a relatively short period of time (say, up to 5 years). They're designed for members who want to take their savings as cash but spread their withdrawals over several years.

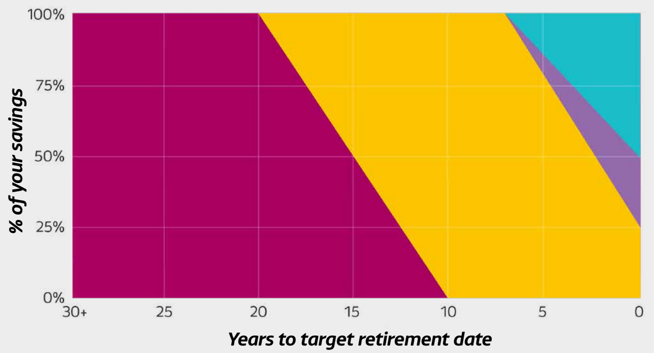
Multiple cash (Focused)



Multiple cash (Diversified)



Multiple cash (Phased)



Key:

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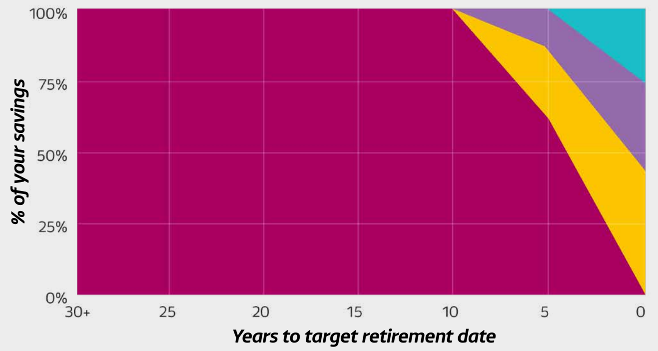
  made up of: Global shares (climate) (index tracker) fund, Global shares (responsible investment) (index tracker) fund, Global shares (index tracker) fund
- **Diversified investments**
  made up of: Diversified investments (responsible investment) fund, Diversified investments fund
- **Money markets fund**
- **Diversified investments (absolute return)**

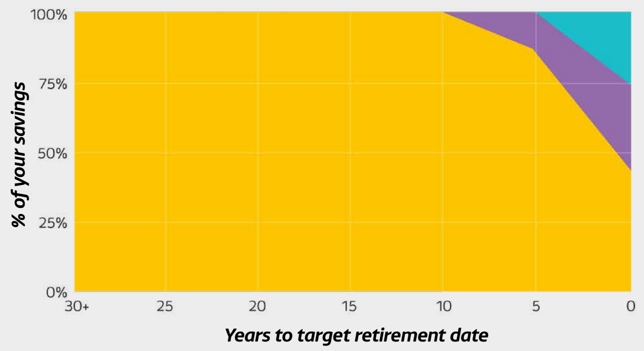
Flexible access options

The Flexible access options assume you'll take some of your savings as cash and then withdraw savings to suit your needs. They're designed for members who plan to withdraw savings soon after they retire and then throughout their retirement.

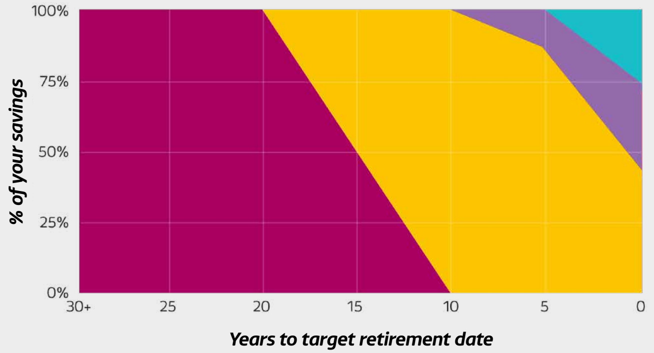
Flexible access (Focused)



Flexible access (Diversified)



Flexible access (Phased)



Key:

Global shares
made up of: Global shares (climate) (index tracker) fund, Global shares (responsible investment) (index tracker) fund, Global shares (index tracker) fund

Diversified investments
made up of: Diversified investments (responsible investment) fund, Diversified investments fund

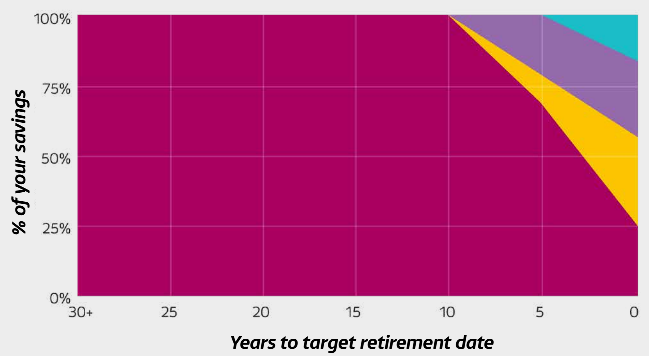
Money markets fund

Diversified investments (absolute return)

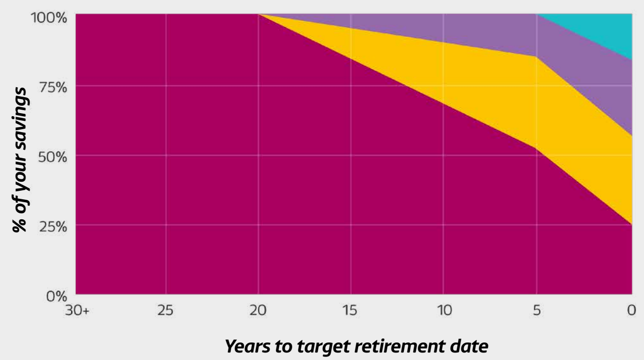
Flexible access (longer term) options

The Flexible access (longer term) options assume you'll take some of your savings as cash and then withdraw savings to suit your needs. They're designed for members who plan to delay withdrawing savings for maybe several years after they retire or, who after making an initial withdrawal, don't plan to withdraw savings for several years, or who intend to leave some or all their savings to their beneficiaries after they die.

Flexible access (longer term) (Focused)



Flexible access (longer term) (Phased)



Key:

Global shares
made up of: Global shares (climate) (index tracker) fund, Global shares (responsible investment) (index tracker) fund, Global shares (index tracker) fund

Diversified investments
made up of: Diversified investments (responsible investment) fund, Diversified investments fund

Money markets fund

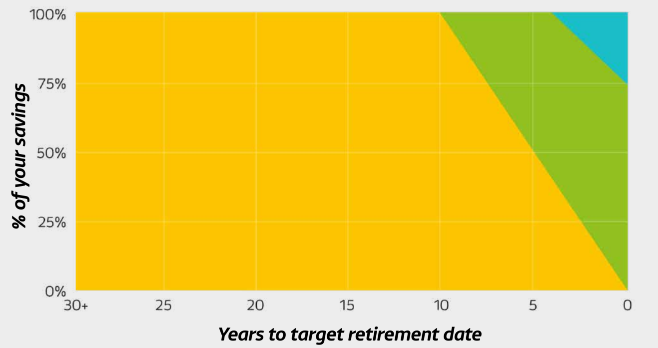
Diversified investments (absolute return)

Annuity options

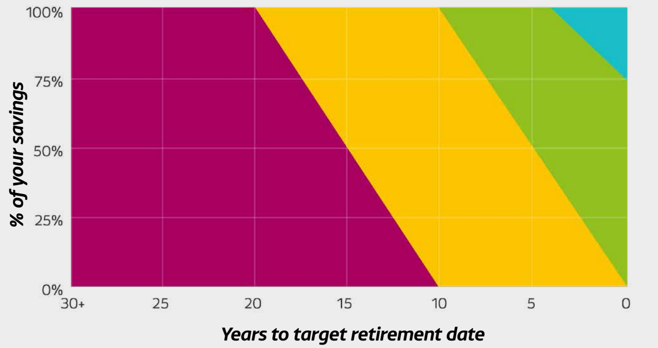
The Annuity options assume you'll take some of your savings as cash and use the rest to buy a pension (an annuity). They're designed for members who want a fixed income for life.

Annuity (Focused)

Annuity (Diversified)



Annuity (Phased)



Key:

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- **Diversified investments**
  made up of: Diversified investments (responsible investment) fund, Diversified investments fund
- **Money markets fund**
- **Annuity target fund**

Taking tax-free cash

With all the options, you can take up to 25% of your savings as tax-free cash (up to a limit). The maximum cash lump sum you can take tax free across all registered pension schemes is currently £268,275 (or a higher amount if you have a protection from the former lifetime allowance under current rules).

Depending how you access your savings – cash, flexible access or buying an annuity – there are some important differences about how and when you can access tax-free cash – see the individual leaflets on www.itvdcplan.com/documents-forms to find out more.

Step 2: Choose your Customised investment funds

The Customised approach gives you more control by letting you choose from a range of funds selected (and monitored) by the Trustee.

How does it work?

You decide which funds to invest in, how much to invest in each fund, and when to change your investments. There are **15 funds** to choose from.

Shares

- Emerging markets shares (index tracker)
- Global shares
- Global shares (climate) (index tracker) *
- Global shares (environment) *
- Global shares (index tracker)
- Global shares (responsible investment) (index tracker) *
- UK shares (index tracker)

Bonds

- Annuity target
- UK company bonds
- UK government bonds (index tracker)

Diversified and other

- Diversified investments
- Diversified investments (responsible investment) *
- Diversified investments (uncorrelated)
- Money markets

Specialist

- Shariah law (index tracker)

* Responsible Investment (RI) funds focus on more positive environmental, social and governance outcomes, compared to similar funds.

If Customised is right for you...

Choose your investment funds

- Choose the funds you want to invest in.
- Decide how much to invest in each fund – **1% to 100%.**
- Review your investments regularly and decide if, and when, to change the mix.

Choose your target retirement date

- Any birthday from your 57th (55th until April 2028) to 75th birthday.
- Setting a target retirement date – typically when you want to start accessing your DC savings – helps us know when to write to you about things like your retirement pack.
- You can change it when it suits you by filling in a Changing your target retirement date form.

A closer look at your Customised options

The following tables show a summary of each of the DC Plan's funds, their aims and how they invest.

If you want more of the detail

Each fund has a factsheet (available on the DC Plan website at www.itvDCplan.com/documents-forms > Investment factsheets, which explains things like the fund's aims and shows performance over the last few years.

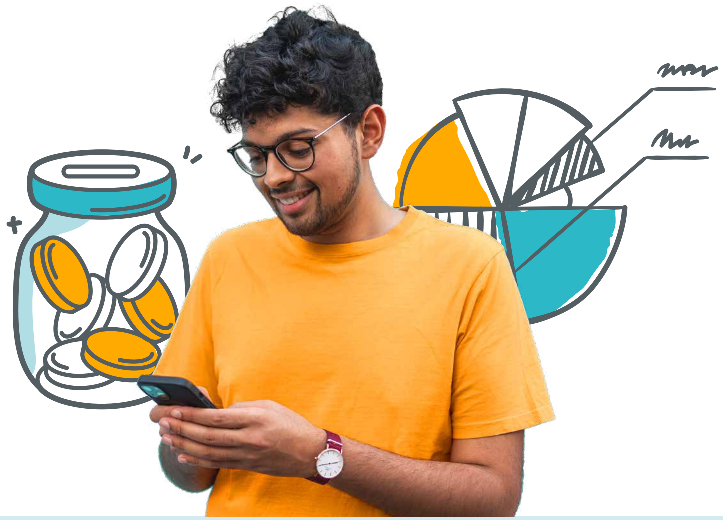
Fund	Aims to provide...	Invests in...
Diversified		
Diversified investments	Good growth by investing in different types of investment.	A wide variety of investments including shares, bonds, private equity, commercial property, currency hedge funds and commodities.
Diversified investments (responsible investment)*	Good growth by investing in different types of investment while taking account of environmental, social and governance factors.	A wide variety of investments including shares, bonds, private equity, currency hedge funds and commodities (but excluding physical property).
Diversified investments (uncorrelated)	Good growth from investing in a wide range of investments including some property and infrastructure shares; also, returns that differ to more traditional shares and bonds (although there's no guarantee the fund will perform differently to other types of investment).	A wide variety of investments including shares (including shares in commercial property), bonds, private equity, currency hedging, commodities, and infrastructure companies that supply energy, operate airports and other utilities.
Money markets	Low growth at a similar rate to short-term government interest rates, and a high degree of protection to the value of your DC savings (although even with this fund the value could fall).	A wide range of Sterling investments including short-term bank deposits, UK government bonds, and promissory notes such as bankers' drafts and Treasury bills which allow money to be borrowed and lent for short periods.

Fund	Aims to provide...	Invests in...
Shares		
Global shares	Good growth over the longer term by actively choosing which shares to buy, sell or hold onto.	Shares of UK and overseas companies.
Global shares (index tracker)	Good growth over the longer term in line with the returns of an index of global shares.	Shares of UK and overseas companies.
Global shares (environment) *	Good growth over the longer term through active investment in companies which demonstrate a positive commitment to the long-term protection of the environment.	Shares of UK and overseas companies which demonstrate a positive commitment to the long-term protection of the environment.
Global shares (climate) (index tracker) *	Good growth over the longer term through investment in an index that focuses on reducing exposure to carbon emissions over time.	Shares of UK and overseas companies in developed and emerging markets, with a particular focus on climate change and reducing carbon emissions.
Global shares (responsible investment) (index tracker) *	Good growth over the longer term through investment in an index that focuses on protecting the environment, good governance and supporting social rights.	Shares of UK and overseas companies in developed and emerging markets, investing more in companies that have a positive social responsibility and sustainability emphasis, and less in companies which are weaker in these areas.
UK shares (index tracker)	Good growth over the longer term in line with the returns of an index of UK shares.	Shares in UK companies.
Emerging markets shares (index tracker)	Good growth over the longer term in line with the returns of an index of emerging market shares.	Shares of emerging market economies including Latin America, Asia Pacific, Eastern Europe, Africa and the Middle East.

* Responsible Investment (RI) funds focus on more positive environmental, social and governance outcomes, compared to similar funds.

Fund	Aims to provide...	Invests in...
Bonds		
Annuity target	Protection against the risk of changing annuity prices.	UK government and corporate bonds to broadly match the changes in the price of non-increasing annuities.
UK company bonds	Modest to good growth by actively choosing which bonds to buy, sell or hold onto.	Bonds (loans) issued by companies in Sterling (even those issued by overseas companies).
UK government bonds (index tracker)	Modest growth that matches the returns of an index of government securities.	Government bonds (loans) issued by the UK government.
Specialist		
Shariah law (index tracker)	Good growth over the longer term in line with the returns of the Dow Jones Islamic Titans 100 Index.	Shares of companies that comply with the principles of Islamic Shariah law.

The fund names give you an idea of the types of assets each fund invests in, but they're not the names of the actual funds in which they invest (which are called the underlying funds). These underlying funds are managed by several different investment managers. The Trustee reviews the investment funds regularly and may add new funds to the list, remove existing funds and/or change fund managers if it finds another fund that's more suitable or likely to perform better.



Choosing your mix

There's lots to consider when deciding which funds to choose. Here are a few things to know to help you decide.

Consider your focus

With the **Customised** option, it's up to you to decide how to invest your savings and if and when to switch into different investments. The combination of funds you choose and the amount you invest in each will affect your investment approach significantly. In the **Guided** options this is done for you, with your DC savings invested in 2 phases: a Growth phase and a Synchronise phase (see page 9). It might help to think about your investments in the Customised approach in a similar way. But remember to think carefully about when to move your savings from investments that focus on growth to ones that focus on synchronising them with your retirement plans.

And remember, if you find you want to move into different funds as you get closer to taking your DC savings, keep in mind that **you don't have to do it all at once**. You could move in smaller steps over time. It may be less risky that way as you don't have to worry about buying and selling investments at the 'wrong time'.

Growth vs risk

Through the Customised approach you decide how much potential growth you're aiming for and how much investment risk you're willing and/or able to take to achieve those returns. Generally, the more investment risk you take (the risk that your savings will fall in value), the greater the potential that your savings will grow over the longer term. Ultimately though – the best option will depend on you. Remember to try our Investment Helper too.

Active vs index tracker

7 of the DC Plan's funds have **'index tracker'** in their name. This is a way of managing investments. The investment manager chooses a market index and invests in broadly the same investments as that index (for example, the Financial Times Stock Exchange (FTSE) All-Share Index is made up of all the shares quoted on the UK's main stock exchange). Returns follow (or track) the returns for that index. Funds managed in this way should not do much better or worse than the index they are tracking. Management fees are generally lower than for actively managed investments.

The other way of investing is **'active'** management. With this approach, the investment manager uses their expertise to decide which investments to buy, sell or hold onto. The aim is to beat the return of a particular index. Funds managed in this way may do better than the index but can also under-perform. Active management fees are generally higher than for other types of investment management.

Turn to page 22 for details about the costs and charges that apply to your DC savings.

Have a play

If you could use a little more help thinking about your choices, try our Investment Helper (page 21).

Step 3: Get help if you need it

Many of us don't have plans for 3 years' time, let alone 30 years, so thinking about retirement and how to invest your DC savings may feel like guesswork.

That's okay. Investing your DC savings isn't a once-only decision. You can change how your savings are invested and if you forget to review your choices, don't worry, we've got it covered – we'll give you a prompt from time to time.

If you're a long way from retirement, there's plenty of time to find out more and decide what suits you. And if you're getting closer to retirement, ITV Pensions can talk through your options and help you understand them better – take a look at the dedicated retirement section of the DC Plan website to find out more.

If you'd like a bit of help making or considering your choices:

- **Try our Investment Helper**

  By answering some multiple-choice questions, this tool can suggest options to match your investing goals and attitudes. You can also try changing up your answers to see how the results change too...

  Visit: www.itvdcplan.com/investment-helper

- **Check out the DC Plan website**

  Visit www.itvDCplan.com/investing to find more investment information and www.itvdcplan.com/documents-forms for fund factsheets.

- **Give us a call for a general chat**

  If you have any questions, we're a phone call or an email away. We'll do our best to help and can talk through your options, but remember, we can't give you advice about what choice to make.

  Call us on **01772 884488** or email enquiries@itv-pensions.com

- **Talk to the experts if you need financial advice**

  An independent financial adviser (IFA) can advise you on your investment options based on your own specific circumstances. The Trustee, ITV Pensions and the DC Plan's administrators, XPS, aren't legally allowed to give you advice about what choice to make. Note that you may have to pay for the services of the adviser.

You can find out more about getting financial advice, including how to find an IFA, at www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers

Where are you currently invested?

Log in to your online account to see how your DC savings are invested at www.itvDCplan.com > Log in.

If you've forgotten your log in details, just click the 'Forgotten your login details?' link on the screen. You can also look at your last benefit statement which shows how your DC savings are invested.

Step 4: Make your choice

When you're ready, you can make or change your investment in the DC Plan by filling in a Changing your investments form at www.itvdcplan.com/documents-forms > Forms

Before you press submit, here are a few things to know:

- **You might be able to mix and match.** There are different types of contributions in the DC Plan, including regular core contributions, extra contributions (regular and one-off), backdated contributions and transfers in from ITV's auto-enrolment plans. Read your member guide to know more about the different types of contributions you can make into the DC Plan.

  You can choose to invest each contribution type differently. For example, you could invest your core contributions in one of the Customised options and another contribution type in a Guided option. What you can't do is choose both approaches for one contribution type, and your target retirement date must be the same if you choose more than one Guided option.

- **Check the costs and charges.** There is a charge for investment management. These charges are built into the price of your investments and vary for each fund (including the funds that make up the Guided options) and between managers. It's important to understand the charges that apply and their impact on your investments.

  You can find out about the different investment management charges at www.itvDCplan.com/documents-forms > Investment factsheets.

  The Trustee's Chair's statement also includes illustrations of costs and charges and how they might affect your DC savings over time. You'll find the Chair's statement on the DC Plan website at www.itvdcplan.com/documents-forms > Trustee documents.

- **You can change your choice.** You can change how your DC savings are invested as often as you like. While we encourage you to regularly review your choices to ensure they reflect any changes to your plans and circumstances over time – keep in mind that you may need to pay an administration charge if you make more than 2 changes during a year. Also, there's always a dealing cost built into the price of the funds you buy or sell; this applies whether or not there's an administration charge.

Good to know: Protection for your investments

The investment funds offered by the DC Plan are currently provided through Legal & General Investment Management Limited (LGIM). The DC Plan doesn't invest in the assets directly, but LGIM arranges this for the DC Plan under an insurance policy. This is a common way for occupational UK pension schemes to invest and helps the Trustee give you easy access to a range of investment funds.

The Trustee's policy with LGIM is currently covered by the Financial Services Compensation Scheme (FSCS). The FSCS is a compensation fund of last resort for customers of financial services firms. In the unlikely event that LGIM is unable to meet its financial obligations, the Trustee would be able to make a claim to the FSCS for 100% of the value of the policy with LGIM. As an alternative, the Trustee would also expect the industry regulator to seek to find another provider to take on the policy.

In practice, the investment funds provided through LGIM include funds run by fund managers and other organisations outside the LGIM group. In the unlikely event those other fund managers or other organisations are unable to meet their financial obligations, the FSCS would not provide protection. LGIM would make a claim against the fund manager or other organisation to try to recover the money. There's a risk that some or all your investment would not be recovered in these circumstances. However, the underlying investment funds and the arrangements to access them are structured to minimise the risk of this happening and the funds are subject to strict financial regulation.

The Trustee keeps the DC Plan's investments, and the way you can access them through the DC Plan, under regular review. The Trustee is satisfied that the current arrangements are in line with the industry norm at the moment. It's a complicated arrangement, but worth it to enable the DC Plan to offer you a wide range of funds that will provide you with different options to save for your retirement.

What does that mean?

We've tried to keep things simple, but sometimes using certain pension and investment words and phrases is unavoidable. Here's a quick look at some of the terms you might want to know more about.

Annuity focus

A fund that invests in a range of bonds whose performance is expected to broadly match changes in non-increasing annuities. An annuity is the formal name for what most people think of as a pension policy. You can use your DC savings to purchase an annuity which will then provide an income for life.

Bonds

Loans issued by private and public companies, organisations and governments for different lengths of time (that is, the investor loans the organisation or government money for a period of time). Bonds are traded in a similar way to shares so their value rises and falls, but not usually as sharply as the value of shares. Investors normally expect bonds to produce steady returns over the medium term.

Bonds issued by the UK government are often referred to as gilts.

Diversified investments

A wide range of investments usually including shares, bonds, cash, commodities, property shares and other investments. Funds invested in this way aim to reduce risk by investing in lots of different assets, geographical regions and business sectors.

Emerging markets

Investments in geographical areas which are still considered to be developing economically, including Latin America (such as Mexico), South America (such as Brazil), Asia Pacific (such as China), Africa and the Middle East.

Money markets

Sterling investments including short-term bank deposits, UK government bonds, and promissory notes such as Treasury bills. Investors can expect these investments to produce interest-rate like returns overall, although in certain market conditions investments can fall in value.

Shariah law

Investments that abide by the principles of Islamic Shariah Law which prohibit the payment of interest or fees for loans of money.

Shares

A share in the ownership of a company. The value of a share changes, largely depending on the performance of the issuing company and market conditions. Investors normally expect shares to produce good returns over the long term, although their value can rise and fall (sometimes quite sharply) daily.

Global shares are shares traded on stock markets, in a range of currencies, around the world.

Tax-free cash

You can typically take up to 25% of your DC savings as cash tax free up to a limit. The maximum cash lump sum you can take tax free across all registered pension schemes is currently £268,275 (or a higher amount if you have a protection from the former lifetime allowance under current rules).

There are two ways in which you can take your tax-free cash:

- If you decide to purchase an annuity or take flexible access, you can take 25% of your DC savings as tax-free cash at the same time (up to the maximum stated above).
- If you decide to take all your DC savings as cash in a one-off lump sum or a series of lump sums (up to 5), then 25% of each lump sum you take will be tax free (up to the maximum stated above). The remaining 75% of your cash sum will be taxed at source at the highest rate of income tax you pay in the year you take it. At the end of the tax year, HMRC will check whether you've paid the correct amount of tax and, if not, will contact you. If you think you've paid too much tax, you can ask HMRC for a tax refund; you don't have to wait until the end of the tax year.