

# Fund Performance FAQs

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The money you save into your pension is invested to help it grow. We know it can be concerning when investments go down in value. But even when investment markets aren't performing well in the short term, your pension remains a good way to save for your future.

Although no investment guarantees a positive return, it's important to remember your pension is a long-term investment and its value could go up and down in the short term so you should not rush any decisions.

The Trustee provides access to, and information on, a wide range of investment options for members' retirement savings through a [website](#), [fund factsheets](#), [Your Pension](#), the '[Track Your Pension](#)' App (Your Tomorrow members only) and [annual benefit statements](#).

You should make time to read through the resources provided, including this guide, to determine whether you're currently investing appropriately based on your own personal circumstances. If your current investment option is not right or suitable for you, you can make a change and switch to one of the other options available.

At times when financial markets are more volatile, there is an increased risk that trading in some investment funds, such as property, can be limited or suspended for a temporary period. To find out what happens if trading is suspended, [visit our investment funds page](#).

**Note for Scottish Widows Retirement Benefit Scheme (SWRBS) colleagues.**

As the Your Pension portal is not available for SWRBS, instead you can [contact the Scheme administrator](#).

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## Your investments

### Where can I find out the current value of my investments?

You can see an up-to-date value in [Your Pension account](#) or through the [‘Track My Pension’ app](#) (Your Tomorrow members only).

### Why are my savings invested in this way?

Members are offered a range of investment options to invest their retirement savings. Most members will have been invested into one of the available LifePlan investment options when they joined the scheme or began paying additional contributions, and this will continue to apply unless you decide to make a change. If you haven't yet made a change, then your savings and any future contributions will be invested in a ‘default’ investment option chosen by the Trustee.

The Trustee has, with support from its advisers, designed the default option to be suitable for most members, considering the needs of the membership along with the potential risk and reward.

If it is not right or suitable for you, you can make a change and switch to one of the other investment options available. Pensions are long term investments, so it is important not to rush decisions.

The Trustee makes lots of information available to members through a [website](#), [fund factsheets](#), [Your Pension](#), the [‘Track Your Pension’ App](#) (Your Tomorrow members only) and [annual benefit statements](#). The Trustee also communicates directly with affected members when material changes are made to the investment options available, which happened most recently when the investment options were updated over 2021 and 2022.

[Find more about the different investment options available.](#)

## Why have my investments gone down?

The after-effects of the COVID-19 pandemic continue to impact the global economy. By disrupting company supply chains, the costs of producing goods and services have increased, causing inflation to rise (which is the term used to describe rising prices). The war in Ukraine has also led to shortages of fuel and certain foods causing prices, and therefore inflation, to increase further.

Increased inflation has affected the value of bonds and shares, in which many pension schemes invest, and caused the value of pension investments to fall.

In September 2022, the UK Government's Mini-Budget announcement also triggered some market volatility and impacted the performance of some UK investments and currency.

These market conditions have been unprecedented, with most assets having fallen in value, in response to the global threat of recession and inflation. Anyone invested in government bonds and/or equities, whether via a pension scheme, ISA or otherwise, may have seen a substantial falls in the value of their funds due to the performance of the underlying assets they're invested in.

Pensions are long term investments so it's important not to rush decisions. You can see a regularly updated value for your pension savings on [Your Pension account](#) or through the ['Track My Pension' mobile app](#) (Your Tomorrow members only).

[Find more about the different investment options available.](#)

## Why is my projected pension different to what it was previously?

Members will see a higher or lower projected pension from their defined contribution fund than in the past. It's important to remember that the projections are an estimate based on current assumptions, which may change again in the future. Your actual benefits at retirement are likely to be different.

The main factors which can affect the change in the value of your estimated fund and pension projection are:

- **Changes to investment returns**  
Global economic and political events affect the financial markets and in turn impact the assumed rate of return on your investments.
- **Active member savings**  
If you've changed how much you save, this will affect the amount of assumed contributions being paid into your account.
- **Target retirement age**  
Your estimated pension is calculated at the target retirement age held on our records. If you've changed your target retirement age, your estimated pension is now calculated at the updated age.
- **Changes to annuity rate**  
The projected pension figure is calculated by converting the estimated value of your defined contribution fund at retirement into an annuity (an income for life). The annuity rate (the amount of income you can buy with each Pound of your fund) can change which means the projected pension will be higher or lower than the year before, even if everything else is the same.

- **Flexible retirement**

If you've taken flexible retirement, and your fund was fully or partially disinvested (partial disinvestment is not available to HBOS members), this may have a significant impact on the value of your estimated pension as the lower fund value will now be used to project forward to your retirement age.

- **Pension Sharing Order (on divorce)**

If you have had a Pension Sharing Order applied, which resulted in a full or partial disinvestment of your fund, this may have a significant impact on the value of your estimated pension as the lower fund value will now be used to project forward to your retirement age.

## Nearing retirement

### **What can I do if I'm nearing retirement, but my fund value has gone down due to the investment performance?**

Pension investments are a long term investment and returns aren't guaranteed, the value of your pension investments will go up and down over time.

Your options are:

- take financial advice
- stay invested where you are
- make a change to your investments
- defer retirement until a later date

Delaying access to your fund through using savings, or other pension arrangements, may be worth considering to allow longer for your investments to recover. Rushing into making an investment change may risk locking in losses. The right course of action will depend on your personal circumstances, and we are not able to provide you with advice on what you should do.

If you are unsure, before taking any action, we would always recommend [speaking with a financial adviser](#).

## Further from retirement

### **What can I do if I'm further away from retirement, but my fund value has gone down due to investment performance?**

Pension investments are a long term investment and returns aren't guaranteed, the value of your pension investments will go up and down over time.

Your options are:

- take financial advice
- stay invested where you are
- make a change to your investments

It may be worth considering allowing longer for your investments to recover, as making a change may risk locking in any losses.

The right course of action will depend on your personal circumstances, and we are not able to provide you with advice on what you should do.

If you are unsure, before taking any action, we would always recommend [speaking with a financial adviser](#).

## Investment performance management

### How is investment performance monitored and who is responsible for it?

The Trustee is responsible for the investment options available and along with its in-house team of experts and with the support of advisers, conducts regular performance monitoring of all the investment options. This monitoring includes reviewing both the funds and fund managers, against appropriate benchmarks and objectives.

The Trustee also carries out a full investment strategy review at least once every three years to assess whether any changes are needed to the design of the fund range and the default investment option, based on changes in the scheme membership and developments in the investment marketplace.

The Trustee may make changes to the funds where it believes this will be in the interests of Scheme members, considering the fund's objective, members' needs and the cost of making changes. The Trustee can change the choice of funds, or their underlying components and always seeks independent investment advice before doing so. Whenever a material change is made, this is communicated to the membership.

An example of the Trustee making a change includes when fund managers of the Emerging Markets Equity Fund were replaced in early 2023.

As a scheme member, you are responsible for understanding where you are invested and for making sure that it's suitable for your personal circumstances. While the Trustee is responsible for the fund range as a whole, the Trustee cannot know every individual member's retirement plans and attitude to risk, so it is important that scheme members review their own investments to make sure they are appropriate for their plans.

### Why haven't I been notified about investment performance?

The Trustee makes lots of information available to members through the [website](#), [fund factsheets](#), [Your Pension](#), the '[Track Your Pension](#)' App (Your Tomorrow members only) and [annual benefit statements](#). This allows members to track the performance of their own investments. The Trustee also communicates directly with affected members when material changes are made to the investment options available, which happened when the DC Investment strategy was updated over 2021 and 2022.

It's not possible for the Trustee to individually notify members of changes in value, as it's normal for values to go up and down on a daily basis. So it's important to regularly access and read the information which is made available to you so you can decide whether you are invested in the right option.

[Find more about the different investment options available.](#)

### What is being done about the investment performance in 2022 and 2023?

The performance of the investment fund offering continues to be carefully monitored as it always is. Some funds are showing signs of recovery following falls in 2020 and 2021 while the performance of others continues to remain fairly flat. This is because different funds invest in different things, for example company shares or bonds, and these behave

differently depending on different economic conditions. The Trustee understands that any sharp fall in investment values may be quite worrying, and along with its in-house team of experts and with the support of its advisers conducts regular performance monitoring of all the investment options, including the funds and fund managers, against appropriate benchmarks and objectives.

### **How does performance of the investment funds compare to other pension schemes?**

Performance generally across the range of funds has not been very different to other large pension schemes. However, the separate funds on offer within the Scheme have all been affected in different ways because of the way in which they invest and their different objectives. Some funds have performed better than others, in the same way that some funds in other pension schemes or ISAs may have done.

While some members may be disappointed with returns from some funds in recent times, individual experiences differ greatly across the Scheme's membership depending on length of membership, investment choices and the timing of when contributions have been invested relative to rises and falls in investment markets.

During times of volatility like this, it's important to make sure your selected retirement age and your chosen investment strategy are aligned with your retirement goals as well as the amount of risk you are comfortable in taking. Members' perceptions of 'safe' and 'unsafe' are different depending on what their own retirement plans and attitudes to risk are, so if anyone is really unsure what to choose, we recommend speaking to an independent financial adviser about the best course of action for your personal circumstances.

### **When I look at the factsheet for the fund I am invested in, it's not performing well against the Benchmark which has been set, what is the Trustee doing about this?**

The Trustee continues to monitor the performance of all the investment options closely and will make changes if necessary.

As a member, you should make sure your investments are suitable for your personal circumstances, through:

1. understanding which option(s) you are invested in
2. making sure your selected retirement age and your chosen investment strategy are aligned with your retirement goals, and
3. you are comfortable with the amount of risk you are taking.

Members' perceptions of 'safe' and 'unsafe' investments are different depending on what their own retirement plans and attitudes to risk are, so if you are unsure what to choose we recommend speaking to an independent financial adviser about the best course of action for your personal circumstances.

[Find out more about the different investment options available.](#)

## **Investment strategy review**

The Trustee carries out a full investment strategy review at least once every three years to assess whether any changes are needed to the design of the fund range and the default investment option, based on changes in the scheme membership and developments in the

investment marketplace. It is supported by its in-house team of experts and independent advisers.

The Trustee may make changes to the funds where it believes this will be in the interests of Scheme members, considering both the fund's objective and members' needs. The Trustee can change the choice of funds, or their underlying components and they always seeks independent investment advice before doing so. Whenever a material change is made, this is communicated to the membership. The Trustee will not make any changes if it feels there is not a need to do so.

### **What is the timeline for the investment review and when will I be told the outcomes?**

The Trustee is currently conducting a full investment strategy review.

If there are any significant changes, then depending on how material the changes are, the Trustee will either provide updates on the Scheme website or will communicate the changes directly with members.

The investment strategy review is a significant activity which involves consideration of membership demographics and investment market development. The Trustee takes professional, independent advice in the review process and decides to make a change where it can reasonably be expected to improve member outcomes. If changes are required, the Trustee will dedicate resources and time to manage the changes.

The most recent review was completed in 2019 and 2020 and the changes, which are reflected in the current fund range, were implemented in 2021 (and 2022 for some schemes).

### **Why is it only every three years and what do the Trustee/Group Pensions do at other times**

The Trustee has a statutory responsibility to complete a review at least every three years, and it is a significant activity which involves consideration of membership demographics and investment market developments. The Trustee would also carry out such a review if another reason to perform review was identified outside of the three year cycle, for example if there were significant changes to the membership demographics and/or regulations.

On an on-going basis the Trustee, along with the in-house team of experts and the support of advisers, conducts regular monitoring of all the investment options, including the funds and fund managers, against appropriate benchmarks and objectives.

## **LifePlan**

### **Why are the LifePlan options set up as they are?**

The three LifePlan options invest in a blend of funds and each aims to get your savings ready for you with a specific retirement focus (annuity purchase, cash lump sum or flexible income). The blend of funds aims to balance the investment risk across different asset classes as you get closer to your retirement.

Initially, all three options aim to grow your savings in the same way. Then, 10 years before you retire, the three options differ in how they get your savings ready for you to use. All you have to decide is how and when you plan to use your savings (subject to certain restrictions) and the Trustee then manages the LifePlan investments on your behalf.

Because the three options grow your money in the same way until 10 years before you retire, as that time approaches you can decide how and when you plan to use your savings if you want to. And even after that point, you can change your option if your plans change.

Your choice of option doesn't have to dictate how or when you actually use your savings. But the closer you can align your option to how and when you plan to use your savings, the better your savings can work for you.

To find out more about LifePlan and to watch our investment videos, visit our [Investment page](#).

### **Why do the Flexible Income Focus and Annuity Income Focus LifePlan options invest partly in the Annuity Bond Fund?**

Having the Annuity Bond Fund, Mixed Investment Fund and Cash Fund within the design of these two LifePlan options aims to balance the investment risk across different asset classes whilst also considering how members may want to take their retirement savings in the future.

The Flexible Income Focus LifePlan is designed for members who would like to either:

- Access flexible income in retirement (drawing down income as and when they need it)
- Use their savings in a variety of ways (for example, a mix of flexible income, annuity and cash)

It's also used by many members who haven't decided how they wish to retire yet.

The Annuity Income Focus LifePlan is designed for members who would like to purchase an annuity (a regular income for life) at retirement. A large component of it is invested in the Annuity Bond Fund which aims to reflect changes in the cost of buying an annuity (a regular income for life). The other components are to provide some growth and for members to potentially take a tax-free lump sum at retirement.

## **Annuity Bond Fund**

### **Is the Annuity Bond Fund lower risk?**

The fund is expected to be less volatile relative to its objective, but it still carries some risks.

It invests in a mix of company and government bonds and its objective is to provide returns on your investment that reflect changes in the cost of buying an annuity (a regular income when you retire). This can be helpful if you are close to retiring and want to reduce the impact that changes in the value of your investment might have on the amount of income you get from your annuity.

From the start of 2022 to the end of June 2023, the Annuity Bond Fund fell in value by over 30%. However, annuity rates have also fallen by a similar magnitude which means you can still buy about the same amount of income in your retirement as you could at the start of 2022.

If you're not planning to buy an annuity when you retire, this fund may not be a suitable choice for you.

## **Why am I invested in an Annuity Bond Fund?**

The Annuity Bond Fund forms part of the Flexible Income Focus and Annuity Income Focus LifePlan options (alongside the Mixed Investment Fund and Cash Fund). It is also available through the PersonalChoice range of funds.

Members are offered a range of fund options to invest their retirement savings. Most members will have been invested into one of the available LifePlan investment options when they joined the scheme or began paying additional contributions, and this will continue to apply unless you decide to make a change. If you haven't made an investment decision, then your savings and any future contributions will be invested in a 'default' investment option chosen by the Trustee.

The Trustee has, with support from its advisers, designed the default option to be suitable for most members, considering the needs of the membership along with the potential risk and reward. The blend of funds in the LifePlan options aim to balance the investment risk across different asset classes as you get closer to your retirement.

If it is not right or suitable for you, you can make a change and switch to one of the other available investment options. Pensions are long term investments, so it is important not to rush decisions.

[Find more about the different investment options available.](#)

## **Defined Benefit Schemes**

### **Are Defined Benefit (“DB”) schemes exposed to investment performance?**

Market conditions in 2022 and 2023 have been unprecedented with most assets dropping in value. However, your annual DB pension is not affected by the performance of the Scheme's investments. Your employer is responsible for making sure there's enough money in a defined benefit pension to pay each member the promised amount through payment of contributions to the scheme.

In a DB scheme, the main benefit that you build up is an annual pension based on your pensionable pay, years of scheme membership and an accrual rate. Contributions paid by you (unless you are non-contributory) and your employer are used to fund the benefits paid and these are invested to generate returns so that you can be paid the pension from your scheme. Your employer may also be required pay further additional contributions to ensure that there is sufficient funding available for benefits to be paid (these are known as 'deficit contributions').

DB members do also have the option to save Additional Voluntary Contributions (AVCs) on a Defined Contributions (DC) basis and may have seen a drop in the value of these due to investment performance.

### **Is my DB pension protected?**

Your DB pension is protected against investment market performance.

In a DB scheme the main benefit that you build up is an annual pension based on your pensionable pay, years of scheme membership and an accrual rate. Contributions paid by you (unless you are non-contributory) and your employer are used to fund the benefits paid and these are invested to generate returns so that you can be paid the pension from your scheme. Your employer may also be required pay further additional contributions to ensure

that there is sufficient funding available for benefits to be paid (these are known as 'deficit contributions').

There is also some protection if your employer is in trouble or becomes insolvent.

Your employer is responsible for making sure there's enough money in a DB scheme to pay each member the promised amount through payment of contributions to the Scheme. All contributions made to your DB scheme (both yours and your employer's) are held in Trust for the benefit of the membership. This means that the Trustee legally owns the scheme assets, and the employer cannot touch them if they are in trouble or become insolvent.

On an employer's insolvency event compensation is usually payable from the Pension Protection Fund.

## Making change to my investments

### Should I make a change to my investments?

You can change your investment option if you wish to, you do not have to. Some members may be uncomfortable managing their investments or don't have the time to regularly monitor investment performance.

[Find more about the different investment options available.](#)

### How do I make a change?

If you want to change where you're invested, you can do this online via [Your Pension](#) or by [contacting the Scheme administrator](#).

If you are unsure, before taking any action, we would always recommend [speaking with a financial adviser](#).

## Further assistance

### Where can I go if I need further assistance?

- [Your Pension](#)  
Access to your personal information such as your annual benefit statement, your current contributions and your beneficiaries. You can also change your contributions or investments.
- ['Track My Pension' app \(Your Tomorrow members only\)](#)  
Our mobile app that gives you up to date information on the value of your pension pot, your contributions and an estimate of what your savings could be worth at retirement.
- [Scheme Administrators](#)  
Contact the Scheme Administrator if you'd like to ask a question about your Scheme benefits.
- [MoneyHelper](#)  
MoneyHelper is a government-backed service which provides web-based information and over the phone and face-to-face money and pensions guidance.

- [Find a financial adviser](#)

If you're looking for advice, you should talk to a financial adviser.

- [Schroders Personal Wealth – Lloyds Banking Group colleague consultation](#)

Schroders Personal Wealth offers a free initial consultation with an adviser. Should you wish to take up the advice recommendations from Schroders Personal Wealth they will be able to offer a preferential initial advice fee capped at £750 for Lloyds Banking Group colleagues.

(Please note: Schroders Personal Wealth are unable to provide advice on transfers from Defined Benefit (DB) schemes such as final salary schemes)