

## AWPP Money Purchase Division (DC) Investment Changes - FAQs

**Q1. What do you mean by early and late accumulation phases?**

A. The accumulation phase is the period when members' investments are geared toward building up pension savings up to the age of 55 (for someone planning to retire at age 65). In thinking about members' investment needs we have split this phase between early accumulation phase up to age 45 when members can take most risk over long periods of time, and late accumulation phase from age 45 when members are still accumulating savings but typically start to reduce risk to help preserve the value of their pension pot.

**Q2. What is the pre-retirement phase? Is this the same as the last 5 years to your retirement age?**

A. Yes, this phase covers the 5 year period leading up to your target retirement age. This is when individuals typically start to change their investment allocations so that their investment risks become more closely aligned with the risks they expect to face at the point of retirement.

**Q3. If I stick with the default option (Income Drawdown Lifestyle), does this only kick in after age 45?**

A. No, if you choose or default into the Income Drawdown Lifestyle strategy this will determine your investment strategy through all phases of your investment. You will remain invested 100% in global equities until age 45 when your investment allocation will start to change and "de-risk" over time.

**Q4. Does this mean that up until age 45, everyone in the DC pension plan is invested in a high expected return, low cost asset class such as a passive global equity fund?**

A. Yes, that is correct, unless you have chosen to self-select your investments from the asset funds available.

**Q5. Who is eligible to self-select their funds?**

A. All DC members may choose to self-select their funds – if you wish to do this, please indicate your chosen funds on the option form and send it to Hymans.

**Q6. What is a world equity fund? cash fund? diversified growth fund? diversified income fund? corporate bond fund? pre-retirement fund?**

A. Details of the different types of fund are set out in the "Details of DC section investment funds from March 2016" section of the Appendix. Here you can also find a link to factsheets for the self-select funds.

**Q7. Property is included in the table of options but not mentioned in any of the lifestyle choices. Why?**

A. The property fund is made available to members who choose to self-select their investments. None of the Lifestyle options are invested in property.

**Q8. I can't afford a financial advisor. Are the other options free?**

A. The other options include a link to [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk), a free and impartial money advice service set up by the government.

**Q9. Why are the new offerings better than before?**

A. The new self-select investment options now include a broader range of funds that the Trustee believes will meet the vast majority of members' needs. For Lifestyle members there are now three lifestyle options. These reflect investment strategies that are aligned with the options that members have at retirement following the Government's introduction of pension flexibilities.

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### **Q10. What does all of this mean when I actually want to receive my pension?**

A. How you actually receive your pension will initially be determined by your Lifestyle choices, although these can be changed nearer retirement. All members can choose to take their pension pot as cash or a series of cash sums, purchase an annuity, or continue to invest their pension pot in an appropriate 'drawdown' product from which they flexibly receive income.

### **Q11. What if I don't know when I want to retire or this changes unexpectedly?**

A. If you don't know when you want to retire, it would be useful to assume the age of 65 when assessing the options discussed in this letter. You should keep this under review and notify Hymans when your plans change as, for Lifestyle members, your investments are managed by reference to this age. If this changes unexpectedly, we recommend you contact Hymans.

### **Q12. How do I know what the right investment decisions are for me?**

A. Neither the Trustee nor Hymans can advise you on what investment decisions are right for you. You should consider your own retirement goals and appetite for investment risk. Members who feel able to take control of their own investment choices have a suitable range of funds to choose from. The Trustee has designed a default investment strategy which we believe is appropriate for members generally, but this cannot cater for every member's individual circumstances.

### **Q13. How will my changes be confirmed to me?**

A. A letter will be sent to all DC members once the changes to the new investment lifestyles and self-select funds have been made. This will prompt you to log on to [pensionsWEB](#) to check that you are correctly invested in your chosen option or, if you have not made a choice, to check that you have been switched to the default Income Drawdown Lifestyle or corresponding self-select funds.

### **Q14. Why aren't DB members affected?**

A. DB schemes provide members with a pension benefit based on a pre-defined formula. The cost of providing benefits for all DB members collectively is met by member and employer contributions together with the returns achieved on DB investments. DB members do not have personal accounts they need to invest. It is the Trustee who is responsible for making decisions on how DB assets are invested to deliver the pre-defined benefits.

### **Q15. I want to know more about my pension generally.**

A. You can find out more about the AWPP generally and the DC (money purchase) pension plan on [pensionsWEB](#) and The Wave ([Money purchase](#) [General notes](#))