Investment guide

Defined contribution (DC) section

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This guide explains the investment options available to you as a member of the Hanson Industrial Pension Scheme (HIPS) defined contribution section (the scheme)

Your investment choices

Your pension savings may be invested for many years until you want to take your retirement benefits. They may become one of your most significant savings, which means it is important that the investment choice is right for your needs. You need to think ahead to how you want to take your pension benefit as you approach retirement. The choices you make now should be guided by what you need when you retire.

There are two approaches available for the investment of your pension savings:

Lifestyle strategies (see pages 5 to 11)

This is an investment approach that selects investment funds for your pension savings and automatically changes the mix used as you approach retirement. The HIPS Drawdown Lifestyle is the scheme's default investment option. If you don't make an investment choice when you are automatically enrolled, your pension savings will be invested in this fund.

Self-select investment options (see pages 14 to 17)

This allows you to choose and actively manage the investment funds used for your pension savings. You can switch between the lifestyle strategies or the self-select investment options at any time using the member website **(see page 3)** or by calling the scheme administrator Capita Pension Solutions on 0345 6000 591. The website also provides access to information and interactive tools to help you make investment and savings decisions.

You can combine self-select investment options and the lifestyle strategies, providing these investment choices are for different contribution sources. For example, you may invest your additional voluntary contributions (AVCs) in a self-select fund, while regular contributions are invested in the lifestyle strategies. Please note you cannot use a combination of lifestyle and self-select for the same contribution source.

Help and information

The scheme has a member website that allows you to manage the investment of your pension savings as well as providing information and interactive tools to help you make investment and savings decisions.
Log in at **www.hartlinkonline.co.uk/hanson**. If you have any problems logging in, call Capita Pension Solutions on 0345 6000 591.

The website includes:

My contributions – a summary of your contributions and the value of your pension savings by investment fund.

My transaction history – your transaction history by date, fund and contribution type.

Change investments – allows you to manage changing your investment choice online.

My investment options – allows you to check daily prices for the scheme's investment funds and view historic performance. It also includes fund factsheets which provide additional information about the scheme's investments, including risks, fund objectives and annual charges.

You can find full details about pension contributions and benefits in the separate scheme booklet.

If you need further information, please contact the scheme administrator:
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Email: **hanson@capita.co.uk**

Tel: **0345 6000 591**

The small print

1 The Trustee and Capita Pension Solutions can provide information and explanation to help you manage your account but cannot give personal financial advice. You can find guidance on how to find a financial adviser in your area through the government's Money Advice Service – **https://www.moneyadviceservice.org.uk/en/articles/when-and-where-to-get-pensions-help-and-advice**

2 The value of your own account is not guaranteed as the investment performance of the funds in which you invest can go down as well as up.

The lifestyle strategies

The lifestyle strategies have two different phases. The first, called the growth phase, is the period from when you join the scheme to eight years before your selected retirement age. This phase is the same for all three lifestyle strategies because they all aim to achieve good long-term growth for your pension savings that at least keeps up with inflation.

Within eight years of your selected retirement age, the three lifestyle strategies are tailored to target different income options on retirement.

The lifestyle strategies all invest in the same mixture of diversified assets and equities during the growth phase:

- Until 20 years before your selected retirement age, 80 per cent of your account will be invested in the HIPS World Equity fund, 10 per cent in the HIPS Active Diversified fund and 10 per cent in the HIPS Passive Diversified fund.
- At 20 years before your selected retirement age, the proportion of your account invested in each of the three funds above will start to change so that when you reach eight years before your selected retirement age, 15 per cent of your account will be invested in the HIPS World Equity fund, 35 per cent in the HIPS World Equity (Currency Hedged) fund, 25 per cent in the HIPS Active Diversified fund and 25 per cent in the HIPS Passive Diversified fund.

Diversification means not putting all your eggs in one basket by holding a wide range of investments. Some investments do well in certain economic and market conditions and poorly in others. Other investments can behave very differently in the same conditions. Spreading your investments helps reduce the risk that your retirement savings might fall significantly due to poor performance of any particular holding (eg UK equities).

This is why the growth phase invests not only in equities, but also in funds that can hold a diversified range of asset classes (for example property and bonds) such as the HIPS Active Diversified fund and the HIPS Passive Diversified fund. See **pages 15 and 16** for more details on these funds.

See **page 14** for an explanation of the difference between **active** and **passive** investment management.

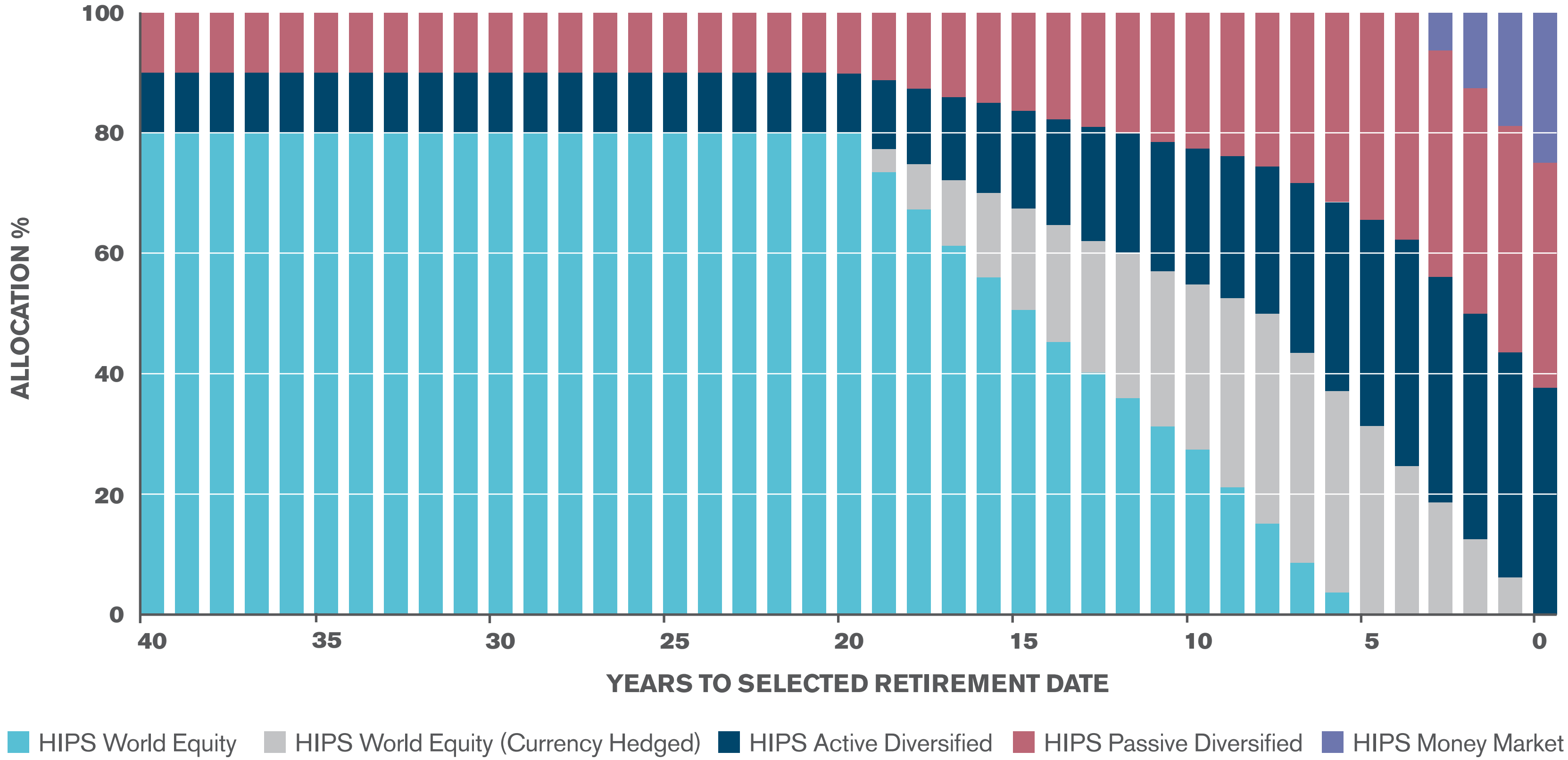
HIPS Drawdown Lifestyle – the default lifestyle strategy

The HIPS Drawdown Lifestyle is the default lifestyle strategy and is designed for those who think it likely they will want to draw down income at retirement rather than purchase an annuity. This allows you to choose the amount of income you want to take in retirement and when you want to take it, so it does not guarantee a certain amount of income for life. In line with the current arrangement, you will have to transfer your account out of the scheme at retirement and into a personal arrangement to provide for this.

With this option you will continue to invest in growth assets for longer than under the other two lifestyle strategies as it is designed with the expectation that you will continue to be invested in some growth assets after retirement. As you approach retirement, your investments are gradually switched to lower investment risk assets that aim to provide more stability than the growth phase, while still aiming to generate returns in excess of inflation.

- Eight years before your selected retirement age, the proportion of your account invested in each of the three funds set out on **page 5** will change so that when you reach four years before your selected retirement age, 25 per cent of your account will be invested in the HIPS World Equity (Currency Hedged) fund, 37.5 per cent in the HIPS Active Diversified fund and 37.5 per cent in the HIPS Passive Diversified fund.
- For the final four years before your selected retirement age, your account will gradually move into the HIPS Money Market fund, so that when you reach your selected retirement age, 37.5 per cent of your account will be invested in the HIPS Active Diversified fund, 37.5 per cent in the HIPS Passive Diversified fund and 25 per cent in the HIPS Money Market fund.

Drawdown lifestyle



You also have the option to invest in two alternative lifestyle strategies – one if you think it likely you will want to purchase an annuity at retirement and one if you think it likely you will want to take your whole account as a cash lump sum at retirement.

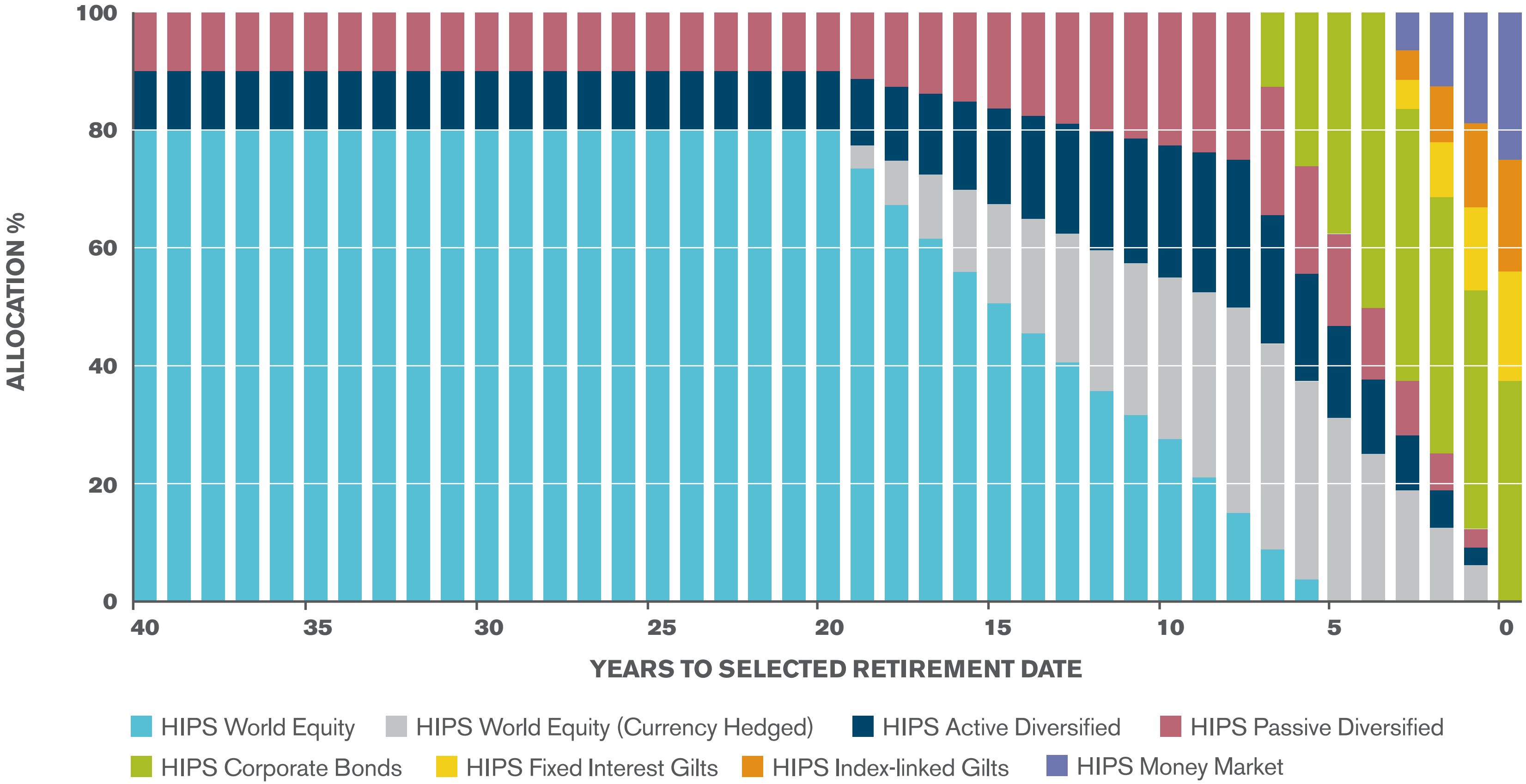
An annuity is a pension product that takes your pot at retirement and converts it into an income for life, in the form of guaranteed regular payments at stated intervals. There are many different types of annuities available, including options to protect you against increases in inflation or to provide for others such as your spouse or dependants.

HIPS Annuity Lifestyle

The HIPS Annuity Lifestyle is designed for members who think it likely they will consider buying an annuity (also known as a pension) at the time their pension benefits become payable. A major factor affecting the cost of an annuity is changes in long-term interest rates. The aim of this lifestyle is to match the cost of an annuity better by investing a greater proportion in bonds, whose prices are expected to move broadly in line with long-term interest rates as retirement approaches.

- Eight years before your selected retirement age, your account will gradually move into the HIPS Corporate Bonds fund, so that when you reach four years before your selected retirement age, 25 per cent of your account will be invested in the HIPS World Equity (Currency Hedged) fund, 12.5 per cent in the HIPS Active Diversified fund, 12.5 per cent in the HIPS Passive Diversified fund and 50 per cent in the HIPS Corporate Bonds fund.
- For the final four years before your selected retirement age, your account will gradually move into the HIPS Fixed Interest Gilts fund, the HIPS Index-linked Gilts fund and the HIPS Money Market fund, so that when you reach your selected retirement age, 37.5 per cent of your account will be invested in the HIPS Corporate Bonds fund, 18.75 per cent in the HIPS Fixed Interest Gilts fund, 18.75 per cent in the HIPS Index-linked Gilts fund and 25 per cent in the HIPS Money Market fund.

Annuity lifestyle

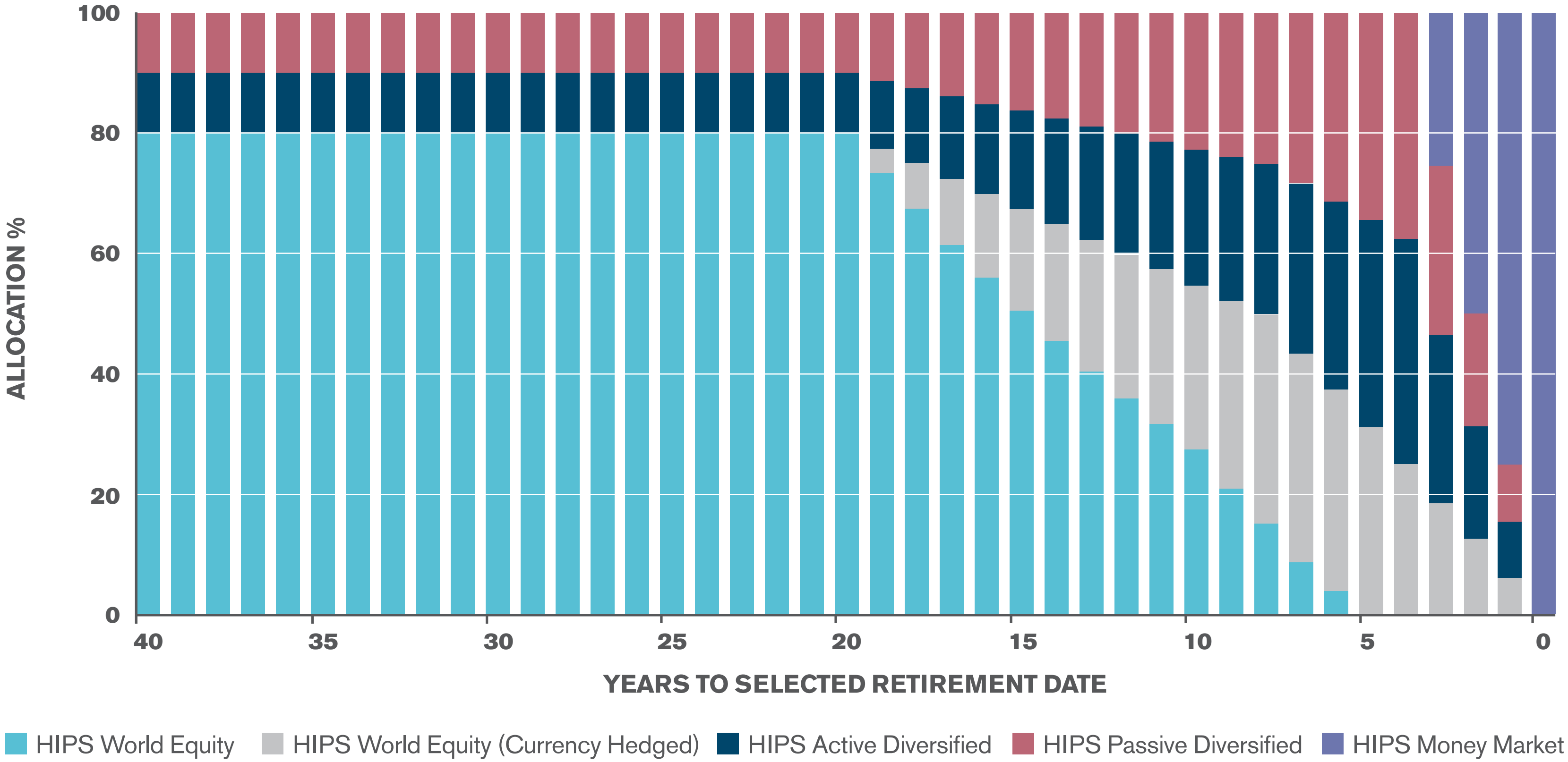


HIPS Cash Lifestyle

The HIPS Cash Lifestyle is designed for members who think it likely they will want to take their whole account as a cash lump sum on retirement. It aims to reduce investment risk and increase the certainty of the amount of cash available to take at retirement. The investments continue to switch into the HIPS Money Market fund as the selected retirement age approaches.

- Eight years before your selected retirement age, your account will continue to move gradually into the HIPS Active Diversified fund and the HIPS Passive Diversified fund so that when you reach four years before your selected retirement age, 25 per cent of your account will be invested in the HIPS World Equity (Currency Hedged) fund, 37.5 per cent in the HIPS Active Diversified fund and 37.5 per cent in the HIPS Passive Diversified fund.
- For the final four years before your selected retirement age, your account will gradually move into the HIPS Money Market fund, so that when you reach your selected retirement age, your account will be invested 100 per cent in the HIPS Money Market fund.

Cash lifestyle



Investment charges

Each investment fund has charges that cover the costs of the fund managers and the investment services provided by Fidelity, the scheme's investment platform provider (a specialist investment system the scheme uses to access the funds it offers you). The charges you pay are deducted from the assets of each investment fund and are reflected in the daily fund price.

The annual charge, known as the total expense ratio ("TER"), is made up of the management charge plus any additional expenses. The Trustee has been advised that the management charges it has negotiated are competitive. The additional expenses cover – for example the cost of auditing the investment fund – can change from time to time. This means the total annual charge can also change over time. Please note the TER does not include transaction costs which arise when investments are bought and sold – for example stamp duty (tax) and foreign exchange costs incurred by the fund manager when trading.

As an example, during the growth phase (up to before 20 years to retirement), the TER is 0.18 per cent. Therefore, broadly over the year, you will pay 18p for each £100 of your pension savings.

The TER for each year of the growth phase of each of the lifestyle strategies is set out below. The TER at a particular time depends on the mix of investment funds being used for your savings at that time.

Years to selected retirement age	20+	20	19	18	17	16	15	14	13	12	11	10	9	8
Illustration of total annual charge (TER % pa)	0.18	0.18	0.19	0.20	0.21	0.22	0.23	0.24	0.25	0.26	0.26	0.27	0.28	0.29

The TER for the final eight years of the lifestyle strategies is:

HIPS DRAWDOWN LIFESTYLE (DEFAULT)

Years to selected retirement age	8	7	6	5	4	3	2	1	0
Illustration of total annual charge (TER % pa)	0.29	0.31	0.33	0.35	0.37	0.37	0.37	0.36	0.36

HIPS ANNUITY LIFESTYLE

Years to selected retirement age	8	7	6	5	4	3	2	1	0
Illustration of total annual charge (TER % pa)	0.29	0.27	0.25	0.23	0.21	0.19	0.17	0.14	0.12

HIPS CASH LIFESTYLE

Years to selected retirement age	8	7	6	5	4	3	2	1	0
Illustration of total annual charge (TER % pa)	0.29	0.31	0.33	0.35	0.37	0.31	0.25	0.19	0.13

Note: Costs are based on the target asset allocation of each year. The actual weightings of the underlying funds may vary due to investment market movements, and costs would change in line with these proportions.

Self-select investment options

With the self-select investment options, you choose what funds to invest in and how much to invest in each fund and you monitor and manage these investments yourself. If you are comfortable choosing between the different types of pension investments and have a clear view of your pension objectives and attitude to investment risks, you may want to consider this approach.

The scheme provides a range of nine investment funds. These include equity, bond and cash funds as well as those that can hold a diverse range of asset classes **(see pages 15 and 16)**.

The amount of your pension savings is always linked to the price of the investment funds which make up the self-select investment options. This means the value of your pension savings can fall as well as rise.

It is important to review your self-select investment options regularly to ensure that they are still appropriate for your planned retirement. Please note that the Trustee and Capita (the scheme administrator) can provide information and explanation to help you manage your account but cannot give personal financial advice. You can find guidance on how to find a financial adviser in your area through the government's Money Advice Service at **www.moneyadviceservice.org.uk**

The investment options page on the member's website provides additional information about the scheme's funds, including investment risks, and each fund's objective and annual charges.

There are two different styles of investing called active and passive management. These have different risks and the returns seen may also differ:

Active funds aim to outperform a market benchmark or index (such as the FTSE 100) by investing in a selection of investments the investment manager believes will perform better than the market. The investment manager decides which assets to buy or sell, and when. As returns depend partly on the active involvement and skill of the manager, typically these funds have higher investment charges. Active funds can also be more volatile than passive funds, which means there is a greater chance of the fund losing or gaining value more rapidly compared to the index.

Passive funds try to track a particular benchmark or index (such as FTSE100) and aim to achieve the same return. Passive funds usually have lower investment charges than active funds because any buying and selling of assets is automatically triggered by changes in the make-up of the index.

Equity funds

Equities are stocks or shares of companies. Over the long term, equities are expected to outperform most other forms of investment but are also expected to be one of the riskiest investments. The **HIPS UK Equity** fund invests solely in company shares quoted on the London Stock Exchange. It aims to track the benchmark, which is the FTSE All-Share Index. The **HIPS world equity** fund invests in shares of UK and overseas companies. It aims to track the benchmark, which is the MSCI World Index.

Diversified growth funds

Diversified growth funds invest in a broad range of investments including equities, bonds and currencies. Advanced investment techniques (called derivatives) are sometimes also used. Risk is expected to be lower than equities due to diversification across asset classes while retaining the potential for good investment growth over the long term.

The **HIPS Active Diversified** fund invests in a range of asset classes in the UK and overseas. The fund is managed on an active basis and aims to achieve a return materially above cash over the long term by holding a variety of investments selected by the investment manager. The **HIPS Passive Diversified** fund invests in a range of asset classes in the UK and overseas. The fund is managed on a passive basis, and aims to achieve long-term growth by holding a variety of investments including equities, bonds, property, infrastructure and emerging market investments.

Government bond funds

A government bond is like a loan. It involves lending money to a government, which pays interest on the loan and returns it over a set period of time. Bonds are less risky than equities or corporate bonds because the fund's investments are backed by the UK government, although the unit price can still fall.

The **HIPS Fixed Interest Gilts** fund invests solely in UK government issued fixed-interest gilts with more than 15 years until maturity, each paying a fixed rate of interest. The fund aims to track the benchmark, which is the FTSE UK Gilts Over 15 Years Index. The **HIPS Index-linked Gilts** fund invests in UK government issued index-linked gilts, with more than five years until maturity. The returns from this fund will be linked to the retail prices index and the fund can provide protection from inflation. The fund aims to track the benchmark, which is the FTSE UK Gilts Index-Linked Over Five-Year Index.

Corporate bond fund

A corporate bond is like a loan. It involves lending money to a company, which pays interest on the loan and returns it over a set period of time. Corporate bonds should be less risky than equities because companies must pay interest on bonds before dividends to shareholders but more risky than UK government bonds because companies are more likely to go bust than the UK government. The **HIPS Corporate Bonds** fund invests in investment grade corporate bonds denominated in sterling and aims to achieve a return consistent with the benchmark, which is the iBoxx £ Non-Gilts Index.

Property fund

Property is usually made up of investments in land and buildings. These can be let to businesses so that investment returns take the form of a regular rental income as well as increases in the value of the underlying property or land. Property returns can often be more stable compared to equities but property can be difficult to sell during times of poor market conditions, and there are high transaction costs (for example, taxes) when buying and selling. The **HIPS Property** fund invests in a diverse portfolio of commercial property and includes physical property investments in the UK and investments in property companies listed around the world. The fund is managed on an active basis and aims to achieve a return above its benchmark over the long term.

Money market fund

Money market instruments are short-term loans between banks and other financial institutions. The underlying investments are often considered to be very secure and therefore prices are often stable, but, historically, returns have been much lower than those from bonds or equities over the long term. The **HIPS Money Market** fund invests in a diversified portfolio of money market instruments of a high quality, with a minimum credit rating of A1 or an equivalent standing, and aims to achieve an investment return that is in line with wholesale money market short-term interest rates. Specifically, the fund is benchmarked against 7 Day Sterling LIBID.

Self-select fund charges

The self-select investment options are set out below along with the annual charges (TER*) for each fund. There is no limit on the number of these funds you can invest in.

Fund name	Invests in	Style of management	TER* (% pa)
HIPS UK Equity	UK equities	Passive	0.12%
HIPS World Equity	Global equities	Passive	0.12%
HIPS Active Diversified	A wide range of diversified asset classes	Active	0.63%
HIPS Passive Diversified	A wide range of diversified asset classes	Passive	0.26%
HIPS Fixed Interest Gilts	Over 15 years fixed interest gilts	Passive	0.12%
HIPS Index-linked Gilts	Over 5 years index-linked gilts	Passive	0.12%
HIPS Corporate Bonds	Corporate bonds	Passive	0.12%
HIPS Money Market	Cash and money market	Passive	0.13%
HIPS Property	Property	Active	0.47%

*** TER (total expense ratio) is a charge for the management of the funds.** **See pages 12 and 13 for details**

If you need further information, please contact the scheme administrator:

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December 2021