

ISSUED

2011



THE CHEVIOT TRUST

# MONEY PURCHASE SCHEME

## *Investment Options Factsheet*

At Cheviot, we listen to our members. In fact, members and pensioners make up almost half of the Trustee board.

Our approach to investment options for members can be described in just four short statements:

- **Easy to understand**
- **Constantly monitored**
- **Meeting members' needs as they change**
- **Competitive charges**

*This factsheet provides information about the options available*

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## EASY TO UNDERSTAND

Some members may have investment expertise but we know that for most of you, investments are complicated and difficult. It may not be an area in which you feel comfortable making decisions. We have tried to make the options simple and easy for everyone to understand and make decisions about.

We offer three options for you to invest in over the long term. Other providers may provide a much larger range but, because of the way we manage them, we consider that three is enough to provide an option which is right for you and makes your decision simple. All the options invest in a wide range of assets, including UK and overseas company shares, company and government bonds, property and cash. The proportions of the different assets vary according to which option you choose and is considered (and changed if necessary) by the Trustee on the advice of its investment consultants each month.

Choosing an investment option is about deciding how much risk you are prepared to take to get more growth over the long term. Risk usually means how much the value of your account fluctuates when investment markets are difficult. Generally, the more risk you are prepared to take, the better the long term return but you need to be prepared for the ups and downs along the way. All Cheviot options are designed to reduce the fluctuations in value by investing in a wide range of assets. This is called diversification.

### **Cheviot provides three long term investment options:**

**Growth:** for members who are looking to maximise returns and are prepared to accept fluctuations in returns as a result.

**Moderate:** for members who want good returns, but balanced with more stability - so expect lower returns than Growth but with less fluctuations in returns.

**Cautious:** for members who want to reduce the risk of falls in the value of their account but still want some long term growth - so expect lower returns than Moderate but with even less fluctuations in returns.

Usually, the longer you are investing, the more risk it is appropriate to take. This is because the fluctuations in returns even out over the longer term although this is not always the case. All three options are suitable for long term investments (otherwise we would not offer them) but in general you should take as much risk as you feel you can to maximise the potential return on your account. You can also split your contributions between the options. When making this decision you should also take into account any other investments you may have.

*If you don't want to take a decision, then the Trustee will choose the Moderate option for you*

## CONSTANTLY MONITORED

We all know that we should look at our investments regularly but the reality is that most of us don't have the time or the expertise. That is why Cheviot does the work of reviewing the underlying investments for each option every month (and more often if necessary) and makes changes when appropriate, on the advice of Cheviot's investment consultants, P-Solve who have an excellent track record in this area.

The options are managed dynamically - this means they are constantly being updated in light of market movements. We do the work of selecting which assets to invest in and in what proportions so that all we need from you is an indication of how much risk you want to take.

The full range of investment funds used and the current proportions are available on the website: [www.cheviottrust.com](http://www.cheviottrust.com)

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We understand that your attitude to risk may change as you get older and therefore you can ask us to change your option at any time, both for your future contributions and for part or all of your existing account. One switch is free per year; more switches may incur additional charges.

We know that members plan their retirement and that your plans may change for any number of reasons. It is really important as you approach retirement that you reduce the risk in your account in case there is a significant fall in its value before you retire. This will either be done at your request using the **Retirement Protection Option** or we will do it automatically for you through the **Lifestyling Fund**.

Members within five years of retirement can reduce their risk by selecting the **Retirement Protection Option** for part or all of their new contributions, or switch some or all of their existing account.

The **Retirement Protection Option** does not look to provide growth but broadly matches the movements in the cost of buying a pension and so aims to protect the value of your account in pension terms.

So that you don't need to remember to do this, Cheviot has an automatic "lifestyling" approach which works on the target retirement date you have selected or, if you have not selected a target retirement date, age 65, the Normal Retirement Date under the scheme. Your target retirement date can be earlier or later than age 65. Lifestyling means that assets are moved from the **Growth, Moderate** and **Cautious** into the **Lifestyling Fund** on a quarterly basis during the five years leading up to your retirement. About 5% of your account is moved each quarter during the five year period.

The **Lifestyling Fund** is invested on the same basis as the **Retirement Protection Option** and aims to protect the value of your account in pension terms in the same way. So by the time you reach your target retirement date or age 65, all your account will be invested to protect its value in pension terms rather than for growth. You will be able to see these switches clearly on your benefit statements in future.

*It is really important that you keep us up to date with your retirement plans so that we use the right date to make these switches*

### Case Study 1

Jean Drew joins the Scheme aged 40. She plans to retire at age 62 when her mortgage will be paid off. She therefore selects her 62nd birthday as her target retirement date. When she reaches age 57, Cheviot automatically begins the lifestyling process by switching around 5% of her account each quarter from the long term options to the **Lifestyling Fund**.

Shortly before her retirement, there is a significant fall in investment markets. Jean phones Cheviot in a panic, concerned that her account will have fallen in value and she will not be able to afford to retire. She is relieved to learn that nearly all of her account is now invested in the **Lifestyling Fund** and is therefore protected against the falls in markets.

### Case Study 2

Sam Wood joins the Scheme aged 45. He does not know when he is likely to retire and so does not select a target retirement date. His default retirement age is age 65. Sam marries late in life and has two children. The cost of university education means that Sam decides at age 60 that he will have to continue working until age 68 before he can afford to retire. He doesn't think to tell Cheviot.

Sam receives his next benefit statement and sees that a small portion of his account has been switched to the **Lifestyling Fund**. He is within five years of his retirement date of age 65 and the automatic lifestyling process has started. He rings Cheviot and lets them know that his plans have changed. Cheviot record a target retirement date of 68 and reassures Sam that his account will be switched back to the long term options until he reaches age 63.



## COMPETITIVE CHARGES

We keep our charges under review. We won't be the cheapest provider but we are doing more than most.

- The Trustee Board, made up of members and pensioners and representatives of employers, ensures that the Scheme is well run and appropriately managed with members' interests being paramount.
- We understand that most members do not want the responsibility of making investment choices so we make it as easy as possible and take the decision for the member if necessary.
- We dynamically manage the underlying investments and adapt to changing market conditions to balance the level of returns with the stability of those returns according to the aims of each option.
- We are UK based with a dedicated administration team able to answer your query personally. Usually your query will be answered within five working days. If we are going to take a little longer, we will let you know.
- The current annual management charge is 1% for the Growth, Moderate and Cautious Options and 0.6% for the Retirement Protection Option and Lifestyling Fund.

## THE DETAILS

Full details are available on the website and will be updated regularly. To help Cheviot make changes in assets quickly and efficiently, the underlying investments are held on an investment platform managed by Friends Life. Friends Life is **not** responsible for the investment strategy - that is determined wholly by the Trustee and its advisers.

### How do I review or change my Investment Options

Your investment options are shown on your benefit statement or you can view them by going online if you have already signed up for our online service, or just call us. If you want to sign up for our online service or change your investment choices, the details and forms are available on the website.



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