Your guide to investing

Legal & General WorkSave Mastertrust

Sainsbury's Retirement Savings Plan

Legal & General

Contents

Part 1: Introduction

Why should I read this guide?

This guide has been designed to help you understand:

- how contributions are invested
- what you should be aware of if you want to make your own investment decisions
- the choices you will need to consider when it comes to investing your pension pot as you approach retirement.

We've tried to make it easier to understand by using plain English.

Where we've used a term you may not be familiar with, we've highlighted it in blue and have included a definition in the 'Terms explained' section.

We suggest you read this guide in conjunction with the Member's booklet, which you'll find on your scheme website.

Investing in a Target Date Fund

The Target Date Funds have been selected as the default investment option for this scheme by the Trustees and your employer.

This means that, unless you tell us otherwise, any contributions you and your employer make will be invested in a Target Date Fund.

What are the Target Date Funds?

The Target Date Funds are target date funds that allow you to match the way your savings are invested to a 'target date' in the future. This will usually match your selected retirement date, and offers the potential to grow your savings both prior to - and beyond - your selected retirement date.

The way your savings are invested will depend on how close you are to your target date. The fund manager invests your money in a range of assets to give you the benefit of diversification. This is designed to ensure that you aren't reliant on the performance of any one type of asset.

What sort of things does a Target Date Fund invest in?

Initially more of your savings will be invested in higher-risk assets such as company shares (also called equities). Although they are more likely to go up and down in value in the short term, your savings are more likely to increase in value over the longer term.

When you are within 10 to 15 years of your selected retirement date, the mix of assets will start to change. Although it will begin to invest less in higher-risk assets, such as company shares, the fund will continue to invest in these things, with the aim of providing some potential to increase the value of your savings.

By the time your reach your selected retirement date a large proportion of your savings will be invested in less risky corporate and government bonds.

Who are the Target Date Funds designed for?

Members with savings in these funds are likely to want to leave their pension pot invested beyond their selected retirement date and use their savings to provide income on a regular or on an occasional basis.

They are also likely to be comfortable accepting a degree of investment risk, as they approach - and go beyond - their selected retirement date, in return for the possibility that the value of their savings will increase.

Although they may consider buying a pension that pays them a regular income at some point, they're unlikely to use all of their savings in this way during the first few years of their retirement.

Want to find out more about the Target Date Funds?

For more information on how these funds work, including detailed descriptions of the different types of assets in which your savings could be invested, please go to 'The Target Date Funds' section on your scheme website.

As well as providing you with an overview of these funds, you'll also find the Guide to the Target Date Funds and links to the fund factsheet for each individual Target Date Fund.

Choosing your own investments

You don't have to stay invested in a Target Date Fund. There are a number of other investment options available to you, which are described in more detail later in this guide. However, it's important to be aware that, when it comes to choosing your own investments, there's a lot to think about. With this in mind, we've created this step-by-step guide to help you.

You can change the way your pension savings are invested at any time. You can do this for your existing savings, for ongoing contributions, or both.

All investments carry a degree of risk , which means the value of your pension savings can fall as well as rise. So it's important to understand - and be comfortable with - the risks you might be taking. This step-by-step guide has been designed to help guide you through this process.

Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Identify your attitude to risk	**Things you may want to consider**	**Find out about Legal & General's fund risk ratings**	**See how the funds compare in terms of risk**	**Consider funds that suit your risk profile**	**Making sure you're happy with your choice**
See the 'Balancing risk and reward' section for more information.	When choosing funds you may want to consider: 1.Investing in a range of different investment types. 2.How much you understand about investing. 3.Your income needs in retirement. 4.How often you'll review and change your investments. 5.The timing of your investment and whether you're making one-off or gradual investments.	Legal & General has created seven fund risk rating categories, using a scale of 1 (lowest risk) to 7 (highest risk). The definitions in the 'Fund risk rating descriptions' section will provide you with a broad description of the level of risk attached to the funds within each category.	Legal & General has risk rated all its funds. For more information see the 'Risk Profile ' section of this guide and the individual fund factsheets for each funds specific risk rating. These can be found by clicking on the links on pages 14 and 15 of this guide.	You can decide on the level of risk you want to take. You may want to invest in funds from a single Fund risk rating category or you may prefer to invest in a range of funds across more than one fund risk rating category. You can find more information on all the funds available to you, including details of the fund risk rating category, in the 'your funds' section	It's important to be comfortable with the risks associated with each fund before investing. You should also review your fund choices regularly to ensure they remain appropriate for your needs. To do this go to your scheme website and select 'Manage Your Account'. You may want to seek financial advice before making any investment decisions.

Part 2: About investing

This section looks at the basics of investing and should be helpful, whether you're new to investing or have previously chosen your own investments.

What is an investment fund?

An investment fund is controlled by a fund manager who invests in asset classes on your behalf.

For more details on the different types of asset, see the 'What is an asset?' section.

The fund manager can choose to invest in a range of assets from bank deposits and cash to shares and property. Different funds will have different aims and the fund manager will invest in assets that are aligned to the objectives of the fund.

Whatever the specific objective of the fund, the ultimate goal of any fund is to help your money grow (or preserve its value) although there is no guarantee that this will happen.

When you invest in a fund, you buy a small part of it called a unit. The price of these units can vary. If the unit price goes up, the value of your investment will increase. Similarly, if the unit price falls, so will the value of your investment.

Types of fund management

There are two main types of fund management: active and passive.

Active fund managers take an active 'hands-on' role in making investment decisions. They are continuously researching companies or other investments in the search for growth potential. They may buy and sell assets frequently in the hope of earning returns that beat their market sector.

Passive fund managers adopt a more 'hands-off' approach. Instead of trying to beat a particular sector or market index, for example the FTSE 100 Index, they aim to replicate it.

As a result, passive funds tend to have lower management costs than active funds.

Active funds, typically hold fewer assets, so the impact of any one company underperforming could be greater. They can, however, provide access to asset classes that may not be available via a passive fund.

Active funds generally take on more risk than passive funds within the same asset class. Whilst this means that investors have the potential for higher returns, it also means that the chance of making a loss is also greater.

To find out more about the risks of investing see the 'Balancing risk and reward' section.

About investing

What is an asset?

Assets are the building blocks of funds.

Different funds invest in different assets and this can have a significant effect on a fund's performance and its volatility. Each type of asset has its own characteristics and also has different risks. The table below illustrates the key characteristics of the four main types of asset.

	Shares	Property	Bonds	Cash
What is it?	A share in the value of a company.	Commercial property such as offices, shops, warehouses, factories and other business buildings.	A loan which can be returned on a specified future date.	Short-term deposits with governments and financial institutions such as banks and building societies.
Are they called anything else?	Equities.	N/A	Fixed interest securities. UK Government bonds are often referred to as 'gilts'.	Bank Deposits.
Who issues them?	Public companies.	N/A	Governments or companies.	N/A
Can they generate an income?	Yes. If the company makes a profit, it may return money to shareholders in the form of a dividend.	Yes. The rent paid by tenants effectively generates a regular income.	Yes. The issuer will normally make regular interest payments to the holder.	Yes. Although the rate of interest on cash deposits is normally quite low.
Can they grow in value?	Yes. If the value of the company increases, the value of each individual share will increase.	Yes. If property prices increase, the value of your investment will increase.	Yes. It may be possible to sell for more than the original investment amount.	Yes. But only if the interest is retained. Although any growth is likely to be limited.
How volatile are they?	**High.** The price of a share can be very volatile in the short term.	**Moderate to High.** Property prices can fluctuate in the short term.	**Moderate.** Bonds are particularly sensitive to interest rate movements and inflation.	**Low.** Cash is widely regarded as the least volatile investment asset.
Can they fall In value?	Yes but only if the value of the company decreases, causing the value of each individual share to decrease.	Yes but only if property prices fall, causing the value of your investment to fall.	Yes although the value of your investment is only likely to fall if interest rates rise and could increase if interest rates fall.	Yes although any fall in value is likely to be limited.
How long should I hold this investment?	Medium to long term. Normally for at least 5 years.	Long term.	Short to medium term.	Short term.

Balancing risk and reward

When it comes to investing your pension savings, there are different types of investment risk that you should be aware of.

Investment risk

This is the risk that your pension savings may fall in value and it's a risk that applies to all funds.

However, the more time there is until your selected retirement date, the less concerned you might be about short-term falls. In this case, you may be more willing to accept a higher degree of investment risk for the chance of higher rewards.

Expectation risk

This is the risk that your pension savings may not grow by as much as you want or need.

It's important to check your investments regularly to see whether you're on track to meet your goals. If your investments aren't performing as you expected, you may need to consider increasing your pension contributions or delaying your retirement.

Annuity rate risk

When you reach your selected retirement date, you may want to convert your pension pot into a guaranteed income (an annuity).

The cost of buying an annuity is influenced by economic conditions and annuity providers' assessment of life expectancy. This means that the cost of buying an annuity (often referred to as the annuity rate) can change.

Therefore, if annuity rates fall, there is a risk that your pension pot won't buy the amount of pension income you need or expect.

Inflation risk

This is the risk that prices of goods and services will increase by more than the value of your investments.

This means that you may not be able to buy the same things in the future, that you can afford to buy today.

Opportunity risk

If you delay purchasing a guaranteed income (an annuity) at outset, should you want to do so at a later date, annuity rates may have fallen and, as such, the amount of income you could buy may be less generous.

Fund specific risks

These are the risks that apply to an individual fund.

As mentioned earlier, different funds will invest your money in different assets and in different ways to achieve their aims. As a result, each fund is likely to have a different set of risks.

For details of the specific risks that apply to each of the funds available to you, please see the list of funds in the 'your fund range' section.

A detailed explanation of what each of these are can be found in the 'Fund specific risks' section.

If you're not comfortable making your own investment decisions, your pension savings will be automatically invested in the default investment option, which has been chosen by the Trustees and your employer as they believe it is suitable to meet the needs of most members.

You can find more about the default investment option for this scheme in the 'Investing your pension savings' section.

Balancing risk and reward

Almost all investment involves some degree of risk. It's important that you understand - and are comfortable with - the risk you may be taking before making any investment decisions.

Risk versus reward

Taking a higher degree of risk generally comes with the potential for higher rewards. It also means, however, that there's a greater chance of your investment falling in value.

Accepting a lower degree of risk generally means that your investment is less likely to fall in value. However, in return, this will usually mean that your investment has less potential for growth. In other words, the reward will be less.

EXAMPLE

When you put money into a bank account, there's almost no risk of losing it.

However, the interest you're likely to receive - your reward - will probably be quite low.

Investing your money in the shares of a single company carries a much higher risk. If something happens to the company, it will affect the value of your shares.

If the company performs poorly the share price is likely to fall and, in the worst case, you could lose all your money.

However, if the company is really successful the share price could rise, which means that your investment could be worth much more than you originally invested.

Unexpected events

What If there is a special situation?

On occasions, unexpected and emergency situations arise that might need special action to be taken. These may include:

- A major incident that has a serious effect on investment values or results in the closure of parts of a city.
- The unplanned closure of one or more of the main stock markets around the world.
- Times when property investments are not easy to sell.
- Actions by overseas governments, which result in assets invested in the country concerned being frozen.
- A major systems failure, either ours or one of the external organisations which we rely on to value our funds.

In these situations, our main priority is to protect the interests of you and other investors. We'll take any action we believe necessary to achieve this.

As an example, some actions that might be considered include:

- Delaying dealing with cashing in requests, fund switches or other payments. We will still keep to any statements which we've made in your member's booklet.
- Giving what we believe is a fair estimate of the value of the assets which are impossible to get an accurate value for.

How are your investments protected?

When one insurance company invests its assets with another it is known as reinsurance. This reinsurance arrangement has its own rules and impacts on your right to claim compensation in the event that an insurance company enters insolvency.

In this case, it is when Legal & General Assurance Society (LGAS) invests it's assets with Legal & General Assurance (Pensions Management), referred to as PMC for pensions management company.

In the event that LGAS becomes insolvent or is otherwise unable to meet its financial obligations, you may be able to claim back any losses from the Financial Services Compensation Scheme (FSCS). The FSCS pays compensation to customers who lose money if a firm is unable to pay them what they owe. You can find out more at fscs.org.uk

In the event that PMC becomes insolvent, LGAS will attempt to recover the full value of your investments. If it is unable to do so, LGAS will be responsible for making up any shortfall.

In the event that an external insurer becomes insolvent, PMC will attempt to recover the full value of your investments held by the external insurer. If it is unable to do so, you may lose some or all of your pension savings.

The protection described here relates only to insolvency or other circumstances in which the fund manager is unable to meet its financial obligations. Reductions in fund values through market movements or poor performance are not covered.

You can find out more about the key principles we follow when managing our funds, including the basics of investing, how we value your pension investments and what happens if an unexpected event occurs in Your guide to how your funds are managed.

Part 3: Your investment options

The Trustees and your employer have selected a number of alternative funds and lifestyle profiles for you to invest in.

How many funds can I invest in?

In addition to the Target Date Funds, you can also choose to invest your pension savings in any of the other funds that are available. Please see the section 'Your funds' for more details.

You can invest in as many of these funds as you wish, in whatever proportions you want. You can even continue to have some of your pension savings invested in one or more Target Date Funds.

Fund factsheets are available for each of these funds and include details about the fund's aims, asset allocation and performance. A full list, including links to each of these fund factsheets, can be found in the 'your funds' section.

Can the options available to me change?

The Trustees will review this selection from time to time. In the future, this could mean that certain investments will be removed or new ones added.

Please remember that neither they, nor your employer nor Legal & General are providing financial advice.

If you want to change the way your savings are invested, you may want to speak to a qualified financial adviser.

To find an adviser in your local area go to unbiased.co.uk.

Please note that advisers will usually charge for their services.

You may be able to pay for financial advice directly from your pension savings in this plan. For more information on how you can pay for advice using your pension pot, please see 'Facilitated Adviser Charge' on page 13.

Who manages the funds?

All the funds are managed by professional fund managers.

If you choose a fund that is managed by an external fund manager, such as Threadneedle, your contributions will still be invested in a Legal & General fund.

Legal & General will simply invest the money that you have invested with them in a fund that is managed by Threadneedle (this is known as the 'authorised fund').

What are the charges for investing?

Depending on which funds or lifestyle profile you choose to invest in, the amount you pay in charges could differ.

Each of the funds carries a fund management charge (FMC). This charge is accounted for in the price of the unit and is reflected in the value of your fund.

The fund management charge (FMC) consists of the investment management charge (IMC) plus additional expenses (AE).

It includes investment management fees, fund administration fees, custody/custodian fees, auditing and accounting fees, and regulatory charges.

Different funds have different charges and these are shown in the list of funds on the following page.

If you invest in a lifestyle profile, the charges you'll pay will be calculated on the proportion of your pension savings invested in each fund (or funds) at that time.

What is the total cost of running my pension?

To calculate the total cost of running a pension plan, you should add the annual management charge (AMC), which covers Legal & General's administration costs, to the fund management charge (FMC).

The AMC for this scheme is 0.2%.

This means that, each year, you will pay £2.00 for every £1,000.00 you have invested in this plan.

The FMC varies from one fund to another. Details of the FMC for each fund can be found in the 'Your funds' section.

It's important to be aware that, in certain circumstances, we may need to make changes to our charges or introduce new charges.

How to change your investments

You can change the way your savings are invested if you want to.

How do I change my investments?

You can change the way your pension savings are invested at any time. You can do this:

- **Online:** Go to your scheme website and select 'Manage Your Account'.
- **By phone** Call Legal & General on **0345 302 0323.** Call charges will vary. Legal & General may record and monitor calls.

If you're thinking of changing the way your pension savings are invested, you may want to speak to a qualified financial adviser.

To find an adviser in your local area go to unbiased.co.uk.

Please note that advisers will usually charge for their services.

Facilitated Adviser Charge

This plan offers you a way to pay your financial adviser directly from your pension pot. It's called a facilitated adviser charge and the advice you receive must be related to this plan. The charge will be taken from this plan, so there must be enough money in your pension pot to pay for it.

The facilitated adviser charge guide explains how this service works.

For more information:

- go to www.legalandgeneral.com/adviserchargeguide and www.legalandgeneral.com/adviserchargeform
- phone us on **0345 302 0323**. Call charges will vary. We may record and monitor calls.
- email us at srsp@landg.com
- write to us at **Workplace Pensions, Legal & General, Brunel House, 2 Fitzalan Road, Cardiff CF24 0EB.**

Part 4:Your funds

You can invest your pension savings in any of the funds listed below. To find out more information about each fund listed, including its aims, asset allocation and performance, simply click on the fund name.

Fund risk rating category[1]	Fund name	Fund code	ABI sector	Fund specific risks [2]	IMC[3]	AE[3]	FMC[3]
1	L&G PMC Cash 3	EAB3	Deposit & Treasury	24, 29	0.09%	0.00%	0.09%
2	L&G MT Short Dated Bond Index Fund	BD83	Sterling Corporate Bond	14,15, 29	0.12%	0.00%	0.12%
3	L&G MT Active Diversified Growth Fund	BD93	Specialist	12, 13, 14, 15, 16, 17, 18, 20, 21, 29, 35	0.80%	0.05%	0.85%
3	L&G PMC Janus Henderson Preference & Bond Fund 3	B7N3	Sterling Strategic Bond	12, 14, 15, 16, 17, 29, 31	0.62%	0.03%	0.65%
3	L&G PMC Property 3	B5N3	UK Direct Property	23, 29	0.30%	0.61%	0.91%
3	L&G PMC Retirement Income Multi-Asset 3	NWD3	Specialist	12, 13, 14, 15, 17, 21, 23, 29, 35, 36	0.28%	0.03%	0.31%
3	L&G PMC 2015 - 2020 Target Date Fund 3	BE13	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
3	L&G PMC 2020 - 2025 Target Date Fund 3	BE23	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2025 - 2030 Target Date Fund 3	BE33	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2030 - 2035 Target Date Fund 3	BE43	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2035 - 2040 Target Date Fund 3	BE53	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2040 - 2045 Target Date Fund 3	BE63	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2045 - 2050 Target Date Fund 3	BE73	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2050 - 2055 Target Date Fund 3	BE83	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2055 - 2060 Target Date Fund 3	BE93	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2060 - 2065 Target Date Fund 3	BE03	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%
4	L&G PMC 2065 - 2070 Target Date Fund 3	BF13	ABI UK Specialist	12, 13, 14, 15, 17, 21, 24, 27, 28, 29, 35, 36, 37	0.00%	0.00%	0.15%

It's important to remember that, although these ratings can provide a useful indicator of a fund's current and previous level of risk, they should not be used as a guide to future investment performance.

Continued on following page.

[1] See the 'Fund risk rating descriptions' section for details of these categories. [2] See the 'Fund specific risks' section for more details. [3] See the 'Your investment options' section for an explanation of these charges.

Your funds

You can invest your pension savings in any of the funds listed below. To find out more information about each fund listed, including its aims, asset allocation and performance, simply click on the fund name.

Continued from previous page.

Fund risk rating category	Fund name	Fund code	ABI sector	Fund specific risks	IMC	AE	FMC
4	L&G PMC Future World Fund 3	BJ13	Global Equities	12, 13, 17, 27, 29, 35	0.24%	0.00%	0.24%
4	L&G PMC Future World Multi-Asset Fund 3	BT63	Mixed Inv. 40%-85% Shares	12, 13, 14, 15, 17, 21, 27, 29, 35, 37	0.16%	0.00%	0.16%
4	L&G PMC HSBC Islamic Global Equity Index Fund 3	BB43	Global Equities	12, 13, 21, 22, 29, 38	0.35%	0.00%	0.35%
4	L&G PMC Multi-Asset 3	NTW3	Mixed Investment 40%-85% Shares	12, 13, 14, 15, 17, 21, 29, 35, 37	0.13%	0.00%	0.13%
4	L&G PMC Pre-Retirement 3	NEN3	Sterling Long Bond	14, 15, 29	0.12%	0.00%	0.12%
5	L&G (PMC) Threadneedle Managed Equity Fund 3	B0M3	Flexible Investment	12, 13, 14, 15, 17, 18, 19, 29	0.40%	0.15%	0.55%
5	L&G MT Global Developed Equity Index Fund	BC03	Global Equities	12, 13, 17, 29, 35	0.10%	0.00%	0.10%
5	L&G MT Global Real Estate Equity Index Fund	BZ03	Global Property	12 13 17 20 22 29 35	0.19%	0.00%	0.19%
5	L&G MT Smaller Companies Index Fund	BD73	Global Equities	12, 13, 17, 19, 29, 35	0.22%	0.00%	0.22%
5	L&G PMC Ethical Global Equity Index 3	NEB3	Global Equities	12, 13, 17, 27, 29, 35	0.30%	0.00%	0.30%
5	L&G PMC UK Equity Index 3	NBC3	UK All Companies	13, 17, 29	0.10%	0.00%	0.10%
5	L&G PMC World (Ex-UK) Equity Index 3	NED3	Global Equities	12, 13, 17, 29, 35	0.12%	0.00%	0.12%
6	L&G MT Emerging Markets Index Fund	BD03	Global Emerging Markets Equities	12, 13, 17, 21, 29, 35, 37	0.25%	0.00%	0.25%

It's important to remember that, although these ratings can provide a useful indicator of a fund's current and previous level of risk, they should not be used as a guide to future investment performance.

[1] See the 'Fund risk rating descriptions' section for details of these categories. [2] See the 'Fund specific risks' section for more details. [3] See the 'Your investment options' section for an explanation of these charges.

Risk profile

We organise our funds into seven risk rating categories. These categories are based on the risks we think they present to your money and assume you will keep your investment for at least five years.

RISK RATING		FUND RISK RATING CATEGORY DESCRIPTION [1]
1	Lowest	Funds with this risk rating have typically experienced the lowest volatility of all funds offered by Legal & General, based on historic performance. This means that these funds have the lowest potential for significant fluctuations in value compared with other funds.
2	Low	Funds with this risk rating have typically experienced low volatility compared to other funds offered by Legal & General, based on historic performance. This means that these funds have a low potential for significant fluctuations in value compared with other funds.
3	Low to Medium	Funds with this risk rating have typically experienced low to medium volatility compared to other funds offered by Legal & General, based on historic performance. This means that these funds have a low to medium potential for significant fluctuations in value compared with other funds.
4	Medium	Funds with this risk rating have typically experienced medium volatility compared to other funds offered by Legal & General, based on historic performance. This means that these funds have a medium potential for significant fluctuations in value compared with other funds.
5	Medium to High	Funds with this risk rating have typically experienced medium to high volatility compared to other funds offered by Legal & General, based on historic performance. This means that these funds have a medium to high potential for significant fluctuations in value compared with other funds.
6	High	Funds with this risk rating have typically experienced high volatility compared to other funds offered by Legal & General, based on historic performance. This means that these funds have a high potential for significant fluctuations in value compared with other funds.
7	Highest	Funds with this risk rating have typically experienced the highest volatility compared to other funds offered by Legal & General, based on historic performance. This means that these funds have the highest potential for significant fluctuations in value compared with other funds.

[1] Please note that all investment funds can go up or down in value and can lose money.

Fund risk ratings

Interpreting Risk

Risk can be interpreted in many ways; to some it is the likelihood of achieving a return on their retirement savings. To others, it could be as simple as the chance of losing money.

When looking at investment funds, different funds have different risks associated with them. These will be specific to the types of assets and geographic locations they're invested in.

One thing all risks have in common is uncertainty. The volatility of returns is the most common measure of uncertainty and this is what we use to determine our risk rating. Volatility refers to the rate at which the price of a fund fluctuates in value over a period of time.

Risk ratings can provide a useful indicator of a fund's current and previous level of risk. However, they should not be used as a guide to future investment performance.

When you're looking at where to invest, it's important that you think carefully about the risk and reward profiles of our funds. Your outlook and circumstances are unique, so you'll need to decide how you want to invest your retirement savings. If you have any doubts or questions, you should seek advice.

How frequently are they reviewed?

We update our fund documentation annually and calculate the latest fund risk ratings as part of this exercise. When calculating our fund risk ratings we use a standard industry approach and they reflect the volatility in the fund value over a suitable period of time.

The spectrum of risk: The Risk & Reward Profile

We organise our funds into seven risk rating categories. These categories are based on the risks, and potential reward, we think they present to your money. They are calculated on the assumption that you will keep your investment for at least five years. If you decide to invest in a fund for a shorter period of time, the actual risk rating may be significantly higher. This means that you should consider holding your investments for a time period of five years or more, wherever possible.

Our risk ratings aim to give you an indication of the potential fluctuations you may see in the value your retirement savings over time. However, they cannot predict what actually will happen, or when. Funds can perform better or worse than the risk rating that they have been given might imply.

More information on how we risk rate our funds and the different risk rating categories can be found in Your Guide to Risk and Reward.

Please remember that neither your employer, nor the Trustees, nor Legal & General are providing financial advice.

If you want to make your own investment decisions, you should speak to a qualified financial adviser. You can find one in your local area at unbiased.co.uk.

Please note that advisers will usually charge for their services.

For more information on how you can pay for advice using your pension pot, please see 'Facilitated Adviser Charge' on page 13.

Fund specific risks

In the 'Fund specific risks' column of the fund list in the 'your funds' section, you will have seen one or more numbers listed against each fund. Each number relates to a specific risk associated with that fund. This section contains descriptions for each of the fund specific risks listed. You'll see there are some numbers missing from this list. Although Legal & General applies these risks to a wide range of funds, only the risks that might apply to the funds in this guide are shown in this list.

12. Currency changes

The fund may have investments valued in currencies that are not sterling (British pounds).

• If the value of these currencies falls compared to sterling, this may mean the value of your investment and the income paid to you will go down.

• If arrangements are made to protect the fund against currencies' movements (known as 'hedging') and the currencies rise compared to sterling, your fund will not benefit from those gains.

13. Equities (Company shares)

Investments in company shares tend to be riskier than for many other types of investment. This is because the value of shares goes up and down, more often and by a larger amount than for many other investment types, especially in the short term.

14. Fixed interest securities

Investment returns on fixed interest securities – corporate and government bonds, and other types of debt - are particularly sensitive to trends in interest rate movements and inflation. Their values are likely to fall when interest rates rise. Such falls may be more pronounced in a low interest rate environment and longer dated fixed interest securities will fall by more than short dated fixed interest securities.

15. Risk of insurer becoming less secure

The financial strength of a company or government issuing a fixed interest security (such as a bond or other types of debt) determines their ability to make some or all of the payments they are committed to. If their financial strength weakens, the chances of them not making payments increases, which could reduce the value of your investment.

16. High yield bonds

The fund invests in higher yielding bonds (known as 'sub-investment grade' bonds). Compared to lower yielding bonds (known as 'investment grade' bonds) there is a greater risk that the fund will not receive back, either on time or at all, some or all of the amount invested or interest that is due to be paid.

17. Derivatives

This fund may undertake derivative transactions as part of efficient portfolio management (EPM) or for investment purposes. Using derivatives in this way could give lower returns, or cause the value of your investment to fall even though the market is rising.

18. Derivative Counterparty risk

The fund may have derivative contracts with companies such as banks or other financial institutions. If these companies experience financial difficulty, they may be unable to pay back some or all of the interest, original capital or other payments that they owe. If this happens, the value of your fund may fall.

Fund specific risks

19. Smaller companies

The fund invests in smaller companies. Investments in smaller companies tend to be riskier than investments in larger companies because they can:

- be harder to buy and sell;
- go up and down in value more often, and by larger amounts, especially in the short term.

20. Concentration of investments

Most funds have lots of individual investments, so don't rely upon the performance of just a few. The whole of this fund, or a large part of it, has relatively few individual investments. This means that a fall in the value of an individual investment can have a major impact on the overall performance of the fund.

21. Emerging markets

This fund invests in countries where investment markets are not as well developed as those in the UK. This means that investments are generally riskier than those in the UK because they:

- may not be as well regulated;
- may be more difficult to buy and sell;
- may have less reliable arrangements for the safekeeping of investments; or
- may be more exposed to political and taxation uncertainties.

The value of the fund can go up and down more often and by larger amounts than funds that invest in developed countries, especially in the short term.

22. Market sector

Most of the fund invests in companies from a particular market sector. Investing like this can be riskier than investing across many market sectors. This is because the value of the fund can go up and down in value more often and by larger amounts than funds that are spread more widely, especially in the short term.

23. Commercial property

Property can be difficult to buy or sell. This could mean:

- Cash builds up waiting to be invested, so the fund will underperform when property returns are greater than the interest earned; and/or
- Property may have to be sold for less than expected.

If an exceptional amount of withdrawals are requested, the fund manager may be forced to sell properties quickly. This could mean that properties are sold for less than expected, which would reduce the value of your investment.

If the size of the fund falls significantly, the fund may have to invest in fewer properties and the value of an individual property could have a major impact on the overall performance of the fund.

Rental growth is not guaranteed and unpaid rent could affect the performance of your investment.

The fund may undertake development of properties where the full benefit of any increases in the value of the property or the income earned from it are not received until completion. While any development is taking place, the fund is at risk from delays in receiving the benefit of any improvements, and additional costs. Developments may not achieve the predicted increase in the value of the property or rent.

The value of property is generally a matter of valuer's opinion rather than fact and the true value of a property may not be recognised until the property is sold.

Fund specific risks

24. Deposit

The fund has money on deposit with companies such as banks or other financial institutions. If any of these suffer financial difficulty, they may be unable to pay back some or all of the interest, original amount invested or other payments they owe. If this happens the value of your fund may fall.

25. Unregulated schemes

This fund can invest in unregulated schemes. Each unregulated scheme can have a higher risk than an authorised scheme. This could lead to an increased risk to the value of your investment.

27. Socially responsible or religious investments

The standards used for this fund mean that it cannot invest in some companies' shares, corporate bonds or in certain market sectors. For example tobacco or mining. Because this fund limits the companies it may invest in, it may be riskier than funds that don't have such restrictions.

28. Money market

The fund invests in money market securities which may be issued by governments, companies, banks and other financial institutions. If any of these issuers suffer financial difficulty they may be unable to pay back some or all of the interest, the original amount invested or other payments they owe. The value of money market securities may fall due to changes in interest rates, inflation, creditworthiness, wider credit events or extensions to the anticipated term of investments. If this happens the value of your fund may fall.

29. Delayed repayment

This fund is able to delay paying out, which may mean that you have to wait to get your money.

A delay may happen when market conditions mean it is difficult for the fund manager to cash in investments to pay out to investors.

For example, a fund with investments in commercial properties may find they may take time to sell. Whilst waiting to complete on the sale of properties, the fund manager may suspend making payments to investors who want to cash in.

The fund can only delay paying out if it is in the interests of all investors.

30. Few bond issuers

The fund invests almost exclusively in fixed interest bonds from a single or small number of issuers, such as companies or governments. If any of these issuers experience financial difficulty, they may be unable to pay back some or all of the interest, the original investment or other payments that they owe. If this happens, the value of your fund may fall.

31. Liquidity

This fund has investments that, rather than being traded on a stock exchange, are traded through agents, brokers or investment banks matching buyers and sellers. This makes the investments less easy to buy and sell than those that are traded on an exchange and on any particular day there may not be a buyer or a seller for the investments. In times of market uncertainty or if an exceptional amount of withdrawals are requested it may become less easy for your fund to sell investments. If this happens, the value of your fund may fall and in extreme circumstances this may also force a delay in buying and selling your investment in the fund, which may mean you have to wait for your money to be invested or returned.

The fund can only delay paying out if it is in the interests of all investors.

Fund specific risks

32. Private equity

This fund invests in shares of companies that are not listed on a stock exchange, so they can be difficult to buy or sell. This could mean the shares may have to be sold for less than expected, which would reduce the value of your investment.

The value of private company shares is generally a matter of valuer's opinion rather than fact.

33. Exchange traded funds

Exchange Traded Funds generally try to match the performance of a share index, such as the FTSE 100, or to track the price of commodities such as oil or gold. Exchange Traded Funds can use a number of different techniques to achieve their goals (including the use of derivatives) and as a consequence can be more complex than traditional funds. The value of this investment may go up and down more often and by larger amounts, particularly in the short term.

34. Targeted absolute return funds

The fund is a Targeted Absolute Return Fund. This type of fund tries to increase the value of your investment over a period of time, in both rising and falling markets.

There is no guarantee of returns. The fund's value may go down as well as up. You may not get back the money you invested.

Targeted Absolute Return Funds use a range of different types of investment strategies, some of which can be high risk, and may use derivatives. As a consequence these funds can be more complex than traditional funds. It is possible that the value of these funds could go down when the market is rising, or may not rise as quickly. Each Targeted Absolute Return Fund is designed to produce a specific outcome, so care should be taken when comparing them with other funds.

35. Stock lending

The fund manager may lend stock to other parties and it is usual for the borrower to provide collateral. If the borrower fails to return the borrowed stock, the collateral may not be enough to cover the value of the stock, resulting in a reduction in the fund value.

36. Inflation linked bonds

The fund invests in inflation-linked bonds, which are particularly sensitive to changes in inflation rates. Their values are likely to fall when inflation rates fall.

37. Emerging markets currencies

The fund holds investments valued in currencies of developing countries. The exchange rate between these currencies and sterling (British pounds) may experience greater fluctuations than might be the case with currencies of developed countries. If the value of these currencies falls compared to sterling, this may mean the value of your investment and the income paid to you will go down.

38. Reinsurance risk

The fund invests in an underlying fund operated by another life insurance company in the Legal & General Group (Legal and General Assurance Pensions Management Limited ("PMC")) or another life insurance company outside of the Legal & General Group, through a reinsurance agreement to give Legal & General customers access to that fund. In the unlikely event that the life insurance company operating the underlying fund were to become insolvent, the customer could lose some or all of the value of their investment in this fund. Legal & General engages in ongoing due diligence of any life insurance company it has a reinsurance agreement with and only invests in underlying funds operated by other life insurance companies where it benefits from a legal security instrument to guard against the risk of the other life insurance company's insolvency.

Part 5: Your lifestyle profiles

If you wish, you can invest your pension savings in a lifestyle profile instead of a Target Date Fund.

What is a lifestyle profile?

A lifestyle profile is an investment strategy that offers the potential to grow your pension savings over the long term before moving them from higher volatility into lower volatility funds as you approach your selected retirement date. It may also target a specific objective for your pension pot .

Legal & General has created three lifestyle profiles, each of which gradually moves your pension savings, in the three years leading up to your selected retirement date, from the Multi-Asset Fund into a fund or funds that the Trustees have selected as being appropriate if you intend to:

- take it as cash
- buy a guaranteed income (an annuity)
- leave it invested and take flexible income (drawdown).

Each one is described in more detail on the following pages, where you will also find details of the advantages and disadvantages of investing in a lifestyle profile.

If you are thinking of investing in a lifestyle profile, please be aware that you can only choose one lifestyle profile at a time. It's also not possible to invest in any other funds at the same time.

Lifestyle profiles are not risk free.

To find out more about the risks associated with investing, see the 'Balancing risk and reward' section.

How many lifestyle profiles can I invest in?

You can choose to invest your pension savings in any of the three lifestyle profiles that are available.

As stated above, you can only invest in a single lifestyle profile at any one time and cannot invest in any other funds.

More information about the lifestyle profiles that are available to you can be found in the 'Your lifestyle profiles' section.

How is a lifestyle profile different to a Target Date Fund?

For more information on the main differences between investing in a Target Date Fund and a lifestyle profile, please see the section 'Target Date Funds vs lifestyle profiles'.

Once you reach your selected retirement date automatic switching will stop. Any lifestyle profile that you are invested in may not be suitable if you don't take pension benefits as intended from your selected retirement date. You should review your selected retirement date on a regular basis, as it will determine where your pension pot is invested as you approach retirement.

It's also important to review your investment strategy on a regular basis, after your selected retirement date, to ensure that the funds in which your pension pot is invested remain suitable for your needs.

Your lifestyle profiles

We have three lifestyle profiles, each offering a different way to take your pension savings when you reach your selected retirement date.

Legal & General Drawdown lifestyle

Who is it designed for?

This lifestyle profile is designed for members who intend to leave their pension pot invested beyond their selected retirement date, with the intention of taking flexible income (drawdown).

What are the aims?

It's an investment strategy that offers you the potential to grow your pension savings both prior to and beyond your selected retirement date.

Initially, your pension savings will be invested in the Multi-Asset Fund. Then, when you are three years from your selected retirement date, your pension savings will be gradually moved into the Retirement Income Multi-Asset Fund.

This strategy has been specifically designed for members who want to use their pension pot to provide an income in retirement.

Where can I find out more?

For more information about the Drawdown Lifestyle, please see the lifestyle profile factsheet.

If you'd like to find out more about the funds that make up this lifestyle profile, including the charges, risks and performance, please see the fund factsheets for the Multi-Asset Fund and the Retirement Income Multi-Asset Fund.

Legal & General Cash Lifestyle

Who is it designed for?

This lifestyle profile is designed for members who intend to take all of their pension pot as cash at their selected retirement date.

What are the aims?

It's an investment strategy that offers you the potential to grow your pension savings in the long term.

Initially, your pension savings will be invested in the Multi-Asset Fund. Then when you are three years from your selected retirement date your pension savings will be gradually moved into the Cash Fund.

This strategy aims to reduce the risk of a sharp fall in markets reducing the value of your pension pot when you reach your selected retirement date.

Where can I find out more?

For more information about the Cash Lifestyle, please see the lifestyle profile factsheet.

If you'd like to find out more about the funds that make up this lifestyle profile, including the charges, risks and performance, please see the fund factsheets for the Multi-Asset Fund and the Cash Fund.

Your lifestyle profiles

We have three lifestyle profiles, each offering a different way to take your pension savings when you reach your selected retirement date.

Legal & General Annuity Lifestyle

Who is it designed for?

This lifestyle profile is designed for members looking to use their pension pot to buy a guaranteed income (an annuity) from an insurance company and take tax-free cash at their selected retirement date.

What are the aims?

It's an investment strategy that offers you the potential to grow your pension savings prior to your selected retirement date.

Initially, your pension savings will be invested in the Multi-Asset Fund. Then, when you are three years from your selected retirement date, your pension savings will be gradually moved into the Cash Fund and the Pre-Retirement Fund.

Where can I find out more?

For more information about the Annuity Lifestyle, please see the lifestyle profile factsheet.

If you'd like to find out more about the funds that make up this lifestyle profile, including the charges, risks and performance, please see the fund factsheets for the Multi-Asset Fund, the Cash Fund and the Pre-Retirement Fund.

You don't have to buy your annuity from Legal & General. You can shop around and transfer your savings to a different provider.

The government has setup a free and impartial guidance service called Pension Wise (see **pensionwise.gov.uk** for more information) and we encourage you to use this service if you haven't already done so. You should also consider getting advice from a financial adviser as you may not be able to change your decision later. please note the name will be changing to the Money and Pensions Service from 6th April 2019). You can book an appointment once you are aged 50 or over.

Investing in a lifestyle profile

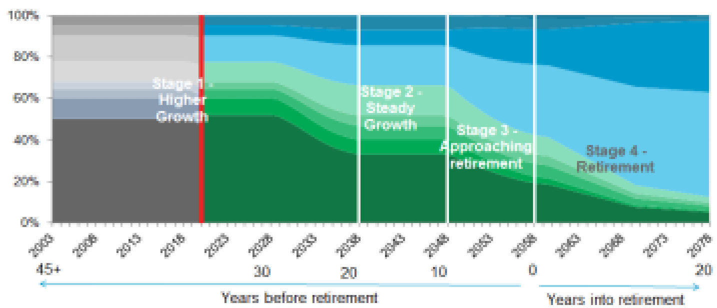
Investing in a lifestyle profile can have advantages as well as disadvantages. It's important that you understand what these are before choosing to invest in one.

Advantages	Disadvantages
You don't have to choose which funds to invest in as these are automatically selected for you by the lifestyle profile.	You aren't actively choosing how your pension savings are invested. This means there may be another fund or lifestyle profile that more accurately reflects your needs or your attitude to investment risk.
Lifestyle profiles are designed to reduce investment risk or to target a particular outcome as you approach your retirement date.	A lifestyle profile doesn't guarantee the value of your pension savings. The value of investments can go down as well as up.
Your pension savings are automatically switched for you as you approach your retirement date.	You don't choose when or how your pension savings are invested as this is set by the lifestyle profile.
Automatic switching ensures your pension savings are moved into lower-risk investments gradually rather than all at once. This is designed to provide an increasing level of protection against sudden market falls as you get closer to your retirement date, whilst also continuing to offer some potential for investment growth.	The timing of switches is automatic and happens at fixed times. These switches don't take market conditions into account which means you may miss out on investment growth when markets are rising.
The way in which your pension savings will be invested at your retirement date has been designed with a particular outcome in mind. For example, you can take all of your pension pot in one go or as a series of cash lump sums, you can take a flexible regular income or you can use it to get a guaranteed income.	The outcome that the lifestyle profile is targeting may not match the way you intend to use your pension savings or reflect your attitude to investment risk. It may also be unsuitable if you don't use your pension savings as intended at your retirement date. It's important, therefore, to regularly review how your pension savings are invested and whether this remains suitable for your needs.

Part 6: Target Date Funds vs lifestyle profiles

Target Date Funds and lifestyle profiles have some important differences. It's important that you are aware of what they are.

Investing in a Target Date Fund

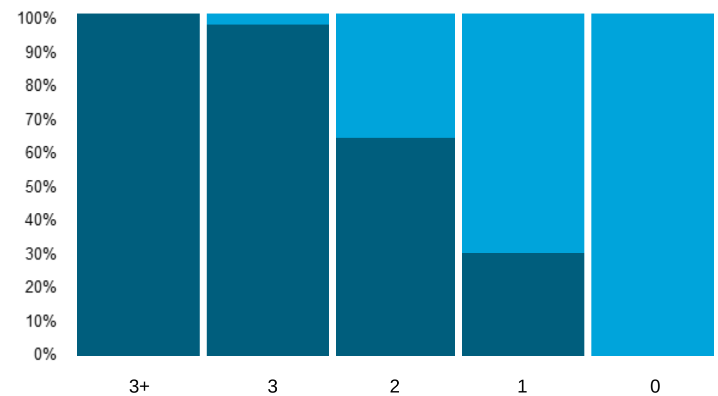


The areas in the above charts show fund and asset class allocation in the Journey Plan. Shaded areas before the current date are included for illustrative purposes only.

Key:

- Cash
- Fixed interest Government bonds
- Inflation-linked bonds
- Investment grade corporate bonds
- High yield bonds and emerging market debt
- Infrastructure and commodities
- Direct property and REITs
- UK equities
- Overseas and alternative equities

Investing in a lifestyle profile



Key:

- Legal & General (PMC) Multi-Asset Fund
- Legal & General (PMC) Retirement Income Multi-Asset Fund

Investing in a Target Date Fund	Investing in a lifestyle profile
Members are invested in a single fund throughout.	Members will be invested in more than one fund as they approach retirement.
The fund invests in a larger proportion of lower-risk assets, mostly bonds, as members approach their selected retirement date.	When members are three years from their selected retirement date their savings will be moved into different lower-risk fund(s).
Members are likely to leave their savings invested and drawdown income	Different lifestyles enable members to target drawdown, annuity or cash.
The changing asset allocation is not fixed and allows the fund manager to make tactical investment decisions based on market conditions.	The switching of money into other funds is carried out using a automated, process that cannot be amended to reflect market conditions.
The investment strategy remains active beyond the 'target date' and continues to move members' savings into lower-risk assets.	Automatic switching stops when members reach their selected retirement date and that is how their savings will remain invested.
Members can invest in other funds, including other Target Date Funds, at the same time.	Members invested in a lifestyle profile cannot invest in any other funds or lifestyle profiles at the same time.

Target Date Funds vs lifestyle profiles

Target Date Funds and lifestyle profiles have some important differences. It's important that you are aware of what they are.

Investing in a Target Date Fund

A Target Date Fund is a single-fund investment strategy, in which the assets held by the fund change over time, as you approach - and go beyond - your selected retirement date.

The example shown on the previous page is based on the 2055- 2060 Target Date Fund. As you can see, a larger proportion of the fund will continue to be invested in less risky assets as you approach – and go beyond - retirement.

The fund manager also has the flexibility to make tactical adjustments to reflect market conditions, if required. And, unlike a lifestyle profile, the fund manager will continue to increase the proportion of lower-risk assets held by the fund beyond the fund's target date.

Who are the Target Date Funds designed for?

The Target Date Funds are designed for members who intend to remain invested beyond their selected retirement date and take income on a regular or an occasional basis.

This means that most of your savings, when you reach your selected retirement date, will be invested in corporate and government bonds, as well as a smaller and reducing proportion of company shares.

For more information the how a Target Date Fund works and to learn more about the different types of assets they invest in, please see the Guide to the Target Date Funds.

Investing in a Lifestyle profile

A lifestyle profile is an automated investment strategy that gradually moves (or switches) your savings into other lower-risk funds as you approach your selected retirement date.

The example shown on the previous page is based on the Drawdown Lifestyle. As you can see, this lifestyle profile will start to switch your savings into the lower-risk Retirement Income Multi-Asset Fund when you are three years from your selected retirement date.

These automated switches take place regardless of market conditions and will stop when you reach your selected retirement date.

Who are the lifestyle profiles designed for?

This plan offers three lifestyle profiles, each of which is designed with a different objective in mind.

As such, they way in which your savings are invested as you approach your selected retirement date, will vary depending on whether you intend to take all of your pension pot as a cash, plan to use it to buy a guaranteed income (an annuity) or intend to leave it invested.

For more information the how a lifestyle profile works and to learn more about the different funds they invest in, please see the section 'Your lifestyle profiles'.

Part 7: Approaching retirement?

You now have a choice about what you can do with your pension savings from the age of 55 onwards. So, if you haven't already, you should start thinking about how you want to use your pension pot and when you intend to take it.

Is there anything I should be doing now?

Your pension savings will be invested in the default investment option unless you tell us otherwise.

Following the introduction of the new pension freedoms, you now have a choice about what you can do with your pension savings from age 55 onwards.

With this in mind, it's important to regularly review your pension savings, to see if you're on track to achieve your retirement goals, especially if you're aged 50 or over.

We've created the graphic on the right to help you identify what you might want to be thinking about, if you haven't already.

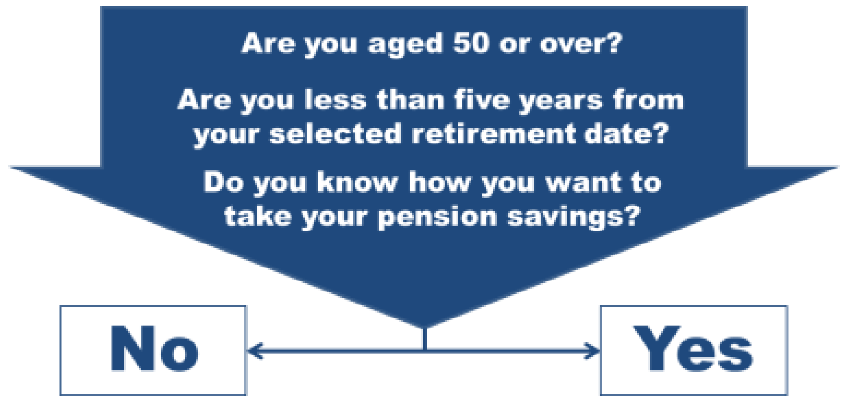
What are my options at retirement?

You'll have a number of options available to you without having to leave this plan but you may want to shop around to find what's best for you.

You don't have to stay with Legal & General. You have the right to transfer some or all of your pension savings to one or more providers.

Alternatively, if you have pension savings with other providers, you may want to consider consolidating them into your Legal & General pension plan.

You'll need to fully understand the tax implications of these options and any impact they may have on your entitlement to State benefits.



No:

If you're approaching 50 but haven't already done so, you may want to start thinking about how you want to take your pension pot and when.

The Target Date Funds are designed to meet your investment needs as you approach and go beyond your selected retirement date.

However, it's important to regularly review how your savings are invested to ensure this reflects how you plan to take your money as well as your current attitude to risk.

Yes:

Because the Target Date Funds are designed to meet your investment needs as you approach and go beyond your selected retirement date, you may be happy to leave your pension pot invested where it is.

However, we also have three lifestyle profiles that have been designed to help you if you want to take your pension pot as:

- cash
- guaranteed income (an annuity)
- flexible income (drawdown)

For more information about each of these specific investment options please see the 'Your lifestyle profiles' section.

Approaching retirement?

Whether you want more information on the investment options available to you, impartial guidance from an independent government-backed service or wish to speak to a financial adviser, help is available.

Your scheme website

Your scheme website contains information intended to help you if you're thinking of making your own investment decisions.

In addition, you'll be able to access Legal & General's online Retirement Planner.

You'll also be able to log in to Manage your Account

Money Advice Service

The Money Advice Service produces a free guide 'Your pension: it's time to choose', which contains information regarding your options and helpful tips on how to shop around for the best deal.

To find out more, go to their website at:

moneyadviceservice.org.uk/en/categories/pensions-and-retirement

Pension Wise

When you want to access your pension pot you can get free and impartial guidance from an independent government-backed service Pension Wise (part of the Money and Pensions Service). You can book an appointment once you are aged 50 or over.

To find out more, go to their website at:

pensionwise.gov.uk

Financial Advice

If you're still unsure about your options we recommend you speak to a financial adviser.

To find a financial adviser in your local area go to:

unbiased.co.uk

Please note, financial advisers will usually charge a fee for their services.

RETIREMENT PLANNER TOOL

Not sure what your plans are?

Legal & General has developed an online tool designed to help you make your retirement choices.

If you'd like to use the tool, please go to your scheme website or log on to Manage your Account

Part 8: Terms explained

Throughout this guide, we've highlighted in blue a number of terms you may not be familiar with. Here's a list of those terms along with a definition.

Annuity

An insurance policy that uses the value of your pension pot to provide you with an income, which can be payable for the rest of your life, depending on the type of annuity you buy.

The amount you receive will depend on a number of things including the value of your pension pot, your age, your health and the annuity rates available when you purchase one.

Assets

Assets are the building blocks of investment funds – they are the things that funds invest in. There are four main types of asset: shares, bonds, property and cash.

Bonds

Sometimes called 'fixed interest securities', Bonds are basically IOUs - a promise to pay back the original investment at a set date in the future, plus payments at regular intervals in between.

Some bonds are 'index linked', which means these regular payments increase in line with inflation. A bond issued by a company is normally called a corporate bond. Bonds are also issued by governments, with UK government bonds often referred to as gilts.

Bonds make money in two ways. As well as receiving interest type payments from the company or government, bonds can be traded in a similar way to shares. This means it may be possible to sell a bond for more or less than it was bought for.

Bonds often provide more modest returns than shares but tend to be less volatile over the short to medium term.

Cash

When you invest in cash, you are investing in short-term deposits with governments and major financial institutions, such as banks and building societies. Although your pension savings may not grow by very much when it's invested in cash, investing in cash can be useful.

For example, investments held in cash are very secure. What's more, the value of investments in cash tend to be far more stable than investments in other types of asset. Cash can be a useful investment option to preserve the value of your pension pot as you get close to your selected retirement date.

Default investment option

The default investment option is an investment which the Trustees believe will meet the needs of most members. If you don't want (or feel unable) to make your own investment decisions, your pension savings will automatically be invested in the default option.

Derivatives

An investment whose characteristics and value depend upon the characteristics and value of one or more other assets or indices, typically a commodity, bond, equity or currency.

Examples of derivatives include contracts for difference, futures and options.

Terms explained

Equities

See ‘shares’.

Fixed interest

See ‘bonds’.

Fund

Your pension savings are invested in one or more investment funds.

A fund is an investment that pools together the money from many individuals. Fund managers then use it to invest in a wide range of assets. Each investor is issued with units, which represent a portion of the holdings of the fund.

Gilts

These are bonds issued by the UK Government. For more information please see ‘bonds’.

Lifestyle profile

A lifestyle profile is an investment strategy that offers the potential to grow your pension savings over the long term.

In most cases it will normally move your pension savings from higher volatility funds into lower volatility funds as you approach your selected retirement date or target a specific objective such as:

- buying a guaranteed income (an annuity)
- taking cash
- taking flexible income (drawdown).

To find out more about the advantages and disadvantages of investing in a lifestyle profile, please see the ‘What is a lifestyle profile’ section.

Pension pot

The value of all your contributions plus any investment growth, less charges.

Property

In investment terms, property means commercial property such as offices, shops, warehouses, factories and other business buildings. Investors in property look to make money in two ways: from rent paid by tenants and from rises in the value of the property itself. Property can offer good prospects for long-term returns but property prices can fall too - particularly in the short term.

Selected retirement date

Your selected retirement date is the date you will take your benefits from the plan and can be any time from age 55.

This date is automatically set by the scheme when you join. Should you wish to change this date, you can do so at any time.

Shares

Shares, also known as ‘equities’, are where you buy a small part of a company. If the company is seen to be successful, their shares may be in high demand, pushing up the share price.

Share values can go up and down a lot in the short term but can offer long-term growth potential. Shares are suitable for medium to long-term investments - that’s to say at least five years, preferably longer.

Terms explained

Trustees

The current Trustees are Legal & General Trustees Limited, 20-20 Trustees Limited, BESTrustees Limited and LawDeb Pension Trustees.

The Trustees are responsible for the management and administration of the plan in accordance with the formal documents that govern the plan and relevant UK legislation.

They are also responsible for the safekeeping of the money and investments belonging to the plan.

Units

All investment funds are divided into units. Contributions are used to buy units in the funds you have chosen at the price applicable on the day we invest your money.

The price of units can rise and fall. The total value of your pension savings can be calculated by multiplying the number of units you hold by the price of each unit.

Volatility

A fund can go up or down in value.

The extent to which its value might change, and how often, will determine whether it's regarded as having high, moderate or low volatility.

For example, the value of a fund that invests in shares can change by a relatively large amount on a daily basis. This type of fund is regarded as having high volatility.

The value of a cash fund, however, is likely to change by only a relatively small amount over a number of months. This type of fund is regarded as having low volatility.

Legal & General Assurance Society Limited.

Registered in England and Wales No. 00166055.
Registered office: One Coleman Street, London EC2R 5AA.

We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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