

**wood.**

# A guide to your investments

**Wood Pension Plan**

Helping you save for tomorrow



**Choose the path that suits you**



## Contents

# Focus on what's inside

This booklet guides you through the investment options that are available and how to make your choice between them. The options have been designed to be easily understood and to give you the flexibility to choose what's right for you. It's important to read this booklet carefully and keep it for future reference. You should read it along with 'A guide to your pension' which contains other important information about your Wood pension.

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We have tried to avoid using jargon, but in some places this is not possible. You can find definitions of the technical terms used on page 14 and they are shown in bold the first time they appear.

The full name of the plan is the Wood Pension Plan but throughout this guide we refer to it simply as 'the Plan'.





# Investment summary

Your investments are very important because...

- Contributions to your pension go into your Retirement Account.
- Your Retirement Account is invested according to your choices.
- When you retire, the value of your Retirement Account is used to provide you with benefits.
- The better your investments perform the higher your benefits on retirement will be.

**STEP 1. Focus on the big picture**

# Where do I start?

Investments can be confusing, so here's a quick-start guide to your options...

## If you don't want to make any investment decisions

If you would rather not make any investment decisions yourself the default option may be appropriate for you. As this is the default option if you make no other choices, this is where your Retirement Account will be invested.



### Default Investment Option

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## If you would like to make your own investment decisions

If you have a good understanding of investments and want to choose your own investment mix the self-select option may be appropriate for you.



### Self Select Funds

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**Before we move on to step 2, it is important to understand what risks are associated with the investments used by the Default Investment Option and Self Select Funds and think about your own attitude to investment risks.**

## STEP 1. Focus on the big picture

# Investment risk

Risk in this case means the possibility that your investments may go down as well as up in value.

Investment types that offer potentially higher rates of return are often relatively high risk. Put another way, the greater the risk that you do not ultimately get all your money back, the greater the reward you should expect to receive to compensate you for taking this risk. Therefore, investments in company shares are expected to provide higher returns than, for instance, UK Government bonds. This is because there is a very low risk that the UK Government would be unable to repay your money and the interest promised. There is a much greater risk that company shares could fall in price and/or be unable to pay dividends to shareholders.

You need to decide what balance of risk and return you are happy with. If you are some years from retirement, you may be happy to accept a relatively high level of risk in order to maximise growth. Choosing low risk investment when you are young could mean your Retirement Account grows slowly and you will receive lower benefits when you retire. On the other hand, as you approach retirement you may wish to reduce the level of risk in your investments to protect the value of your Retirement Account. Other factors can affect your attitude to risk – for example, if you have a substantial pension from a previous employer you might feel you can take more risk when investing your Retirement Account.

**Stan** is aged 57 and plans to retire at 60. As he is close to retiring Stan wants to protect the value of his Retirement Account. He invests in funds that don't usually suffer from short-term falls in value because he knows that his pension would not have the time to recover from any such falls. He doesn't mind that such investments usually offer a fairly low rate of return.

**Jackie** is 45 and has only just started saving for a pension. She is not very confident in choosing investments so she has gone for what she considers a 'low risk' fund. However, this is not necessarily a good choice because her investments will grow very slowly as a result. This means that when she retires the value of her Retirement Account may be lower than it might otherwise have been. Jackie may be better choosing the 'default fund' investment option in which she doesn't have to make her own investment decisions.

**Tanya** is 32 and plans to work until age 65. She has chosen a high-risk investment fund because she knows that if the stock market fails, there is still time for it to recover any lost value before she reaches retirement (although this cannot be guaranteed). She knows that higher-risk investments (like company shares) are expected to perform better over the long term than lower-risk investments (like Government bonds).

## STEP 2. Focus on your options



### Default Investment Option

The Default is designed to give you the opportunity to achieve the long-term investment growth needed to build your Plan savings and then gradually reduce your exposure to risk before you start to take these savings.

The Default strategy contains 'Target Date Funds'. Each Target Date Fund invests according to the length of time to go before you are due to take your Plan savings. Target Date Funds are designed to mature shortly before or after the date you intend to start taking your savings.

The Target Date Fund for you will be the one containing the year in which you want to start to take your Plan savings. If you don't let us know when you intend to start taking your Plan savings, they will be invested in the Target Date Fund containing in its name the year you will reach the Normal Retirement Date which is age 65.

Each Target Date Fund has three years in its name. For example, the Target Drawdown - Retiring 2035-2037 Fund is designed for members who are retiring between 1 January 2035 and 31 December 2037.

The default investment option for the Plan is the Target Drawdown strategy. This is where your retirement savings will be invested if you do not make an alternative choice.

You can change the date at which you intend to start taking your Plan savings at any time. The way they are invested will change to reflect your adjusted retirement date. As a result, your Plan savings may automatically be moved to a different Target Date Fund.

## STEP 2. Focus on your options

# How the Default Investment Option invests your Plan savings

### Until you are about 16 years away from retirement

You have time on your side to ride out short-term investment market fluctuations. To take advantage of this, your Target Date Fund invests in higher risk assets with the aim of achieving long term growth. These assets are mainly equities or shares (including those of property and infrastructure companies).

### When you are between about 16 and 8 years from retirement

The Target Date Funds are managed to gradually reduce the investment risk to which your Plan savings are exposed.

At around 16 years before retirement, your Target Date Fund will gradually start to move your Plan savings into a more diverse range of assets, some of which typically avoid large changes in the value of your savings, such as bonds and cash. This is in order to provide greater protection against large rises and falls in the value of your Plan savings.

### We will get in touch as you draw closer to taking your Plan savings

Eight years before the date you are due to start taking your Plan savings, we will invite you to review your investments and your options.

You will be asked to think about:

- The way you intend to take your Plan savings; and
- When you will start to take them.

You will also be offered a choice of Target Date Funds that are designed to reflect the different ways you can take your Plan savings. The Target Date Funds you can choose from at this point are:

- **Target Drawdown**, for members who plan to leave some or all of their Plan savings invested and draw on these as required to provide an income (known as 'flexible income drawdown').
- **Target Annuity**, for members who plan to use some or all of their Plan savings to buy a guaranteed income for life ('an annuity').
- **Target Cash**, for members who plan to take all of their Plan savings as cash.

## STEP 2. Focus on your options

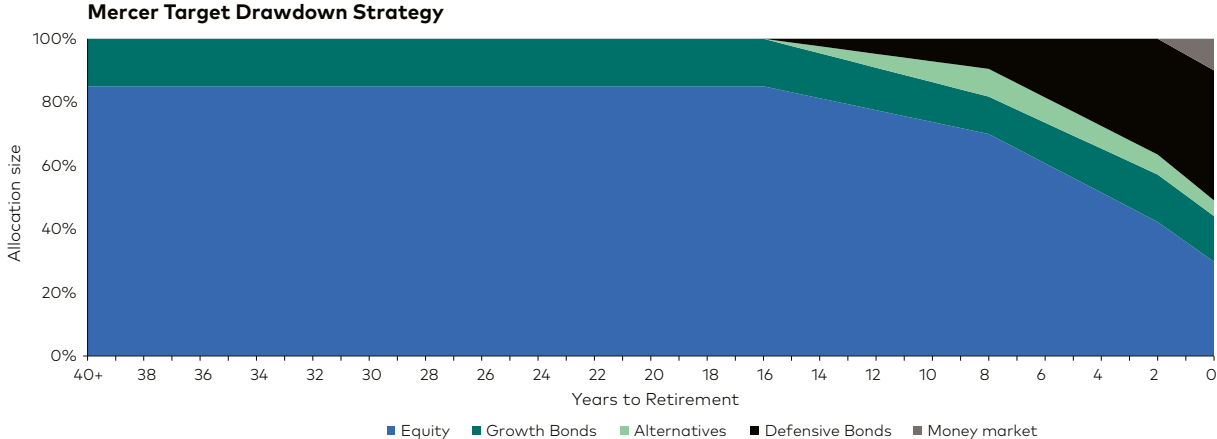
The default investment option for the Plan is the **Target Drawdown** strategy. This is where your Plan savings will be invested if you do not make an alternative choice.

You can change the way your Plan savings are invested at any time. If you don't intend to leave some or all of your Plan savings invested and draw on these as required to provide an income you should consider whether one of the other Target Date Funds better reflects your plans.

The diagrams show how the investment mix of your Plan savings might change in each of the Target Date Funds as you draw closer to the date you will start to take them.

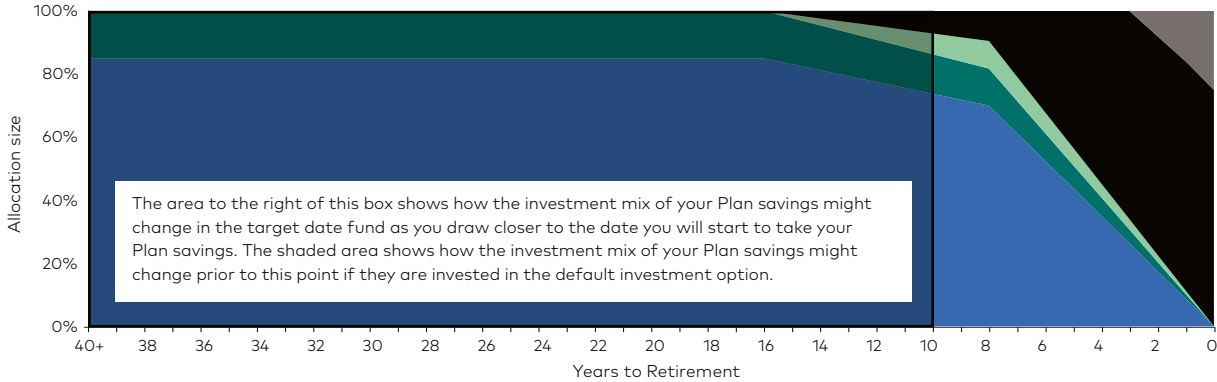
Further details on the Target Date Funds available within the Default, as well as the other investment funds available to you, can be found in this guide.

Please note that these diagrams are intended to be illustrative. It is important to understand that the actual asset allocation may vary and is subject to change. The charts should not be considered an exact representation of the current or future asset allocation of the strategies.

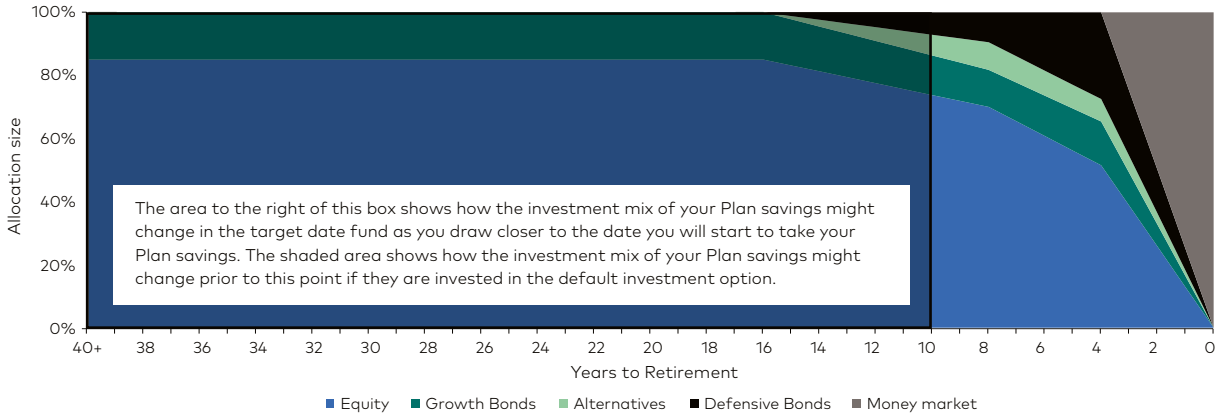


## STEP 2. Focus on your options

### Mercer Target Annuity Strategy



### Mercer Target Cash Strategy



## STEP 2. Focus on your options

### When your Target Date Fund matures

The Target Date Fund your Plan savings are invested in will mature at the end of the final year in its name. For example, the Target Drawdown - Retiring 2035-2037 Fund will mature at the end of 2037. If you haven't taken your Plan savings by then, your investments in the Target Date Fund will be switched into a non dated Retirement Fund that mirrors the fund at the maturity date. This will take place at the start of the following calendar year. Using the same example, this will happen early in 2038. We will contact you before this switch takes place.

The non dated Retirement Funds for each of the different Target Date Fund options are:

- Target Drawdown, the Retirement: Drawdown Fund
- Target Annuity, the Retirement: Annuity Fund
- Target Cash, the Retirement: Cash Fund

There will be no further automatic changes to the way your Plan savings are invested, and they will remain in the Retirement Fund until you start to take them.

### Please bear in mind

The Target Date Funds are designed to reduce your exposure to investment risk up as you approach the date you are due to start taking your Plan savings. If you don't take your money as planned, your Plan savings may not be invested in a way that reflects your needs. Therefore, you should review your retirement plans regularly to ensure that your Plan savings are invested in the right way for you.

## Fund charges

The funds that make up the default incur an annual management charge, in addition expenses such as auditing and registry fees are also added to make up the yearly fund charge.

Details are included in the Fund Factsheets which can be found on the pensions portal.



## STEP 2. Focus on your options



### Self Select Funds

The self-select option allows you to select any one or a mixture of investment funds to suit you. There are a number of different funds offering a range of investment types. This option gives you the most choice and freedom and might be appropriate for you if you are confident in choosing your own investments.

Your Retirement Account remains invested according to your choices until you change them – unlike the default option there is no automatic switching as you approach retirement. Because of this you should make sure you regularly review whether your investment options remain suitable for your circumstances.

**If you wish to choose your own investments, you can put together any mix of investments from the table overleaf.**

You can find full details about each of the funds by visiting the online Pensions portal.

We have split our Self-Select Fund range into two parts:

The **Passive and Multi-Asset Funds** provide a range of investment types with different growth and risk characteristics, and have lower charges because they are passively-managed (their aim is to track the performance of a particular index or benchmark rather than the manager taking active investment decisions to try and outperform the index/benchmark).

The **Active Funds** provide greater choice but involve higher charges because of the active decision-making taken by the fund manager (their aim is to add value so that the investment returns, net of the additional charges involved, exceed the performance of the index/benchmark).

Details of each fund, including the benchmark against which its performance is measured are included in the Fund Factsheets.

#### Please remember

There is no automatic switching as there is in the default option, so your funds will not automatically move into less volatile investments as you approach retirement. You should review your investment options regularly to ensure they remain appropriate for your circumstances.

## STEP 2. Focus on your options

### Passive and Multi-Asset Funds

Asset Class	Fund name
Equity	UK Equity
Equity	Overseas Equity
Equity	Emerging Markets Equity
Equity	Ethical Global Equity
Equity	Shariah
Equity	Sustainable Global Equity
Bonds	Inflation-Linked Government Bonds
Bonds	Fixed Interest Government Bonds
Bonds	UK Corporate Bonds
Multi-Asset	Growth
Multi-Asset	Diversified Growth

### Active Funds

Asset Class	Fund name
Equity	UK Equity
Equity	Global Equity
Equity	Emerging Markets Equity
Equity	Sustainable Global Equity
Property	Property
Bonds	Short Dated Global Bond
Cash	Cash

## Fund charges

The funds available under each of the investment options detailed also incur additional expenses such as auditing and registry fees. These fees, in addition to the annual management charges, make up the yearly fund charge, details which are included in the Fund Factsheets.



# Definitions

## Active funds

Actively-managed funds aim to outperform a particular stock market index (e.g. FTSE All-Share Index for UK equities).

## Alternatives

Alternative investments are financial assets that don't fit into the conventional categories of stocks, bonds, and cash. They offer diversification, potential for higher returns, and protection against inflation.

## Annual management charge

The annual management charge (AMC) is the fee charged by the investment manager for investing your Retirement Account by way of an adjustment to the daily unit price of the funds in which you are invested.

## Bonds

Bonds are loans to a company or government which earn interest at regular intervals. The rate of interest can be fixed or linked to inflation (index-linked). The price of a bond may depend on how secure the company or government is. Bonds issued by the UK Government are sometimes referred to as 'gilts' and are generally regarded as the safest type of bond.

Bonds issued by companies are referred to as 'corporate bonds'. Bonds are often regarded as being less prone to short-term falls in value than equities (although this cannot be guaranteed), but are not expected to provide returns as high as those provided by equities.

## Cash

Cash investments are not necessarily as straightforward as you would think, as they often involve 'money market instruments'. Cash investments generally provide a low rate of return and are not prone to short-term falls in value (although this cannot be guaranteed).

## Drawdown product

These are offered by external providers and allow a member to continue to invest their Retirement Account during their retirement and draw cash from their investment as and when they need it.

## Equities

Equities are shares in companies. The return from equities comes from dividends paid to shareholders from a company's profits and changes in the price of the company's shares. Equities are expected to offer higher rates of return over the long term although they can be volatile (i.e. prone to short-term falls in value).

## Gilts

Gilts are bonds issued by the UK Government to fund its borrowing. When you buy gilts you are lending the UK Government money. In return the UK Government promises to pay back the full value of the gilts, plus interest.

## Listed Real Assets

Listed real assets refer to a category of investments that provide exposure to tangible assets such as real estate and infrastructure through publicly traded securities.

## Passive funds

Passively-managed funds (or index-tracker funds) aim to match the investment performance of a particular stock market index (e.g. FTSE All-Share Index for UK equities).

## Target retirement age

This is the age you think you are likely to retire. The default retirement age in the Plan is 65, however you can choose a target retirement age which is earlier or later than this. You can change your target retirement age at any time via a form from the online pensions portal. If you choose the default investment option your target retirement age affects the switching of your investments.

## Yearly fund charge

The yearly fund charge (YFC) consists of the AMC plus additional expenses associated with the operation of the fund such as legal and custodian fees. These additional expenses can vary over time. The YFC will also vary as a result of the variable additional expenses.

# Financial advice

Nothing in this guide constitutes financial advice. Neither the Trustee nor the Pensions Team is authorised to give financial advice. It is your responsibility to seek financial advice if you need it.

To find a financial adviser in your area visit [www.unbiased.co.uk](http://www.unbiased.co.uk).

## **Additional information**

Mercer Limited is responsible for selecting the investment managers appointed to run the range of investment funds available under the Plan. The Plan is currently managed via the Scottish Widows platform.



# Contact us

You can contact the Wood Pensions Team in the following ways:

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