

The **co-operative** investments
good with money

With-Profits Guide

Your pension plan with The Co-operative Investments

A guide to investing in the
CIS With-Profits Stakeholder Fund

1. What is this guide for?

This guide tells you how we manage the CIS With-Profits Stakeholder Fund.

It should answer most of the questions you might have. If you have any further questions then please contact us – our contact details are shown at the end of this guide.

This guide explains the main points about how we currently manage our With-Profits Stakeholder Fund. It covers the key points from the detailed technical guide called the Principles and Practices of Financial Management (PPFM) document, but is not a replacement for it. Please see the PPFM for a fuller description of how we manage our with-profits fund. If this guide is inconsistent with the PPFM, the PPFM overrides this guide.

You can download all of our guides, including the PPFM documents, from our website co-operativeinvestments.co.uk or instead you can contact us for a copy.

If we make a significant change to our approach to managing our with-profits fund in the future, we'll write to tell you and also provide you with an updated copy of this guide.

2. What is the CIS With-Profits Stakeholder Fund?

The CIS With-Profits Stakeholder Fund, which is a sub-fund of the CIS Long Term Business Fund, is the fund in which all CIS With-Profits Stakeholder Pension contributions are invested.

The CIS With-Profits Stakeholder Fund is one of the investment choices we offer for our stakeholder pension plans. You may have some or all of your contributions invested in this fund.

The fund is divided into units and each business day we publish unit prices for the units. We may have more than one type of unit within the fund to allow us to apply the appropriate charge in setting the unit price for each series of units. The unit prices are the prices used to work out benefits and to allocate units when pension contributions, and any tax relief paid by the Government to us in respect of those pension contributions, are paid into the fund.

The investment profits or losses of the fund are reflected in your benefits by changing the price of units, rather than by granting bonuses (e.g. annual and final bonuses) as we would do in the case of, for example, traditional with-profits policies.

If we make any profits from the difference between the charges we make and our costs in the future on our stakeholder pensions business, we may decide, in certain circumstances, to allocate a share of them to you.

You will not be entitled to share in any profits of any other part of the CIS Long Term Business Fund. We will not distribute any profits in respect of the stakeholder pensions business in the fund to our shareholders.

3. What is a with-profits stakeholder pension plan?

A with-profits stakeholder pension plan is a pension plan for which the investment profits and losses are smoothed (or averaged) over the period of time the plan is held.

A with-profits stakeholder pension plan benefits from a special feature known as smoothing. Smoothing is designed to protect with-profits policyholders from the direct impact of some of the sudden movements in the stock market, but it cannot get rid of the strong link between the underlying market investment returns, and with-profits returns.

This means that we hold back some of the profit made when investment returns are good, so that we can increase returns if investment returns are lower. We do this so that your investment should provide a steadier return from day to day than if you invest in a fund which fully reflects the rise and fall in stock markets, such as a unit trust.

This means that we spread profits over time, although our aim is to pay out all the investment returns earned by the fund over the long term, after allowing for our charges.

The value of your plan may rise or fall from day to day. However, because of smoothing, the rise or fall in your plan value will normally be less extreme than the rise or fall in the value of the fund's assets. Smoothing does not protect against prolonged falls in the stock market, because the profits held back from periods of good returns may not provide sufficient protection against investment losses.

Each business day, we calculate the investment return obtained on the assets (types of investment) of the fund and use a smoothing method to calculate a smoothed investment return. By applying this smoothed investment return to the previously published unit prices, and allowing for the charges we make to meet our costs, we obtain new unit prices which we publish the next business day.

4. What are the charges?

The charges made under the CIS Stakeholder Pension Plan are set out in your Key Features document and are guaranteed never to exceed the maximum level allowed by the Government for stakeholder pensions.

5. What are the investments in the CIS With-Profits Stakeholder Fund?

The fund is invested in a wide range of carefully selected assets with the aim of achieving growth. A wide range of assets is held to help reduce the risk to the value of the fund that would arise if most or all of the assets were invested in a single category of assets.

Investments include:

- UK and overseas shares
- government bonds (loans to the Government)
- company bonds (loans to companies)
- cash deposits.

The fund does not currently invest in property directly although it may do so in the future.

The fund may also invest in other assets in the future.

We have always aimed to hold between 50% and 70% of the fund in higher-risk assets such as company shares and property, including a proportion in overseas shares. Such investments are generally expected to provide higher returns than other investments over the longer term. We do this by investing directly in such assets and/or by investing in our unit trusts. We hold the rest of the assets in the fund in less risky assets such as bonds and cash deposits.

The current mix of assets held for your plan is usually shown with your statement and is also available on request.

Our Responsible Shareholding programme is an important part of how we manage the investments in the fund.

We aim to influence the companies we invest in on a range of social, ethical and environmental issues.

In particular, and following extensive consultation with our customers, in 2005 we were the first insurance company in the world to launch an Ethical Engagement Policy. This means that we will engage with companies on a broad and challenging ethical agenda, reflecting the issues that our customers would expect the businesses in which we invest to address. We consider such influence to be for the benefit of the companies in which the fund invests and therefore for the benefit of the fund itself.

6. What affects the benefits that I will receive?

The benefits that you will receive from your investment in the fund depend on how much you have invested in the fund, including any tax relief received in respect of your pension contributions. They also depend on:

- the investment performance of the fund
- how investment profits and losses are smoothed
- the charges that apply to your investments in the fund
- the effects on the fund of the business risks associated with the CIS Long Term Business Fund (see section 8).

These factors are taken into account when we set the unit prices, which determine how much we will pay you when you make a claim on the fund, or transfer or switch all or part of your investments out of the fund.

7. How do you determine my benefits?

We work out the with-profits benefits you receive by multiplying the number of units you hold in the fund by the published unit price at the time you make a claim for benefits.

When you pay a pension contribution into the fund, we use the published unit price to allocate units in the fund to your stakeholder pension plan. We work out how many units to allocate by dividing the pension contribution by the unit price that applies at the next valuation after we receive payments. We will allocate units in respect of tax relief, which we reclaim on your behalf from the Government, when the tax relief is received. This will be some time after we receive the pension contribution that relates to the tax relief.

We work out the with-profits benefits you receive by multiplying the number of units you hold in the fund by the unit price at the time you make a claim for benefits. Except for benefits paid on retirement or death, we may in certain circumstances reduce this value by a Market Value Reduction (see section 9). When you retire, you will normally be required to use the benefits to purchase a pension, which is taxable, although you can currently take up to a quarter of your benefits as a tax-free lump sum in return for a smaller taxable pension.

8. What are the business risks associated with investing in the fund?

Apart from risks relating to how well our investments might do, the CIS With-Profits Stakeholder Fund is not itself directly subject to other business risks.

However, the CIS With-Profits Stakeholder Fund is a sub-fund of the CIS Long Term Business Fund and is therefore potentially exposed to business risks which arise in other parts of the CIS Long Term Business Fund.

We use money from the CIS Long Term Business Fund to help meet any shortfall between the costs involved in acquiring and managing the stakeholder pension business of the CIS With-Profits Stakeholder Fund and the charges we make to such plans and to ensure that the CIS With-Profits Stakeholder Fund has enough money to meet its liabilities. In the exceptional circumstance that the CIS Long Term Business Fund does not have enough assets to meet its contractual commitments, it is possible that you could receive less than the benefits set out in your contract.

We regularly review the amount and type of new business issued in the CIS With-Profits Stakeholder Fund. To do this, we estimate the impact that new business has on the working capital of the CIS Long Term Business Fund. This allows us to plan what volumes and mix of new business are appropriate given the CIS Long Term Business Fund's level of working capital. We would continue to issue new business in the CIS With-Profits Stakeholder Fund provided that this was not expected to have a materially adverse effect on the existing business in the CIS Long Term Business Fund and in the CIS With-Profits Stakeholder Fund itself. If we close the CIS Long Term Business Fund to new business, policyholders with CIS Stakeholder Pension policies would have no entitlement to a share of its working capital.

9. What if I decide to move out of the CIS With-Profits Stakeholder Fund?

This may happen if you:

- retire
- switch into another CIS stakeholder fund
- transfer your investment to another company.

The amount available will normally be the value of units in your plan (i.e. the number of units multiplied by the unit price) or a proportion of this value if you are taking benefits from or switching only a proportion of your fund. The same approach is used to determine benefits on death.

In certain circumstances it may be necessary to reduce the plan value available to those who are taking money out of the CIS With-Profits Stakeholder Fund. We would do this by applying a Market Value Reduction.

We would use a Market Value Reduction in order to maintain a fair level of return to everyone still invested in the fund. If we didn't apply one, the extra amount given to someone leaving the fund would have to come from other investors who might therefore receive less than their fair share.

We regularly monitor investment conditions and the total level of money being moved out of the fund, and may apply a Market Value Reduction at any time if we believe it to be necessary to protect the fund.

It is most likely that we'll need to apply the Market Value Reduction when a large amount of money is being taken out of the CIS With-Profits Stakeholder Fund at a time when investment values have been particularly depressed.

A Market Value Reduction will not be applied to payments made on death or on retirement. We have the right to ask one month's notice of transfers and switches out of the fund. We will normally process these transactions more quickly than this, but we will defer transactions until the end of the notice period if we consider it is necessary to protect investors in the fund. You should consider seeking independent financial advice when deciding which option to choose.

Your Pension Plan with The Co-operative Investments

A reference guide to how your pension plan works

At a glance – some common questions

This page contains brief answers to some commonly asked questions.

What is a 'with-profits' stakeholder pension plan?

A with-profits stakeholder pension plan is a pension plan for which the investment profits and losses are smoothed (or averaged) over the period of time the plan is held. (See section 3.)

What are the charges?

The charges made under the CIS Stakeholder Pension Plan are set out in your Key Features document and are guaranteed never to exceed the maximum level allowed by the Government for stakeholder pensions.

What affects what I might get back?

The benefits that you will receive depend on how much you have invested in the fund (including any tax relief), the investment returns achieved by the fund, how we smooth investment returns and the charges that we make. (See section 6.)

What if I decide to move out of the CIS With-Profits Stakeholder Fund?

If you retire, switch into another CIS stakeholder fund, transfer your investment to another company or die, the amount available will normally be the value of units (number of units multiplied by the unit price) in your plan at that time. Apart from on retirement or death, we may apply a Market Value Reduction in certain circumstances to reduce this value to ensure that you receive your fair share of the fund. You should consider seeking independent financial advice when deciding whether to transfer the value of your plan. (See section 9.)

If you have any questions about the CIS With-Profits Stakeholder Pension Plan please contact us. Our contact details can be found either in the Key Features Document in your new business pack, or on our letter which came with this booklet.

For more complete answers see the rest of this booklet. It describes how your policy works and how we manage the fund that your policy is invested in. It's not necessary for you to read it now, but we suggest you keep it in a safe place in case you should wish to refer to it in the future.

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Savings & investments

Life assurance

Car & home insurance

Retirement planning

Ethics as standard

Behave yourselves – through our Ethical Engagement Policy, we use our influence as an investor to put pressure on the companies in which we invest to operate more responsibly in areas such as human rights, animal welfare and the environment.

Please call 08457 46 46 46 if you would like to receive this information in an alternative format such as large print, audio or Braille.

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