GROUP PERSONAL PENSION AND GROUP STAKEHOLDER PENSION INVESTMENT GUIDE

For customers taking the flexible income option

SCOTTISH WIDOWS

HOW TO USE THIS GUIDE

When it came to retiring, you asked us about taking your money as you need it, throughout your life.

If you decide to take flexible income, then we'll need to know how you'd like to invest the rest of your pension pot. This guide is to help you make that investment decision.

We want you to make the investment decision that's right for you.

This guide gives you some pension and investment basics, and details of the investment options you can choose. There's also a handy jargon buster to explain some of the more technical terms that we use.

To help you make your decision, read through these pages –

INTRODUCTION

You have the flexibility to use your retirement savings when and how you choose. Once you access some of your pension, you'll need to choose how to invest what remains. Use this guide to explore your investment options.

To help you make your choice of how to invest what remains in your pension pot after taking tax-free cash, we have put together a package of carefully selected investment options. These options have been created to help you achieve your retirement goals without taking more risk than you're comfortable with.

Take time to review the options on the following pages.

When you speak with one of our team, they will be able to discuss these options with you and will ask for your preferred choice.

Important information before you begin

As well as the investment options detailed in this guide, you may also be eligible to select from other investment options from the Scottish Widows range. Please contact us for more information.

Everyone's circumstances and needs are different. We cannot provide investment advice. This guide is designed to give you relevant information to help you make an informed decision, but does not constitute advice.

If you feel you need help with understanding risk, or more general help to select your investment options please speak to a financial adviser. You will normally be charged for any advice you receive.

Pensions are a long-term investment. The retirement benefits you receive from your pension plan will depend on a number of factors, including the value of your plan when you decide to take your benefits, which isn't guaranteed and can go down as well as up. The value of your plan could fall below the amount(s) paid in. The tax treatment of your pension depends on your individual circumstances. Your circumstances and tax rules may change.

The value of the tax benefits of your plan depend on your individual circumstances. Tax rules and circumstances may change in the future.

BEFORE YOU DECIDE HOW TO INVEST, SOME PENSION BASICS

Here's a reminder of what a pension is, when you can take your pension benefits and the main options when you do so.

What is a pension?

Pensions are a long-term investment that help you save for your retirement in a tax-efficient way. You (and your employer when it's a workplace pension) will normally contribute to it to provide a pension pot to support you financially in retirement. Rather than leaving that money in a bank account, pension providers will invest this with the aim of achieving a return over time to help grow your pension pot.

The retirement benefits you receive from your pension plan will depend on a number of factors, including the value of your plan when you decide to take your benefits which isn't guaranteed, and can go down as well as up. The value of your plan could fall below the amount(s) paid in.

When can I take benefits from my pension?

You can usually start taking benefits from your pension when you turn 55. This is due to increase to 57 from 6th April 2028. You can normally take up to 25% without paying any tax on it.

What are the options for taking my benefits?

There are three main options when it comes to taking your pension. You can choose one of them or a combination of them:

Buy a guaranteed income for life (an annuity)	Take income from your pension when you need it (flexible income)	Take all, or some of your pension, as one or more lump sums
This option can provide a regular income which will be paid until you die. This used to be the most common option and it's the way most people still think about pensions. Some people like this option because they want to know exactly what to expect with each payment, and that it will be paid for the rest of their life.	Some years you might want to take a little from your pension and some years you might want to take more. While you're dipping into your pension, we'll keep the rest invested, so that it has the opportunity to grow (but may also go down in value) before you need to take more income in future. If you take too much too soon, you might not have enough left to last your whole life.	It's your money, so you can decide to take as much as you like. However, you could end up paying more in tax compared to the other options, particularly if you're still working. And if you spend all of your pension, without having anything else to live on when you retire, you may not have enough to support you in later life.

You told us you were interested in this option

What if I've inherited the pension?

If you've inherited this pension from someone who has died, your options and taxation are different. There's no 25% tax-free cash sum payable (option 3 on page 2) and you don't need to be 55 to start taking money from this pension.

If the person you inherited it from died under age 75 all of the options on page 2 are paid tax free. If they died on or over age 75 they are taxable at your marginal rate of income tax.

How pensions aim to grow your money

We invest your money to help grow the value of your plan over time. With any investment, there's a chance it could lose value too. So you could get back less than you put in. If you decide to start taking some income now, we'll keep the rest invested, so it has the opportunity to grow before you need to take more money out in the future, although this isn't guaranteed.

What is an investment?

An investment is something you hope will produce a profitable return in the future. As mentioned earlier, a pension is a type of investment product that is used to help provide an income in retirement.

There are four main types of investment, which are often called 'asset classes'. Each one works in a different way and carries its own particular investment risks. It can help to have an understanding how each one works and the risks involved before making any investment decisions.

- Money market investments: money on deposit (e.g. cash in a bank or building society) and short-term loans to raise cash.
- Bonds and gilts: loans to companies or the UK government.
- Property: physical buildings, usually commercial properties.
- Shares: stakes in a company (also called equities).

A combination of different asset classes can be used together to produce an investment fund.

Unlike saving money (for example in a bank account), with investments there are no guarantees and you could get back less that you have paid in.

What is an investment fund?

An investment fund puts your money into a larger pot with lots of other people. Different investment funds have different levels of risk and aim for different levels of growth.

The investment funds we talk about in this guide are diversified. This means we spread your money out across lots of different investments and asset classes to reduce the chance that the value of your plan will go down.

For example, if the shares in a traditional high street shop aren't doing well, but the shares in an online shop are doing much better – the underperformance of one might be balanced out by the growth of the other. This could mean your overall plan value has less ups and downs. We invest like this because we aim to help the investment fund grow steadily over time.

The fund manager's job is to run the investment fund in line with the stated investment objectives, aiming to meet declared targets in order to grow the value of your money. There are two main types of investment fund – passive and active. Both types aim to make money from whatever asset classes they hold – usually shares, bonds, and cash. Most of the investment funds we talk about in this guide are passive funds, to keep costs down.

Passive funds

Passive or 'tracker' funds aim to deliver a performance that's in line with a particular market or index by replicating the movement of the market or index they're tracking.

One of the most commonly tracked things is the FTSE100, which is an index of the UK's 100 biggest companies. Usually the fund will buy shares in all 100 companies and in the same proportions as their market value, although this might not always be possible or cost-effective. The value of the fund aims to move in line with the change in the value of the FTSE100 Index.

Because passive fund managers don't have to pick which investments to hold in funds, the performance of the fund depends entirely on the performance of the market or index being tracked. So if the market falls, so will the value of the fund.

Passive funds tend to be cheaper than active funds.

Most of the investment funds we talk about in this guide are passive funds.

Active funds

These work differently. The job of an active fund manager is to pick specific investments, with the aim of delivering a performance that beats the fund's stated benchmark (or standard). The manager will actively buy, hold and sell investments to try to do this.

An active fund manager may be able to anticipate or react to market situations and take advantage of insights and opportunities as they arise.

Investment charges are usually higher to cover the cost of the expertise of the fund manager and research analysts, as well as additional costs due to more frequent trading of the investments that the fund holds.

Will you charge me for my pension?

We will take charges to cover the costs of managing, administrating and investing your plan. These are usually taken on an ongoing basis from the value of your pension policy.

What charges will apply to my pension pot?

We take a Total Annual Fund Charge (TAFC) for managing and investing your plan. The TAFC is made up of the following charges:

- Annual Management Charge
- Fund Expenses
- Fund Based Charge

Annual Management Charge

This is taken for the management of the fund or funds in which your plan is invested. The percentage rate for each fund is determined by us or the fund manager. The Annual Management Charge (AMC) is taken into account in the calculation of unit prices.

The amount of AMC your plan pays will depend on what fund(s) it is invested in.

Fund Expenses

These are taken by fund managers to meet the costs of the day-to-day running of the fund.

They may fluctuate over time and are taken into account in the calculation of unit prices.

Fund Based Charge

This is the cost of operating your plan and is calculated daily. It is deducted each month by selling units from your plan and is expressed as a percentage rate which is agreed with your employer.

To help illustrate how the charges are applied, we've provided some example charges and expenses below based on a plan which valued at £50,000 throughout the year. The charges for the year would be –

ANNUAL MANAGEMENT CHARGE	0.10%	£50
+		+
FUND EXPENSES	0.15%	£75
+		+
FUND BASED CHARGE	0.50%	£250
=		=
TOTAL ANNUAL FUND CHARGE	0.75%	£375

So the charges would be just under £32 per month (£375/12).

What do I need to know about cash?

Investing in cash is lower risk in terms of losing any money compared to bonds and shares. This is because cash investments don't tend to rise or fall in value very much. But cash does come with its own risk. Because cash funds don't tend to go up in value all that much, your investment might not keep up with the cost of everyday living over time (known as inflation).

What is inflation?

Inflation is the rising cost of everyday things such as milk, bread and fuel over time. That means your money needs to grow, to keep up with the cost of buying things in the future.

Your pension savings may have to last you 30 years or more. About thirty years ago, in 1991, a pint of milk for example, would have cost around 25p. Today, it costs around 43p. So you'll need more money to buy the same pint of milk and if the value of your pension savings hasn't kept up with inflation, you'll have less spending power.

See page 21 for more information about this.

What do I need to know about bonds?

Bonds (which are also known as fixed interest securities) are issued by a government or company to borrow money. The bond is then bought by investors who will normally receive interest payments, as well as being paid back the full value of the bond at a later date.

Bonds can give a more predictable return but have less scope for growth than shares. Investing large amounts in bonds can mean your pension savings don't grow as much and may not keep up with inflation.

Bonds are usually seen to be less risky than shares. But they can still rise and fall in value.

What do I need to know about shares?

Shares are also known as stocks or equities. When you buy a share, you're buying a small part of a company. The risk with shares is not knowing whether the share price of the company will rise or fall.

The share price tends to rise if the company is doing well. But, if the company isn't doing so well, the share price could fall. And you could get back less than you put in.

In the short term, the value of shares can go up and down quite unpredictably. (This is called 'volatility'.)

Generally though, in the long term (at least 10 years), the value of shares tends to go up over time. So we're aiming for longer-term growth when we invest some of your plan in shares.

How does risk affect investment funds?

Investment funds can invest in different things, which are affected by different risks.

So for example –

- A fund that invests in shares might give better potential for growth than investing in bonds, but the value might go up and down a lot, and there's a greater risk that the value will fall.
- A fund that invests in bonds might fall in value if the issuer doesn't repay the bond or there are concerns that the issuer may not be able to repay it, particularly if the fund has invested a lot of the fund in a bond from a single issuer. Changes in interest rates can affect the value of bonds too. If interest rates go up, the value of the investment fund is likely to fall, and vice versa.
- A fund that invests in any overseas shares or bonds can be affected by any changes in exchange rates.

LET'S THINK ABOUT RISK

All investments involve some level of risk, even cash. But risk doesn't need to be a scary word. Put simply, risk is the relationship between the potential of your pension pot growing or losing some of its value.

Because you're interested in taking flexible income, we need to know how you'd like us to invest your income account. There are two main things for you to think about:

1. How much income you need and how long it might have to last.

   You need to carefully plan how much income you can afford to take, otherwise you might run out of money. This could happen if –

   - you take out too much in the early years or when stock markets are falling so the rest of your pension pot has to work harder to keep its value
   - your investments don't perform as you expect and you don't adjust the amount you take or change your investments accordingly.

   It's important to choose the right investments and regularly review them – you may need to invest some of your pension pot in investments that take more risk if you want to keep your income at a certain level.

2. How much risk you're comfortable taking.

Each fund spreads your money out across different investments with the aim that the overall value of your income account shouldn't go up and down as much – this is called reducing volatility.

An example of someone who might not want to take much risk

If someone doesn't have a lot of savings, and is relying on their pension as their sole income, then losing too much value from their pension pot might make life difficult for them. They probably still want their pension to grow, but they may not be comfortable with investing their whole pot in higher risk funds.

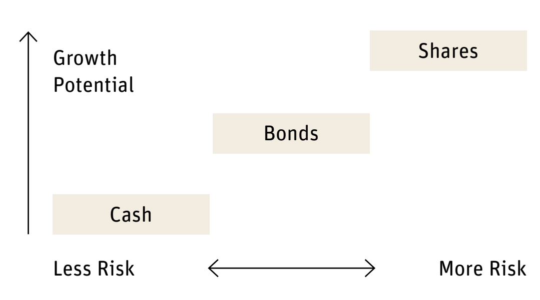
An example of someone who might be okay with taking some risk

If someone has lots of savings they might think:

'I'm okay with taking a bit more risk with my pension pot because I don't necessarily need all of the money for my future plans. And I want to see if I can make it grow.'

So this person might be more comfortable with investing in higher risk funds.

Our investment funds invest in:



HOW DO I DECIDE WHAT'S BEST FOR ME?

When thinking about what you want to do with your retirement savings, we believe there are some key questions:

Do you plan to touch your pension pot in the next five years?

Do you plan to take a regular income in the next five years? If so:

a) What level of income do you want to take?

b) How long would you like this income to last?

Do you plan to take all of your pension pot over the next five years?

How much risk are you comfortable with?

After working hard to build up your pension pot, you will be faced with decisions. How do you provide for your retirement? How long could your retirement savings last?

Everybody's different and your circumstances may well change over time, so there are no hard and fast rules. But here are some further questions that you may need to think about:

- Do you have other investments or savings to live on?
- What would happen if your retirement savings dropped dramatically in value?
- Would you be able to maintain your current lifestyle if your retirement savings ran out in five or ten years?
- How long do you want to hold the investment for?
- Are you happy to take a long-term view and not worry about short-term dips in your savings, or are you uncomfortable with the ups and downs of market volatility?
- Are you comfortable with taking more risk to potentially increase growth, or would you rather minimise the risk as much as you can?

For most people, it will be a bit of a balancing act. But our investment options are designed to help you find something that could be right for you.

INVESTMENT OPTIONS FOR RETIREMENT INCOME

When it comes to investing your pension pot, we believe we have a number of investment options that could meet your retirement income needs.

There are four options you may be able to choose from which are shown below.

Investment Options

SELECT AN INVESTMENT PATHWAY	KEEP EXISTING INVESTMENTS	SELECT A PENSION PORTFOLIO FUND	OUR WIDE RANGE OF SCOTTISH WIDOWS PENSION FUNDS
We have specifically designed four investment pathway solutions aligned to how you might want to use your pension pot over the next five years. Please see **page 9** for more information.	If you are not invested in a lifestyle strategy you may be able to keep your retirement savings invested as they are.	Please see **page 10** for more information.	Your own choice from our wide range of unit-linked investment funds, covering a wide range of asset classes, geographical locations, sectors and management styles to match different investment needs and your attitude to risk. Please see **page 19** for more information.

CHOOSE AN INVESTMENT PATHWAY

Looking into the future isn't easy, but our range of investment pathways may include an option that's appropriate for you.

For customers considering taking a flexible income it can sometimes be tricky to decide how their pension pot should be invested. The decision can be influenced by how and when they decide to take any future income.

Looking into the future isn't easy, that's why we offer a choice of four Investment Pathways, to help you select an investment option that's appropriate for you.

These pathways have been designed to reflect outcomes specified by the Financial Conduct Authority (FCA) and depending on which path you choose we'll put you in a ready made investment solution to achieve your goal.

After giving a bit of thought to how you intend to take your pension savings, simply select the statement which you feel is the closest match.

1

I have no plans to touch my money in the next five years.

Go to **page 12** for more information.

2

I plan to use my money to set up a guaranteed income for life (annuity) within the next five years.

Go to **page 13** for more information.

3

I plan to start taking my money as a long-term income within the next five years.

Go to **page 14** for more information.

4

I plan to take out all my money within the next five years.

Go to **page 15** for more information.

The Investment Pathways are explained in more detail on pages 12–15.

SELECT A PENSION PORTFOLIO FUND

If you don't wish to select an Investment Pathway then you can choose from one or more of our selected Pension Portfolio Funds.

These are "multi asset" funds that put money into different investment types. We use different mixes of investments to aim for different levels of growth, and different levels of risk.

Some of our Pension Portfolio Funds are also used in our Investment Pathways.

The funds we have selected have a lower level of risk than some of the other funds in our range.

How do I choose a pension portfolio fund (or funds)?

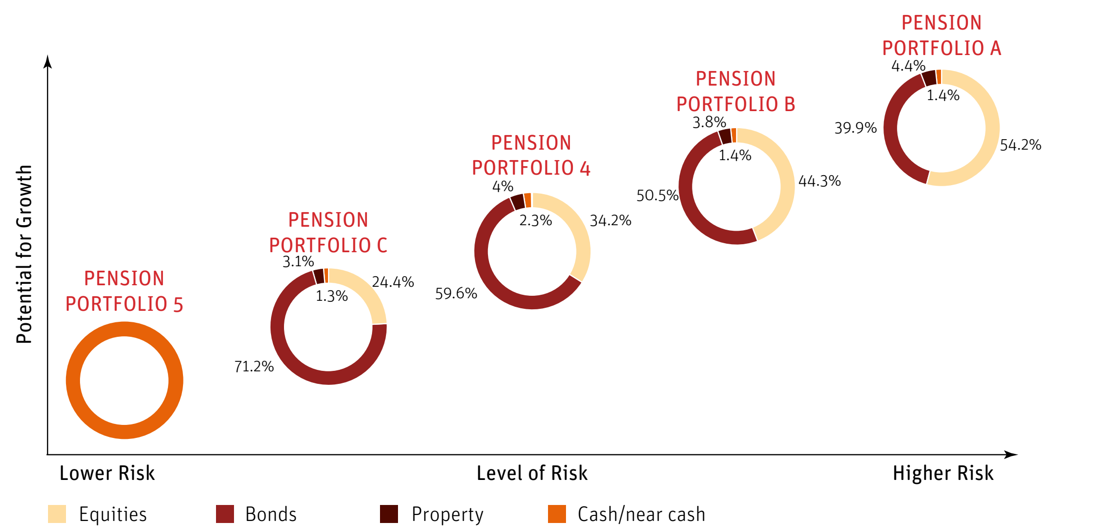
We offer a range of five Pension Portfolio Funds.

Pension Portfolios A, B, C and Four are all blends of equities and bonds in different proportions.

Pension Portfolio Five is a lower risk fund investing in 'Money Market' assets also known as 'cash' and 'near-cash' investments. Cash funds mainly hold investments that mature (i.e. pay out) in the short term (weeks), but can hold assets with slightly longer periods to maturity. A longer period to maturity often means the fund manager is trying to earn a slightly higher return by taking a little more risk, which leads to the potential for slightly higher returns and risks. The fund will fluctuate in value because of, among other things, charges and possible falls in interest payments, so investors can get back less than they invest. There is also the risk that this type of fund will not keep pace with inflation, which would mean prices in shops rise quicker than your investment increases in value, so its spending power is reduced.

The Pension Portfolio Funds are explained in more detail on pages 16 to 18.

Here are our Pension Portfolios in increasing order of risk and potential for growth:



The totals above may not equal 100% due to rounding.

MORE DETAILS ON YOUR INVESTMENT OPTIONS

We'll review the investment funds we use for all our pathway solutions shown in this guide every year. If we feel it's appropriate we may change the investment funds we use for our pathway solutions at any time and switch your investment accordingly.

If we do this we'll tell you beforehand, at least three months in advance where possible. If you don't want us to switch your funds, then you can ask us not to switch if the fund you are invested in is still available, or you can choose an alternative investment option. If you do this you'll no longer be invested in an Investment Pathway. Please be aware that the same underlying fund may apply to more than one pathway solution.

Investment Pathway 1 – I have no plans to touch my money in the next five years

Pathway Solution	Why We Think This Solution May Be Appropriate	Fund We Currently Use	Associated Risks for this investment option (see page 23 for further details)
Pathway 1 – Leave Invested	This pathway offers the potential for long-term growth by investing mainly in fixed income securities and equities (also known as shares), with a slightly higher emphasis on fixed income securities. Whilst equities are more risky than some other assets such as fixed income securities, having some exposure to equities offers greater growth potential.	Scottish Widows Pension Portfolio Four Fund	CIS EM EQ FI OS PYS

Fund Aim

The Fund aims to deliver long-term growth by investing in other funds. The Fund invests with an emphasis on fixed interest securities, with the remainder in equities including a small proportion in listed property securities, by investing predominately in passive* index tracking funds. A small proportion may be actively managed.

The fixed interest securities can be in sterling or other currencies, including emerging markets, and may be issued by governments or companies. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets.

The property securities can be in the UK and overseas. The Fund may also invest a small proportion in cash.

Non-sterling investment may be hedged back to sterling. Hedging aims to reduce the effect of fluctuations in the exchange rates between the currency of the asset and the currency of the Fund.

This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest with an emphasis on fixed interest securities.

*Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index. Active management is where the fund manager seeks to add value by making decisions on which investments to buy, sell or hold depending on, for example company, market or economic factors.

Investment Pathway 2 – I plan to use my money to set up a guaranteed income (annuity) within the next five years

Pathway Solution	Why We Think This Solution Is Appropriate	Fund We Currently Use	Associated Risks for this investment option (see page 23 for further details)
Pathway 2 – Buy Annuity	The key aim of this pathway is to maintain the annuity purchasing ability of your pension fund, which it does by investing mainly in long-dated UK fixed interest securities. The prices of these securities are one of the key factors affecting the cost of buying an annuity, which then provides a secure income for life. Investment in this pathway should rise and fall broadly in line with the changes in the cost of buying an annuity. It does not provide any guarantee of the level of pension in retirement or the cost of buying an annuity, and it may not be effective for those who intend to buy an inflation-linked pension.	Scottish Widows Pension Protector Fund	DV FI

Fund Aim

The fund invests via the Scottish Widows Unit Trust Managers Limited (SWUTM) Corporate Bond PPF OEIC Fund. The OEIC Fund aim is: to provide a return consistent with the variations in market annuity rates with the aim of reducing annuity conversion risk.

The benchmark index for the Fund is the iBoxx Sterling: Non Gilt Over 15 Year index (the "Index"). The Fund is actively managed by the Fund Manager who chooses investments with the aim of outperforming the Index by 0.35% per annum on a rolling three-year basis, before deduction of fees.

At least 80% of the Fund will invest in long dated Sterling denominated investment grade corporate bonds.

In aiming to reduce the risk of annuity conversions, the Fund Manager will refer to target duration and credit ratings as part of the fund management strategy. The targets will be identified at the Fund Manager's discretion and may change in line with market annuity rates and fixed interest yields.

The Fund may also invest in other investment grade corporate bonds, government bonds, supranational bonds (these are a type of fixed interest security issued by two or more governmental organisations) and emerging market bonds. In addition the Fund may invest in cash and cash like investments.

Investment in the asset classes will be direct and indirect, using derivatives as an additional way for the Fund to invest with the aim of meeting the Fund's investment objective. The extent of derivative use for investment purposes is dependent on market conditions and will be limited as the intention is that this should not change the risk profile of the Fund.

Derivatives and stock lending may be used for the purpose of managing the Fund in a way that is designed to reduce risk (for example by hedging) or cost and/or generate extra income or growth (often referred to as efficient portfolio management).

Where the Fund's investments are non-Sterling denominated they will be hedged back to Sterling. Hedging involves the use of the derivatives to offset the effect of currency exchange rates.

The Fund Manager is limited in the extent to which positions can vary to those of the Index. The limits help to provide a balance between the spread of assets within the Fund and risk management. They also provide a balance between the amount the Fund can vary from the Index and providing the Fund Manager with flexibility to seek to outperform the Index. As a result the Fund's performance may differ from the Index.

The Fund does not provide any guarantee of the level of pension in retirement or the cost of buying that pension. It may not be effective for those who intend to buy an inflation-linked pension and does not provide protection against changes in the cost of buying a pension that arise from changes in life expectancy.

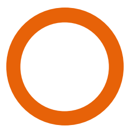
Investment Pathway 3 – I plan to start taking my money as a long-term income within the next five years

Pathway Solution	Why We Think This Solution Is Appropriate	Fund We Currently Use	Associated Risks for this investment option (see page 23 for further details)
Pathway 3 – Long-Term Income	This is the pathway designed for those looking to begin drawing down an income from their pension pot. It offers the potential for long-term growth by investing mainly in fixed income securities and equities (also known as shares), with a slightly higher emphasis on fixed income securities. Whilst equities are more risky than some other assets such as fixed income securities, having some exposure to equities offers greater growth potential. It also increases the chances of sustaining a set income over longer retirement periods.	Scottish Widows Pension Portfolio Four Fund	CIS EM EQ FI OS PYS
Fund Aim	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests with an emphasis on fixed interest securities, with the remainder in equities including a small proportion in listed property securities, by investing predominately in passive* index tracking funds. A small proportion may be actively managed. The fixed interest securities can be in sterling or other currencies, including emerging markets, and may be issued by governments or companies. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The property securities can be in the UK and overseas. The Fund may also invest a small proportion in cash. Non-sterling investment may be hedged back to sterling. Hedging aims to reduce the effect of fluctuations in the exchange rates between the currency of the asset and the currency of the Fund. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest with an emphasis on fixed interest securities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index. Active management is where the fund manager seeks to add value by making decisions on which investments to buy, sell or hold depending on, for example company, market or economic factors.		

Investment Pathway 4 – I plan to take out all my money within the next five years

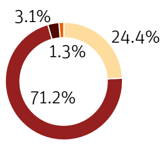
Pathway Solution	Why We Think This Solution Is Appropriate	Fund We Currently Use	Associated Risks for this investment option (see page 23 for further details)
Pathway 4 – Take Money	Pathway 4 offers some potential for growth above that for a cash fund, and whilst it aims to maintain pension fund value, there is some risk that the value may fall. It aims to achieve this by investing primarily in fixed interest securities, with a smaller amount of equities.	Scottish Widows Pension Portfolio C Fund	CIS EM EQ FI OS PYS
Fund Aim	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests primarily in fixed interest securities, with a proportion in equities including a small proportion in listed property securities, by investing predominately in passive* index tracking funds. A small proportion may be actively managed. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies, including emerging markets, and may be issued by governments or companies. The property securities can be in the UK and overseas. The Fund may also invest a small proportion in cash. Non-sterling investment may be hedged back to sterling. Hedging aims to reduce the effect of fluctuations in the exchange rates between the currency of the asset and the currency of the Fund. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest primarily in fixed interest securities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index. Active management is where the fund manager seeks to add value by making decisions on which investments to buy, sell or hold depending on, for example company, market or economic factors.		

Scottish Widows Pension Portfolio Five Fund

Fund	Fund Aim	Associated Risks for this investment option (see page 23 for further details)
Scottish Widows Pension Portfolio Five Fund  Bonds Equities Cash/near cash Property	The Fund aims to provide high levels of capital security by actively investing almost exclusively in high-quality short to medium-term securities through other funds. These include fixed or floating-rate debt instruments such as deposits, commercial paper, medium-term notes, asset-backed securities and bonds. This Fund currently invests through the Schroders Sterling Liquidity Fund. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest almost exclusively in short to medium-term securities.	Specific risk – Some of the securities in which this Fund invests might default or their credit rating might fall. The value of those investments will usually fall should an issuer default or receive a reduced credit rating. Fluctuations in interest rates are likely to affect the value of the securities held by the Fund. If interest rates rise, the value of the units is likely to fall and vice versa. The Fund therefore carries a relatively modest risk to capital.

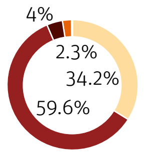
Pension Portfolio Fund Five invests mainly in 'cash' and 'near-cash' investments. It's a low risk option in comparison to the other investment solutions in this guide, but this also means it has significantly less potential for growth. For more information please see the section 'Investing in Cash' on page 20.

Scottish Widows Pension Portfolio C Fund

Fund	Fund Aim	Associated Risks for this investment option (see page 23 for further details)
Scottish Widows Pension Portfolio C Fund  Bonds Equities Cash/near cash Property	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests primarily in fixed interest securities, with a proportion in equities including a small proportion in listed property securities, by investing predominately in passive* index tracking funds. A small proportion may be actively managed. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies, including emerging markets, and may be issued by governments or companies. The property securities can be in the UK and overseas. The Fund may also invest a small proportion in cash. Non-sterling investment may be hedged back to sterling. Hedging aims to reduce the effect of fluctuations in the exchange rates between the currency of the asset and the currency of the Fund. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest primarily in fixed interest securities. * Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index. Active management is where the fund manager seeks to add value by making decisions on which investments to buy, sell or hold depending on, for example company, market or economic factors.	CIS EM EQ FI OS PYS

Scottish Widows Pension Portfolio Four Fund

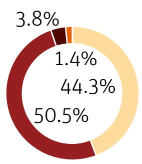
Fund	Fund Aim	Associated Risks for this investment option (see page 23 for further details)
Scottish Widows Pension Portfolio Four Fund	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests with an emphasis on fixed interest securities, with the remainder in equities including a small proportion in listed property securities, by investing predominately in passive* index tracking funds. A small proportion may be actively managed. The fixed interest securities can be in sterling or other currencies, including emerging markets, and may be issued by governments or companies. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The property securities can be in the UK and overseas. The Fund may also invest a small proportion in cash. Non-sterling investment may be hedged back to sterling. Hedging aims to reduce the effect of fluctuations in the exchange rates between the currency of the asset and the currency of the Fund. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest with an emphasis on fixed interest securities. * Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index. Active management is where the fund manager seeks to add value by making decisions on which investments to buy, sell or hold depending on, for example company, market or economic factors.	CIS EM EQ FI OS PYS



- Bonds
- Equities
- Cash/near cash
- Property

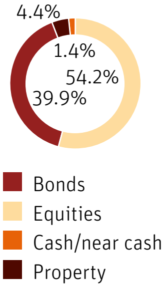
Scottish Widows Pension Portfolio B Fund

Fund	Fund Aim	Associated Risks for this investment option (see page 23 for further details)
Scottish Widows Pension Portfolio B Fund	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests in a balance of equities including a small proportion in listed property securities, and fixed interest securities, by investing predominately in passive* index tracking funds. A small proportion may be actively managed. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies including emerging markets, and may be issued by governments or companies. The property securities can be in the UK and overseas. The Fund may also invest a small proportion in cash. Non-sterling investment may be hedged back to sterling. Hedging aims to reduce the effect of fluctuations in the exchange rates between the currency of the asset and the currency of the Fund. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest in a balance of equities and fixed interest securities. * Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index. Active management is where the fund manager seeks to add value by making decisions on which investments to buy, sell or hold depending on, for example company, market or economic factors.	CIS EM EQ FI OS PYS



- Bonds
- Equities
- Cash/near cash
- Property

Scottish Widows Pension Portfolio A Fund

Fund	Fund Aim	Associated Risks for this investment option (see page 23 for further details)
Scottish Widows Pension Portfolio A Fund 	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests with an emphasis on equities including a small proportion in listed property securities, with the remainder in fixed interest securities, by investing predominately in passive* index tracking funds. A small proportion may be actively managed. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies, including emerging markets, and may be issued by governments or companies. The property securities can be in the UK and overseas. The Fund may also invest a small proportion in cash. Non-sterling investment may be hedged back to sterling. Hedging aims to reduce the effect of fluctuations in the exchange rates between the currency of the asset and the currency of the Fund. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest with an emphasis on equities. * Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index. Active management is where the fund manager seeks to add value by making decisions on which investments to buy, sell or hold depending on, for example company, market or economic factors.	CIS EM EQ FI OS PYS

INVESTING IN OUR RANGE OF SCOTTISH WIDOWS PENSION FUNDS

You can also choose from a wide range of Scottish Widows Pension Funds.

Self-select fund range

We offer an extensive number of funds covering a wide range of fund managers, asset classes, geographical locations, sectors and management styles.

If you decide to invest in our investment funds you will be responsible for choosing funds that suit your own attitude to risk.

Is being 'hands-on' right for you?

Have you done something like this before? If you're not confident about making the right moves at the right time, you may want a financial adviser to help you.

There's currently no charge for switching between funds.

You can find further information on the full range of funds that are available in your pension funds guide on your scheme's microsite.

You will also be able to use the charges sheet tool on the microsite to see that Total Annual Fund Charge that applies to each of the funds you can invest in.

INVESTING IN CASH

This section of the booklet is particularly important if you have more than 50% of your pension savings invested in cash or cash-like investments.

A cash fund may hold different types of cash-like assets. They can go up and down in value and you may get back less than you invest.

There is also the risk that this type of investment fund will not keep up with the rising cost of everyday things (known as inflation), which would mean prices rise quicker than the value of your investment, so you may be able to buy less in future.

Year	The buying power of £10,000 assuming inflation in line with the Consumer Price Index*
2018	£10,000
2023	£8,140

*Based on the rise in the Consumer Price Index (CPI) over the five years between March 2018 and March 2023. Future changes in inflation may be different.

If your goal is to increase the value of your pension savings over the longer term you should consider whether your current investments offer potential for growth after allowing for inflation. We offer a range of investment options that may be suitable, including Pathway Solutions. You can choose to switch your pension savings into a different investment fund at any time.

Higher-risk investments are likely to go up and down in value more – they may swing from being higher in value to lower in value, more often, but have greater potential for growth. Choosing a low-risk investment means your pension savings are likely to go up and down less often and by smaller amounts, but have less potential for growth over the longer term.

Remember that the value of an investment is not guaranteed, and can go down as well as up. You may get back less than you invested.

We're not giving any guidance about whether or not an investment option is suitable for your personal circumstances, nor should this guide be seen in any way as advice or a substitute for it. If you're unsure, we'd recommend that you speak to your financial adviser.

HELP IS AT HAND

When you come to take your benefits, it's important to understand which choice or choices are right for you.

It's often possible to get more for your pension savings by shopping around.

Impartial guidance

Pension Wise from MoneyHelper – the Government's free guidance service – can provide you with personalised guidance about the options available to you and the tax implications of these. It also gives tips for shopping around for the best deal. Further details are enclosed or you can go online at **moneyhelper.org.uk/pensions**

We've also enclosed the Money Advice Service booklet which contains details about how to shop around and other contacts that can help.

If you are not sure what to do you may want to consider speaking to a financial adviser.

unbiased
Connecting millions to great advice

Impartial and independent advice

For advice that will be personalised to your own circumstances, you can speak to your financial adviser. They will normally charge you for any advice they give. If you don't already have a financial adviser, you can visit **www.unbiased.co.uk** to find a list of advisers near you. If your policy was set up by your employer they may have an adviser who can help.

FUNDS INFORMATION, AIMS AND RISKS

The Investment Pathways invest in Scottish Widows Pension Funds which aim to provide long-term growth in the price of units. This is generated by a combination of capital growth as well as income that is added to the fund.

A proportion of each unit-linked fund may be held in cash to provide liquidity or while awaiting suitable investments. They can invest in other unit-linked funds or in collective investment schemes (for example open-ended investment companies (OEICs) or unit trusts) to achieve exposure to meet the stated fund aims.

Some funds may use derivatives (contracts which have a value linked to the price of another asset) to help reduce risk or reduce cost, or to help generate extra capital or income. This is normally referred to as Efficient Portfolio Management (EPM). It is not intended that this will cause the risk profile of these funds to change, but using derivatives might not achieve the described outcomes and may result in greater fluctuations in the values of these funds.

The funds may engage in 'securities lending'. This is where a fund lends out some of its assets with an agreement that the borrower will return them after a limited period. The borrower pays a fee which is added to the fund after the costs associated with the lending have been deducted. The fund receives other assets and possibly a cash payment as security during the lending period for the assets lent. There is a risk that the borrower may be unable to return the fund's assets and, if this happens, the other assets would be sold. If the sale proceeds and any other payments due to the fund were not enough to replace the assets lent, the fund would go down in value.

Where any of the following general risks apply to an Investment Pathway, they are shown next to the fund aims in the tables on pages 12–18. Any specific risks are also shown in those tables.

CIS	The fund can invest in other funds (also known as collective investment schemes) which can themselves invest in a diverse range of other assets. These underlying assets may vary from time to time but each type of asset (such as shares, bonds or property) has individual risks associated with them. The fund is unlikely to have any control over the activities of any collective investment scheme invested in by the fund.
DV	The fund can use derivatives for investment purposes to help meet the fund's aim and also to help portfolio management. Derivatives are financial instruments which derive their value from an underlying asset, such as a share or bond. A derivative or derivative strategies can involve reduced financial outlay compared with purchasing an asset but could increase or reduce the impact of market movements. This has the potential to result in greater losses, or affect the gains, of the Fund and can lead to increased volatility.
EM	The fund invests in assets from emerging markets. Emerging markets are developing nations, they are generally less well-regulated and with less investor protection than developed markets like the UK. Emerging market investments may be traded less often and in low volumes which affects the liquidity of the investment. In addition the emerging market country might be subject to political or economic instability. This can result in greater risks to the value of the investment.
EQ	The fund invests in company shares (also known as equities). Company shares generally have the potential for higher capital growth over the longer term than investing in say, corporate bonds and other fixed interest securities. However there might be considerable fluctuations in share prices and there is a greater risk that the value of the investment will fall.
FI	The fund invests in bonds (also known as fixed interest securities) which are essentially loans to a government or company. The value of a bond will usually fall if the bond's interest or capital isn't paid or if the credit rating of the company or government falls. Fluctuations in interest rates are also likely to affect the value of bonds. If long-term interest rates rise, the value of the bonds is likely to fall and vice versa. This could affect the value of the fund.
OS	The fund invests in overseas markets. Changes in exchange rates could affect the value of overseas investment and might cause the value of the investments to go up or down.
PYS	The fund invests in property indirectly such as through shares in property companies. There might be considerable fluctuations in share prices which can affect the value of the fund. Investment in property is less liquid than other assets such as fixed interest securities or equities and values as it can be difficult to sell and the value could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

Full terms and conditions are available on request from Scottish Widows. Charges, terms and limits may change.

The value of an investment is not guaranteed and can go up and down depending on investment performance (and currency exchange rates where a fund invests overseas), and you may get back less than you invested.

There may be restrictions on the amount you can invest in certain funds. Please contact us for details of any restrictions that apply. We may change the selection of funds that we make available.

We can reserve the right to delay a request to sell your units in certain circumstances. The period of delay will not be more than six months if the units to be cancelled include units which relate to a fund which holds directly or indirectly assets in the form of real or heritable property. It will not be more than one month in all other cases. This may happen in exceptional circumstances where, for example, there is an unusually high demand for units to be cashed in. For more details please see your terms and conditions.

JARGON BUSTER

Active/Passive investing

An active fund manager selects investments with the aim of delivering performance that beats the fund's stated benchmark or index, such as the FTSE 100 or the FTSE All Share. Passive or 'tracker' funds aim to deliver a return that's in line with the market. They simply replicate the movement of the market they're tracking.

Bond defaults happen when a company or government stops paying interest on a bond or does not re-pay the bond at maturity.

Capital

Capital means the things held by an investment fund, such as shares, bonds and cash. The value of these can change – most funds aim to invest in things that will grow in value over the long term.

Capital growth, or appreciation, refers to the rise in value of an investment over time.

Cash and near-cash investments

Cash and near-cash investments are short-term investments that can be quickly and easily converted to cash and have maturity periods of 90 days or less. It's important not to confuse cash as an investment with holding your money in cash in a bank or building society.

Examples of near-cash investments are

- deposit certificates (a type of short-term bond),
- foreign currencies,
- marketable securities (that can be turned into cash quickly) and
- Treasury bills (short-term arrangements issued by the Government).

Derivatives are sometimes used to protect against the risk of a fall in the value of an investment, or to speculate on future moves in the investment. Equity derivatives are agreements between a buyer and a seller to either buy or sell the underlying equities in the future at a specific price.

An exchange rate is the value of one country's currency in relation to another currency. It's essentially the price at which one currency is exchanged for another. So for example, €1 (euro) might cost you more or less than £1 depending on the exchange rate.

Fixed or floating rate debt instruments

Floating-rate debt instruments have a variable interest rate, while fixed-rate debt instruments have an interest rate that doesn't fluctuate.

Debt instruments include:

- deposits which is a term for money held at a bank.
- commercial paper which is short-term debt issued by companies or banks to raise funds, generally for a time period up to one year, with an average of around 30 days. They're typically used to finance short-term expenses, such as payroll or funding for a new project.
- medium-term notes which are legal documents that represents an amount owed from a borrower to a lender or investor. Notes are similar to bonds but typically have an earlier maturity date. A medium-term note usually comes with a maturity date that is within five to ten years.
- asset backed securities which are pools of loans that are packaged together and sold to investors.

Fixed interest/income securities

Fixed interest securities, more commonly known as 'bonds', are a way for companies or governments to raise money to fund projects or initiatives by borrowing money from investors. Bonds are essentially loans sold (or issued) by a borrower – which is a company or government – and bought by an investor who is usually paid interest (called the coupon) for as long as they hold the bond. Bonds issued by the UK Government are also called 'gilts' or 'gilt-edged securities', while bonds issued by companies are known as corporate bonds. Most bonds provide a regular, stable income from their interest payments. And most have an end – or maturity – date. But you don't have to hold a bond for its whole term, because you can buy and sell fixed interest securities on the stock market.

Index/benchmark index

An index provides a benchmark – or standard – against which to compare the performance of securities, such as shares or bonds, against average performance. This allows investors to assess whether their investments are outperforming or underperforming the market in general. The FTSE 100 is considered the UK's leading benchmark index and measures the performance of the biggest companies on the London Stock Exchange.

Index tracker fund

An index tracker fund (also known as a passive fund) aims to deliver a return that's in line with a particular index, such as the FTSE 100 or the FTSE All Share. They offer a convenient way to invest in a broad range of shares or bonds at a low cost.

Long-dated fixed income securities

Fixed interest securities, or bonds, are issued for varying lengths of time, known as 'term to maturity'. When the bond reaches maturity – or its end date – the investor is repaid its face value. Long-term or long-dated bonds have a term of more than 10 years to maturity.

Multi-asset fund

Multi-asset funds blend a range of investments, such as shares, bonds and property, together to create a varied portfolio and spread risk.

Securities are 'tradeable' investments, such as shares or bonds, that can be bought and sold.

Short to medium-term securities

Short-term securities are investments that can easily be converted to cash, typically within five years. Medium-term securities have a maturity date typically between five and ten years.

Keep in touch

We want to make sure we keep you updated about the product you have with us. To allow us to do that, please let us know how you'd like to hear from us by completing the form at **www.scottishwidows.co.uk/keepintouch**

If you need extra help

You can find extra help and support at **www.scottishwidows.co.uk/extra-help**

If you would like a braille, large print or audio version of this document, please contact us.

If you have a hearing or speech impairment you can contact us using the Relay UK Service available 24 hours a day, seven days a week. Or you can call using textphone on **18001**.

Data privacy

We work hard to keep your personal data secure, which includes regularly reviewing our privacy notice. When there's an important change, we'll remind you to take a look so you're aware of how we use your data and what your options are. Please review the latest privacy notice at **www.scottishwidows.co.uk/legalprivacy** or ask for a copy on **0345 300 2244**.

Charges, terms and limits may change. Full terms and conditions are available on request.

Tax treatment depends on your individual circumstances. Your circumstances and tax rules may change in the future.

This information is based on Scottish Widows' understanding of current legislation, and FCA and HM Revenue & Customs rules, all of which are subject to change in future.

SCOTTISH WIDOWS

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