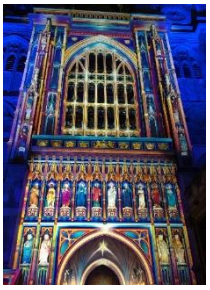
THE CHURCH OF ENGLAND
PENSIONS BOARD



CAPF DC - Pathways FAQS

What changes are you making and when?

We are offering you new ways you can invest your pension called 'Pathways'. We hope to start this from January 2019. You do not have to move, you can stay where you are if you want to.

Why are you making these changes?

When you come to take your pension, there are several ways you can do this:

- Buy a guaranteed income from an insurance company
- Take your pension in stages as and when you need it, known as 'drawdown'
- Leave your money invested and take it when you want to
- Take everything as a one-off lump sum

It is important we invest your pension to match when and how you might take it. Most people don't know when and how they will take their pension. Pathways helps solve this problem by offering four different Journey Plans to match your options, all based around your planned retirement date.

Will I move to Pathways automatically?

If you are invested in the current default option, and you are more than 5 years from your target retirement date (for most people, this is their 65th birthday), we will automatically move you in January to Pathways' Drawdown Journey (Journey Plan 2). If you don't want to move, you can stay where you are. You can find out more about each Journey Plan on page 2.

If you are invested in the current default, but you are less than 5 years from your target retirement date, or you have picked the ethical lifestyle option, or have selected your own range of investments we will not move you automatically, but you can opt in to Pathways if you want to.

If you are not sure whether you will move automatically, don't worry, we will send a letter to your home address letting you know how your pension is invested now, and whether we will move you automatically. If you don't want to move, you can stay where you are.

Which Journey Plan is best for me?

You should think about how you might like to take your pension and pick the Journey Plan that suits that option.

The four Journey Plans are:

- Annuity Journey (Journey Plan 1)
- Drawdown Journey (Journey Plan 2)
- Stay Invested Journey (Journey Plan 3)
- Cash Journey (Journey Plan 4)

The Drawdown Journey will be the new default option, so most people will move to this, and new staff joining the NCIs will mostly join this too.

Each Journey Plan invests your savings in the same way until you are around 10 years from your target retirement date, so you don't need to make a decision until you reach that point. It puts your savings in a wide mix of return seeking assets, such as equities (company shares), infrastructure, property and emerging markets. When you reach the 10 year point it starts to move your savings into different investments, depending on which Journey Plan you have picked.

The Journey Plan moves your pension for you, so you do not need to decide when to move your savings, or what to move them to.

How does the Annuity Journey work?

This Journey lines up your pension ready to buy a guaranteed income for life known as an 'annuity'. This provides you with a guarantee that the income will last as long as you live, but once you've bought an annuity you can't change your mind. As annuities offer very good security they are expensive. If you prefer security over flexibility this is the option for you.

We can't pay you an annuity, you need to pick the best annuity provider for you.

How does the Drawdown Journey work?

This Journey invests your pension assuming you will leave your money invested during retirement. You can take lump sums or regular income from it as and when you need, until your money runs out or you choose another option. You decide when and how much to take out. This is called 'drawdown' and it is becoming the most common way people take money from defined contribution pensions. In between taking money out of your pension it is still invested so it could go up, but it could also go down.

We don't offer drawdown – you will need to pick your own drawdown provider.

How does the Stay Invested Journey work?

This Journey keeps your pension in higher risk investments with the aim of earning you higher returns while you are in retirement, but your pension could go down in value too. If you are unsure what you will do with your pension and you might not take it until much later in life, this could be a good option for you. It is like the Drawdown Journey but is for those comfortable with higher levels of investment risk after retirement.

How does the Cash Journey work?

As you get closer to retirement, this Journey moves your pension mostly into cash, which is very secure. It doesn't make you much return, but your pension should not go down. If your pension pot is likely to be quite small or you are thinking of taking your pension in one go, as a one-off lump sum, this is the best option for you. We can pay this lump sum directly to you.

Can I move to a different Journey Plan?

Yes. Contact us and we will give you a form to do this. You can do this at any time. If you are more than 10 years from your target retirement date your investments will stay the same, so there is no charge to move. If you move within 10 years of your target retirement date, there might be a small charge to switch Journey which Legal & General will take from your pension.

What is a target date fund?

A target date fund invests your pension in a wide range of higher risk assets and automatically switches your savings into lower risk assets as you approach your target retirement date.

With Pathways you pick a 5-year date range you think you will retire in. For example, if you think you might retire in 2022, you will fall into the 2020-25 target range. If you think you might retire in 2049, you will fall into the 2045-50 target range. By using a target date range your pension is invested so that if you retire slightly before or after the time you intend to retire, your pension is still invested correctly.

Your pension is invested so that if you retire slightly before or after the time you intend to retire, your pension is still invested correctly. Research suggests your target retirement age is the most important part of making sure your pension is invested correctly.

What is the difference between the current investment default and the new Pathways default?

One of the big differences is that the current default lines your pension up ready for you to buy an annuity. This is great if you still want to buy an annuity, but many people go for other options, so if you did this your pension will not be invested correctly.

The current default also invests all your savings in equities (company shares). If these go up then your pension does too, but if they go down then you will lose money. In effect, “all your eggs are in one basket”.

Pathways spreads your savings across a wide range of assets so if one type of asset goes down, you will not lose out as much. We expect investment returns under Pathways will be about the same as the current default but with about one-third less volatility.

Will I be better off in the Drawdown Journey?

We are moving most people automatically to the Drawdown Journey. We expect most people to be better off in the long run. Investment returns should be broadly the same, but you are exposed to less risk, so we expect a better outcome for members in general, but there is no guarantee.

What are the switching costs and who pays them?

When you switch to Pathways, Legal & General need to move your pension. Legal & General try to minimise switching costs as much as possible by ‘matching’ trades with other customers switching on the same day. At most we expect the cost to be 0.5%, but we hope it will be less than this. Legal & General take this form your pension.

What are the ongoing costs?

Every defined contribution pension scheme in the UK charges an annual management charge. This covers the cost of running and investing your pension. The NCIs do not charge you anything, but Legal & General do.

Each Journey Plan charges 0.3% a year. The current default charges 0.16% a year. The ethical default charges 0.3%. If you have picked your own investments, your charges might be higher than 0.3%. Pathways is a more sophisticated investment product than the current default which is why the charge is higher.

Is there an 'ethical' Journey Plan?

Legal & General do not offer ethical versions of Pathways at the moment, but they might do in the future. If they do, we will look at this. Legal & General do integrate Environmental, Social and Governance (ESG) factors across all their funds. Legal & General have a strong record of attending shareholder meetings and voting against proposals contrary to their ESG principles.

You can read Legal & General's policy on ethical investment on the Intranet, just search 'Pathways'.

Can I invest in more than one Journey Plan or part-Journey Plan and part other funds?

No, you can only invest in one Journey Plan.

Could I leave my account where it is and set up a new account for future contributions in Pathways?

No, if you move to Pathways we will move your whole account.

How do I change my target retirement date?

Contact us if you want to do this and we will give you a form to complete. If your new target retirement date moves you into a new 5-year target range Legal & General will charge a small amount to move you. They will take this from your pension.

Can I make my own investment choices?

Pathways manages the investments for you, so you don't have to. You do not have to decide what to invest in, or when to switch. If you want to make your own investment choices, let us know and we can explain the 'freestyle' investment options to you.

Can I move my pension to another provider?

If you have left the NCIs you can transfer at any time. Let us know if you are interested in this and we will send you a transfer pack.

Can you remind me how a defined contribution pension scheme such as CAPF works?

You have your own individual account with Legal & General. The NCIs pay into this for you. You might pay into this as well.

You can decide how this is invested, or you can leave this to us by choosing the default investment option. Your pension will go up and down depending on how it is invested. When you are ready to retire, your pot will be available for you to take how you want it.

Do these changes affect me if I'm a CAPF DB member?

No, this is just for CAPF DC members, so anyone who joined the NCIs after 1 July 2006.

If you have any queries contact us. We are always happy to help.

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