The Guardian Lifestyle Plan

Investment changes guide

From May 2021 we are reducing our exposure to companies associated with fossil fuel reserves, enhancing the default strategy, and offering a wider range of investment options. This guide explains what these changes mean for you.

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The Guardian

Introduction

Over the last 18 months the Trustees of the Guardian Lifestyle Plan (the 'plan') have undertaken a comprehensive review of the plan's investment options. Throughout this process the trustees – consistent with our corporate sustainability objectives and our editorial position on the climate crisis – have been determined to reduce exposure to companies that consume high levels of fossil fuels ('fossil fuel companies').

During 2020, we introduced the Sustainable Future Fund as a new fund that explicitly excludes fossil fuel companies. The fund was made available to members on a self-select basis and was an important first step in enhancing the investment options available to members.

The default investment strategy, used by the majority of the plan's members, was subject to a comprehensive review to ensure it remains appropriately designed to deliver good outcomes for members and their retirement savings.

The outcome is a refreshed strategy that successfully combines the desire to reduce exposure to fossil fuel companies and a higher target rate of return for members. This is a significant step forward, in line with the trustees' commitment to improve the investment options available to members.

The purpose of this investment changes guide is to fully explain the changes that will take effect from May 2021, and what they mean for you. We have tried to avoid using jargon but there are some important terms that we need to use. Where this is the case, we have explained the key terms within the guide.

We hope that you find this guide useful and agree that the new investment strategy and options are forward looking and represent an exciting evolution of the existing arrangements.

Keith Underwood,
Chair of Trustees

1. Please read this guide and the cover letter. It contains important information.
2. If you're happy with the changes, you don't need to do anything.
3. If you would prefer to change your investment options, you can do this via Manage Your Account.
4. There will be a transition period from 5 - 13 May when you won't be able to make any changes to your pension account.
5. You might want to take financial advice before making any changes to your investment options.

The current default strategy

Your contributions are invested in the default strategy unless you actively choose one of the other options.

The strategy assumes that you will access your accumulated pension pot via income drawdown, which means your money remains invested rather than being used to purchase an annuity.

Important to know: Your Target Retirement Age (TRA) is really important and directly controls when your investments start to move from the growth phase to the consolidation phase. Your choice of TRA is entirely up to you – it is not the same as your State Pension Age. If you have not made a choice then your TRA will be 65.

The default strategy includes two distinct phases

1) The growth phase

- For members who are more than 10 years away from their TRA.
- The objective is to achieve investment growth.
- Invests in asset types where higher investment returns are expected, for example global equities.

2) The consolidation phase

- For members who are 10 years away from their TRA.
- The objective is to reduce volatility whilst providing some investment growth.
- Reduced volatility is achieved by investing in asset types with a lower level of return, for example corporate bonds and government gilts.

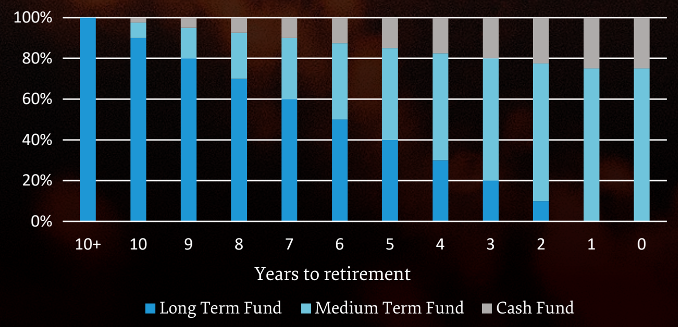
Moving from the growth phase to the consolidation phase

The strategy automatically detects you are 10 years from your TRA and will gradually, automatically, move your pension investments into the right investment allocation.

Key points

- The strategy is designed to allow those furthest from retirement to take more risk, as there are many years over which short-term fluctuations can be recovered.
- Members closer to their TRA are moved into lower risk investments, as they require more certainty over the value of their pension savings.

Current default strategy



The new default strategy

The default strategy has been redesigned with important changes to the growth and consolidation phases.

The growth phase

Members more than 10 years from their TRA

Under the current strategy the Long Term Fund is used at all stages of the growth phase. In the new strategy the growth phase will be broken down into an early growth period and a core growth period. This enables those members furthest from their TRA to place greater emphasis on growing their pension account, illustrated in the table to the right.

To promote sustainability and reduce the exposure to fossil fuels, all of the global equities will be held in the Sustainable Future Fund.

The Sustainable Future Fund was introduced during 2020 and explicitly excludes:

- companies associated with fossil fuel reserves and/or significant emissions;
- controversial weapons;
- tobacco producers;
- and those in breach of the UN Global Compact (e.g. violators of human rights);
- whilst prioritising investment in companies that actively contribute to a greener economy.

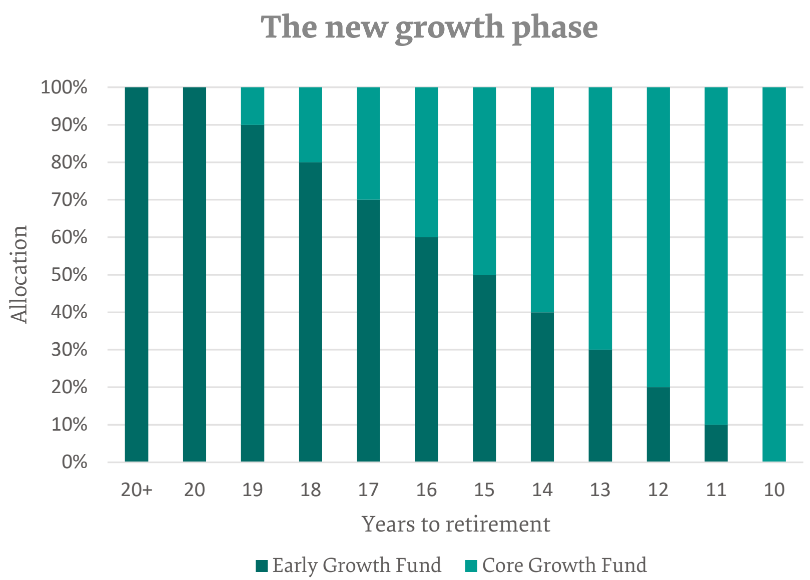
Growth phase	Years to TRA	New Fund
Early growth period	>20 years	**Early Growth Fund:** Allocation • 70% Global equities • 30% Multi-asset credit
Core growth period	10 - 20 years	**Core Growth Fund:** Allocation • 35% Global equities • 30% Multi-asset credit • 35% Diversified growth

The funds and investment types are explained throughout this guide.

More information about the Early Growth Fund and the Core Growth Fund can be found on pages 8 and 9.

The growth phase

The diagram below shows how the growth phase operates under the new strategy.



What's changing – key points

- The Long Term Fund will cease to exist and will be replaced by the Early Growth Fund and Core Growth Fund.
- All of the global equities held in the default strategy will be invested in the Sustainable Future Fund, reducing the plan's exposure to fossil fuels.
- A new class of asset, known as multi-asset credit, will be introduced to the default strategy to help diversify the source of investment returns.
- Investments in the Long Term Fund will be moved to the Early Growth Fund and/or the Core Growth Fund – unless you instruct us otherwise.
- The exact split between the Early Growth Fund and the Core Growth Fund will depend on how many years you are from your TRA.

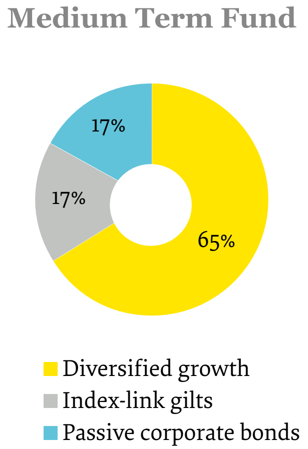
Remember: Your TRA is really important and directly controls when your investments start to move from the Early Growth Fund to the Core Growth Fund.

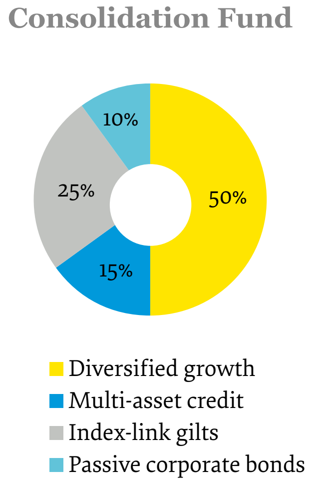
Changes to the consolidation phase

A new Consolidation Fund

The Consolidation Fund will replace the Medium Term Fund in the default strategy. As with the Medium Term Fund, the objective is to protect against unfavourable market movements as you approach TRA but it will use a wider range of asset types.

A comparison of the Consolidation Fund and the Medium Term Fund is shown below:

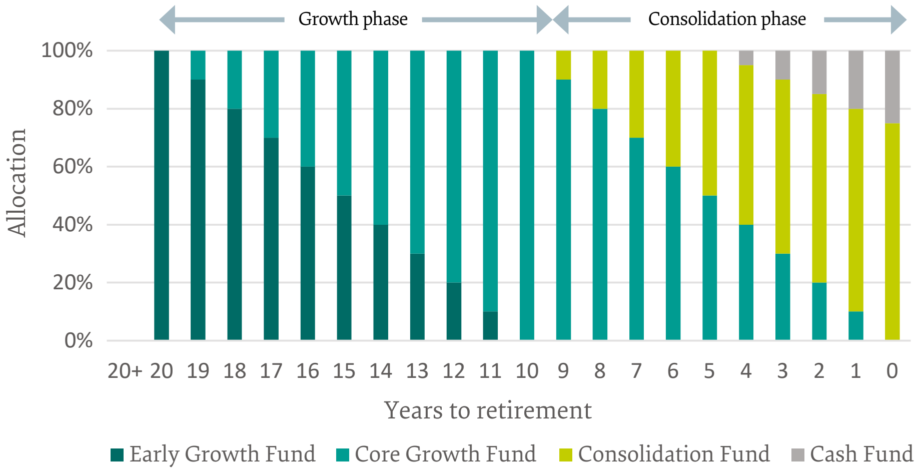




The role of the Cash Fund

Members will continue to have 25% invested in cash when they reach their TRA. The allocation to cash will now be built up over the final five years of the consolidation phase – this differs from the current strategy, where the allocation to cash is more gradual and spread across the full 10 years of the consolidation phase.

The diagram below shows how members will be invested depending on how far they are from retirement. The consolidation phase takes place during the last 10 years.



What this means for me

20 years from TRA

Previously you would have been invested entirely in the Long Term Fund. You will now be entirely invested in the Early Growth Fund. This fund carries more risk but is expected to generate greater returns over the long term, recognising members have a longer investment horizon to absorb market fluctuations that occur over time.

10 years from TRA

Previously you would have been invested entirely in the Long Term Fund. You will now be invested entirely in the Core Growth Fund. This fund includes a broader range of investments, because diversification becomes more important as you approach TRA to protect against swings in the value of your pension savings.

5 years from TRA

Previously you would have been invested in the Long Term Fund, Medium Term fund, and Cash Fund. You will now be invested in the Core Growth Fund and Consolidation Fund.

You will no longer hold cash in the first five years of the consolidation phase, as this will be built up over the final five years before TRA. Building cash over a shorter time-scale provides a more appropriate level of risk and return to help your pension savings keep pace with inflation.

How the Early Growth and Core Growth Funds differ to the Long Term Fund

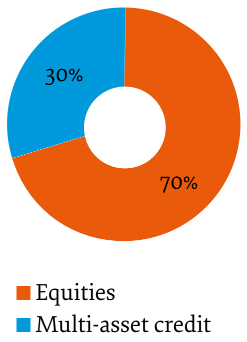
	Current strategy	New strategy	
	Long Term Fund	Early Growth	Core Growth
Global equities	50%	70%	35%
Diversified fund	50%	-	35%
Multi-asset credit	-	30%	30%
Risk/reward rating (out of 7)	4	5	4
Management charges	0.18%	0.30%	0.34%

Fees are indicative and may change by small amounts depending on the expenses involved with managing the funds

The management charges will increase from May 2021. Over time, the trustees believe the new strategy will grow into a more stable pot of savings for members to access at retirement. The new mix of investments along with its active management is also expected to add to members' savings over time. Further information about the change for each of the new funds can be found on the following pages.

New Funds

Early Growth Fund



Early Growth Fund

The Early Growth Fund is designed to help members grow their retirement savings when they are furthest away from their TRA, and of all the funds used in the default strategy, seeks to achieve the highest level of return in the long term. Members will be in the Early Growth Fund when they are still a significant period from retirement and are able to accept a higher degree of risk in return for greater expected long-term growth.

The higher risk rating is primarily due to 70% of the fund being allocated to global equities. The Sustainable Future Fund will be used for all global equity investments in the default strategy from May 2021. Further information on the equities is provided on the following pages.

The Early Growth Fund also invests in a new asset class known as multi-asset credit. The underlying investments are similar to corporate bonds and increase the level of diversification, which is an effective way of managing the overall level of investment risk. The multi-asset credit component of the fund is actively managed and provides access to a greater range of investment opportunities.

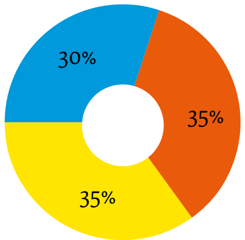
The inclusion of multi-asset credit contributes to the increase in management charges from 0.18% pa to 0.30% pa. We are satisfied that the additional fees represent value for money, for example members will gain access to a greater range of investment opportunities and active management can help to boost returns over the long term.

Actively managed

Investment managers are able to make their own decisions rather than tracking a market index.

Core Growth Fund

Core Growth Fund



The Core Growth Fund invests in a wider range of assets than the Early Growth Fund and is designed to help members grow their retirement savings with less risk than during the early growth period. The reduced level of risk is suitable for this stage of the strategy because members will be closer to their TRA and looking for more certainty over the value of their pension savings.

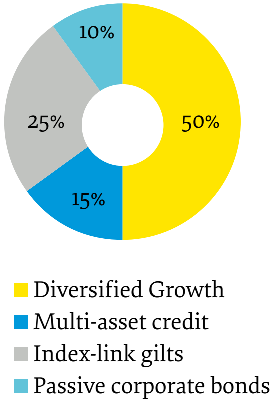
As with the Early Growth Fund the global equities will be invested in the Sustainable Future Fund, further reducing the plan's exposure to fossil fuels. However, the allocation to global equities is reduced from 70% to 35% and reallocated to the diversified fund (the same fund currently used by the Long Term Fund and the Medium Term fund). This change leads to the lower risk rating for the fund. Like the Early Growth Fund, the Core Growth Fund has a 30% allocation to multi-asset credit.

The diversified fund has slightly higher charges than the Sustainable Future Fund. This means the investment charges for the Core Growth Fund are 0.34% pa, which is higher than the charges for the Early Growth Fund (0.30% pa) and the current Long Term Fund (0.18% pa).

As for the Early Growth Fund, we are satisfied that the additional fees represent value for money. For example, members will gain access to a greater range of investment opportunities; in addition, active management can help to boost returns over the long term. For the Core Growth Fund, the additional charge for investing in the diversified fund is worthwhile as reducing investment risk becomes more important as members get closer to TRA.

The trustees recognise that the risk/reward rating is unchanged. This rating reflects how these funds have performed in the past. The fund has been designed taking into account a wider range of potential market conditions and so is expected to be more resilient going forward. The benefit of this is expected to magnify over time and lead to greater expected savings at retirement.

Consolidation Fund



The Consolidation Fund

The Consolidation Fund is made up from 50% diversified growth, 15% multi-asset credit, 10% corporate bonds and 25% gilts.

The Consolidation Fund provides further diversification for your pension savings. This helps protect against unfavourable investment conditions as you approach TRA. Compared with the Core Growth Fund, the fund has no direct exposure to equities and it introduces an allocation to corporate bonds and gilts, which are expected to be lower risk.

Members invested in the Consolidation Fund would previously have been in the Medium Term Fund. The change involves an increase in investment charges from 0.19% pa to 0.24% pa. We are satisfied that the additional fee represents value for money, primarily because members will benefit from additional diversification through the allocation to multi-asset credit and this can help to reduce the extent of swings in the value of members' pension savings as they approach retirement.

Fees are indicative and may change by small amounts depending on the expenses involved with managing the funds.

How the Consolidation Fund differs to the Medium Term Fund

	Current strategy Medium Term Fund	New strategy Consolidation Fund
Diversified fund	65%	50%
Corporate bonds	17%	10%
Index-linked gilts	17%	25%
Multi-asset credit	0%	15%
Risk/reward rating (out of 7)	4	4
Management charges	0.19% pa	0.24% pa

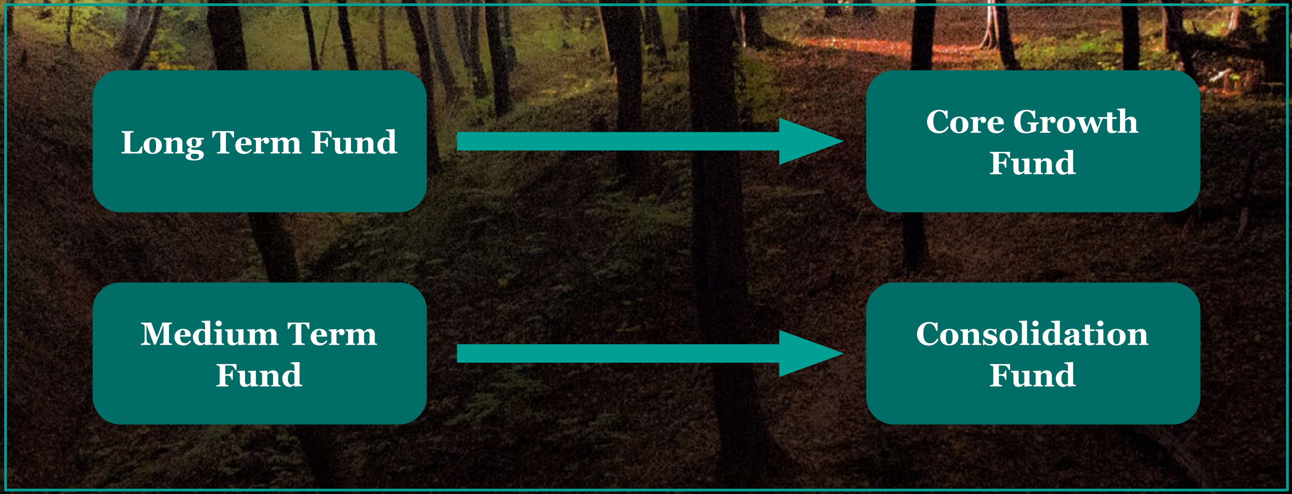
New self-select investment options

Members who do not want to invest in the default strategy are able to make their own investment choices. A range of funds are available for members to invest in on a self-select basis.

From May 2021, the Long Term Fund and the Medium Term Fund will cease to be available as self-select options.

If you are invested in either of these funds on a self-select basis your investments will be moved to either the Core Growth Fund or the Consolidation Fund as illustrated in the diagram to the right.

This will happen automatically, so if you are comfortable with this change then you do not need to do anything. However, as we are also introducing some new self-select options you may wish to review your investment choices to make sure they remain appropriate to your current circumstances.



Two new funds will be made available to members on a self-select basis.

- Early Growth Fund
- Corporate Bond Fund (active)

The Corporate Bond Fund (active) will invest in multi-asset credit. The existing corporate bond fund will be renamed Corporate Bond Fund (passive) to highlight the different styles of investing for the two funds.

Multi-asset credit invests in credit like the strategy's existing Corporate Bond Fund. Importantly, it involves a different style of investing called active management. Active management gives the manager the flexibility to navigate shifting market conditions with potential for enhanced returns (while typically with a lower risk profile than equities).

Multi-asset credit accesses a greater range of investment opportunities that can benefit members at all stages of their retirement journey.

Summary of the key changes

1. All of the global equities held in the default strategy will be moved to the Sustainable Future Fund, which explicitly excludes fossil fuel companies – consistent with our corporate sustainability objectives and our editorial position on the climate crisis.

2. The growth phase, for those who are more than 10 years from retirement, will be split into two phases – early growth and core growth.

3. The Long Term Fund will be replaced by:

   - the Early Growth Fund

   - the Core Growth Fund

4. The Medium Term Fund will be replaced by the Consolidation Fund (for members who are 10 years or less from retirement).

5. A new class of asset, known as multi-asset credit, will be included in each of the new funds, to help diversify the source of investment returns.

6. An enhanced range of self-select investment options will be available.

Contact

If you have any questions about the investment changes, or general queries about the plan, please get in touch:

The plan's administrators

Legal & General

Tel: **0345 678 0297**
Monday to Friday 8.30am to 7pm
Call charges will vary and the calls may be monitored or recorded.
Email: **guardianpensionenquiries@landg.com**

Where can I get more help?

Pension Wise – a free and impartial guidance provided by the government for everyone with a DC pension over the age of 50. To book an appointment for a telephone guidance session, please call **0800 138 3944** between 8am and 8pm, Monday to Sunday. Calls cost the same as a normal call – if your calls are free, it is included. Alternatively, you can visit **www.pensionwise.gov.uk**

Plan governance

The plan is governed by a trust deed and rules. Every attempt has been made to describe accurately the provisions of the plan as they affect members. If any inconsistencies arise between this guide and the trust deed and rules governing the plan, then the trust deed and rules will prevail. This guide is based on pensions and tax legislation and HMRC practice at the date of printing. This legislation and HMRC practice may change in the future. The trustees will keep the range of investments described in this guide under review and may, from time to time, make changes to the funds including removing some or all of the options.

This is intended as a general guide to the plan's investment options and does not constitute financial advice. If you wish to seek professional financial advice, visit **https://directory.moneyadviceservice.org.uk/en** to find a financial adviser who is local to your home or workplace.

Manage Your Account

A simple online way to keep track of your savings is via Manage Your Account. To register please go to **www.legalandgeneral.com/manageyouraccount**