

Your AVCs.

Additional Voluntary Contributions



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Additional Voluntary Contributions (AVCs)

The Additional Voluntary Contribution scheme is run by the Trustee. These are extra contributions you paid towards your retirement income whilst you were a contributing member of the Tesco PLC Pension Scheme.

The Tesco PLC Pension Scheme is now closed and you are no longer able to pay into this AVC scheme. However you are still able to change the way you invest this money.

These contributions are invested completely separately to the Tesco PLC Pension Scheme fund and the performance of these funds is reviewed by the Trustee on a regular basis.

You will get a statement every year, showing you what your fund is worth.

When you retire, you can choose to have your AVCs paid as tax-free cash, extra pension, a combination of the two or an open market option. The amount of tax-free cash payable from the Tesco PLC Pension Scheme and your AVCs is restricted, depending on individual circumstances.

Members are able to take their AVC savings as cash, with up to 25% being tax free. Alternatively, with the Company's consent, you may be able to take all of your AVC savings as tax free cash in connection with your pension from the Scheme.

The amount of benefit you will get from your AVCs depends on how much you have paid in, how well your fund has performed, and if you take extra pension. It can also depend on your age, market conditions and the cost of buying extra pension when you retire.

Which investment option should you choose?

You need to decide where you want the Trustee to invest your money. If you need more general information, contact the Pensions Team. They cannot give you advice – so if you need guidance on which investment choice to make, you should get independent financial advice.

The Trustee offers a range of investment choices. See pages 5 to 8 for more details. You can choose more than one investment and split your AVCs between them.

- The Trustee reviews the investment choices from time to time and may change them or withdraw an option. The Trustee could possibly switch your AVCs to another fund, although we would aim to give you notice before doing so.
- Bear in mind the value of most investments can go down as well as up.

There's a great choice of investments

The Trustee has a range of selected investment choices so there is something for everyone.

All about risk

What is risk? Risk is the amount of 'chance' you are prepared to take on money you are investing.

Broadly:

- **Higher investment risk = More volatile investment.**
better chance of higher returns in the long run, but more chances of losses.
- **Lower investment risk = Less volatile investments.**
less chance of higher returns in the long run, but less chances of losses.

The number of years you have to retirement may also influence your choice of investment funds. We all have our own views on what risk is – that is why it is important you choose carefully the funds in which you are to invest your contributions.

Details of AVC funds available

Prudential Deposit Fund

This is the lowest risk investment offered by the Tesco PLC Pension Scheme. It may suit you if you are close to retirement, or don't wish to take much investment risk. This fund is very much like an interest bearing bank or building society account. All your contributions are invested, and interest will be added to your fund every day.

Once the interest is added to your fund, it cannot be taken away – so the value of the fund cannot go down. There are no penalties if you decide to move your fund. The interest rate is linked to the Bank of England base rate, and the Prudential aims to keep a competitive interest rate.

Deposit funds are 'low risk'. They may be more suitable for you if you don't want to take any investment risk or you are closer to retirement. If you are younger and a long way from retirement, the safer but lower returns mean your fund may not increase as fast as your earnings or the cost of living during your career. Over many years the investment return on this type of fund may be lower than the long-term return on higher risk investment like stocks and shares.

Standard Life Index-Linked Pension Fund

This is a low risk fund, investing mostly in index-linked government bonds. It may suit you if you are close to retirement, or don't wish to take much investment risk.

These bonds are loans to governments and companies that have a rate of interest agreed for the period of the loan that moves with inflation.

Most of this fund is usually invested in UK Government bonds, with a small amount invested in overseas government bonds and corporate bonds.

The objective is to give stable returns within a low risk investment. The price of units will move up and down depending on the performance of assets.

This fund is classed as a 'low risk' fund, investing in assets that give stability rather than opportunities for growth. It may suit members who don't want to take much investment risk and who are closer to retirement.

Standard Life Managed Fund

This is a medium risk fund linked to the stock market and other types of investments. The value of units will go up or down on a daily basis, depending on the investment performance of the fund. This type of fund may suit you if your retirement is more than 10 years away.

This fund is mainly invested in shares. It is actively managed to take advantage of the investment opportunities seen by Standard Life's investment teams.

Most of the fund will usually be invested in UK shares, with the rest in other assets such as overseas shares, bonds and property.

The objective is to provide long term growth whilst spreading the risk. The price of units will move up and down depending on how the assets in the fund perform.

This fund is classed as a 'balanced' or 'medium risk' fund, investing in assets that give some price stability and offer attractive prospects for growth over a longer period of time for members some way from retirement.

Standard Life BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index Pension Fund*

***managed by BlackRock**

This stock-market linked fund is approximately 30% invested in the shares of UK companies with the rest invested in overseas companies in the US, Europe and Far East. The value of your fund can go up or down on a daily basis depending on how assets perform. Consequently, depending on your appetite for investment risk, this type of fund may suit you if you are several years from retirement.

The fund is passively managed which means that it aims to provide returns in line with the markets in which it invests. It is also 'currency hedged' meaning that it aims to overcome the long-term effects of changes in the value of the pound relative to other currencies.

Tesco Cash Targeting Lifestyle Profile

The Tesco Cash Targeting Lifestyle Profile aims to give you long-term growth by investing in shares when you are further from retirement, and gives more stability as you get closer to retirement by switching to cash. This is so that you will be less affected by poor stock market performance in the last few years before you retire, and to "lock-in" any growth you may have gained in the earlier years.

The Tesco Cash Targeting Lifestyle Profile matches the type and risk of investments to the time you have until retirement. While you are some way from retirement, it will invest in areas that give better prospects for growth over the longer term – like stock markets. Once you are five years away from the retirement age you have selected on the application form, the fund will gradually switch into cash funds. This is because when you retire you can take up to 25% of the value of your total Tesco pension as tax free cash. If you wish, you can use all or part of your AVC savings as tax free cash subject to the Company's consent. As many retiring members have chosen to take their AVC savings as cash, the Lifestyle Profile aims to hold your savings in cash to match this requirement.

This option combines the opportunity to take advantage of growth while you are younger and have time to take the risk of changing share values, with the security of lower risk investments closer to retirement that are in line with the way that members often choose to receive their AVC savings.

Choose from the five different **AVC fund options...**

...helping you choose the best for your future income!



You cannot invest in the Tesco Cash Targeting Lifestyle Profile at the same time as other funds. You must be at least five years from your chosen retirement age to be able to choose this option. If you then decide to take retirement before your chosen age, it is possible that your fund may still be invested in investments that can change suddenly in value.

Other funds

The Tesco PLC Pension Scheme may also be able to offer a fund that takes account of religious guidelines on investment. If you are interested in knowing more, contact the Pensions Team.

Members who were already paying AVCs before 1 April 2006 may also carry on investing in the Standard Life Pensions Millennium With Profits Fund if they wish.

What happens when you start taking your pension?

When you start taking your pension from the Tesco PLC Pension Scheme, the Pension team will ask you what you want to do with your AVC fund

When you retire you will have a number of ways you can use your AVC fund:

1. As part of your tax-free cash sum

You can take up to 25% of the value of your total Tesco pension and AVCs as tax-free cash. If you wish, you can take all or part of your AVC fund as cash. If your AVC fund is less than the maximum allowed, you can take some tax-free cash from the pension scheme too.

2. To buy extra Tesco pension

When we calculate how much pension your fund will buy, we divide your fund by a conversion factor. The factors are given to us by our Actuaries and are the cost of buying the extra pension from the Tesco PLC Pension Scheme. Once your AVC fund has bought extra pension, it is added to your Tesco pension and treated in the same way.

3. A combination of tax-free cash and extra Tesco pension

You can have a combination of the above two (within certain limits). Please refer to the information above.

4. Buy a pension outside Tesco (i.e. an annuity)

An annuity is a pension you can buy with some or all of your fund value at retirement, this is sometimes called an "open market" option. It can provide a fixed or variable amount of income for either a fixed term or for life. You can choose the type of annuity you wish to buy and different providers will offer different features, rates of payment and qualifying terms.

5. Transfer your AVCs to another provider

If you transfer your AVCs to one or more different providers, each will offer different options for what you can do with your AVCs, including the option to purchase an annuity. Each of the different options will have different features, rates of payment, charges and tax implications.

Important information

Pensions guidance is available to help you decide what to do with your AVC benefits. This guidance may be accessed at pensionwise.gov.uk or from the Pension Advisory Service by phoning 0300 123 1047.

You may also obtain face-to-face guidance from your local citizen advice service. This guidance is free and impartial. You should access the pensions' guidance and consider taking independent financial advice to help you decide what options are suitable for you in relation to your AVCs. You can find an advisor local to you at www.unbiased.co.uk.

There may be tax implications with accessing your AVCs. Income from pensions is taxable. The rate at which income is taxed will depend on the amount of income you receive from a pension and from other sources.

You can leave your benefits invested in the scheme until such time as you choose. Please note that if you do not take your benefits before age 75 there may be tax implications.

What if you die before retirement?

If you die before taking your Tesco pension, the value of your AVCs can be paid to your beneficiaries.

Use your 'Expression of Wish' form to let the Trustee know who you would like the lump sum to be paid to. The Trustee will make its decision with your wishes in mind, although they are not legally bound by it. You can nominate any person, organisation or charity and the money can be divided as many ways as you like. Your fund will be paid, tax-free, along with any investment returns.

You can request an 'Expression of Wish' form from the Pensions Team by phone, email or post. The contact details are on the back page of this booklet. Alternatively you can fill in the form online on the Tesco Pension Website.

What else do you need to know?

Changing Standard Life investment funds

You can change the funds in which your contributions are invested free of charge. However, if you make an excessive number of changes in a short period, charges may be applied.

There may be an extra charge for moving your fund from the Millennium With-Profits Fund. This changes from time to time – please ask the Pensions Team if you are thinking of moving from this fund.

Charges

All your contributions are invested in your chosen fund(s). No direct charges are taken from the Prudential Deposit Fund.

The charge for all funds available through Standard Life is 1% a year. These charges are then reduced by the re-allocation of additional units to the fund on a monthly basis, which leaves an effective annual management charge of 0.55% a year.

Active and passive investment

Funds can be either actively or passively managed. The difference between the approaches is as follows:

- **Passively managed:** A passive manager tries to hold nearly every possible investment of one type so that they get the average return. Passive management is generally cheaper than active.
- **Actively managed:** In contrast, when a portfolio is managed actively, the fund manager tries to pick investments which will perform better than the average investment of the same type.

For example, an active UK equity manager will select the companies in the UK which they believe will perform best. However, there is a risk that fund managers will select companies that perform poorly compared with the average.

Lifetime Allowance

If the value of your benefits from all retirement schemes (including non-Tesco schemes) is above the Lifetime Allowance, you will pay an extra tax when the benefit is paid to you. The Lifetime Allowance for the 2019/2020 tax year is £1.055m, which is equal to a pension of £52,750 a year.

Please note that the information in this booklet is correct at the time of printing but may change at any time. If there are any changes to the investment choices or charges we will inform anyone affected.



Change your Additional Voluntary Contributions (AVC) investment options

Please complete this form in BLOCK CAPITALS and return to:
Pensions Department, PO Box 567, Welwyn Garden City AL7 9NN

Full name										
Employee number										
(This eight digit number can be found on your payslip or Colleague Clubcard)										
National Insurance number	A	A	1	1	1	1	1	1	A	
Email										
Address										
Postcode								Telephone number		
Mobile number										

Please select the investment option(s) you would like:

If you would like to choose more than one type of investment, please tell us the proportion you would like in each:

Standard Life Index-Linked Pension Fund	☐ All		% (a proportion of)
Standard Life Managed Fund	☐ All		% (a proportion of)
Standard Life BlackRock Aquila Connect (30:70) Currency Hedged Global Equity Index Pension Fund	☐ All		% (a proportion of)
Standard Life Deposit & Treasury Pension Fund	☐ All		% (a proportion of)
REMEMBER, YOUR PROPORTION SELECTION NEEDS TO TOTAL 100%			
Tesco Cash Targeting Lifestyle Profile	☐ All	100%	(Lifestyle cannot be mixed with other choices)

I confirm that I have understood the [declarations/information] [made/given] above.
To the best of my knowledge and belief, the details given on this application
(including the [declarations/information] given above) are correct and complete.

☐ Tick here

Signature				Date			
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We may contact you to verify your identity.

Information collected using this form will be processed by, or on behalf of, the Trustees of the Tesco Plc Pension Scheme for the purposes of administering the scheme. Further details can be found in our data protection notice, available at pensionwebsite.co.uk, or by contacting us at the above address.

How to find out more.

If you need more information please visit our website or contact us:



Pension Website:
www.pensionwebsite.co.uk
User ID: **tesco**
Password: **mypension**



Post: Pensions Department, PO Box 567,
Welwyn Garden City AL7 9NN



Email: pensions.dept@tesco.com



Helpline: 0345 070 1113 (option 2)
9am – 5pm, Monday to Friday (excluding bank holidays)

Local rate from landlines or contract mobiles. Charges for 'Pay As Go' mobiles may be higher – please check with your provider.

Important notes – Every effort has been made to make sure that the information in this guide is correct at the time of publishing. This guide is intended to give an overview of some of the benefits which are available under the 'Pension Builder' section of the Scheme, and a summary of some of the Rules of the Scheme. Please note that Tesco has the right to change the Scheme, at any time. The Rules are a binding document and if there is any difference between this guide (or any other communications about the Scheme) and the Rules, the Rules will always prevail.

There are certain general communications that we are legally required to send to all members. The Trustee plans to give this information to members electronically – either by email or through a website. Please contact us (including your name and employee number) if you want to 'opt out' of receiving these items electronically. If you're happy to receive general information by email please send us your email address.