NOW: Pensions

The future is now

A member's guide to investments

automatic enrolment

Our approach to investment

When you and your employer pay contributions to NOW: Pensions, you expect us to invest them wisely for your future. Taking care of your money is a responsibility that we take very seriously. We are solely dedicated to managing pensions and we're good at it.

Investing for your retirement isn't just a question of growing your fund as much as possible. If we are overly cautious with your money, your fund will struggle to keep pace with inflation. At the same time, we don't want to be overly ambitious and invest in areas that are too risky, as that can be very dangerous. The trick is to strike the right balance.

You may have a long time to go before you retire, or it may be just around the corner. Depending on how far away from retirement you are, we adopt a different approach to investing to make sure your pension fund is invested in the right place at the right time.

Who manages my investments?

We have our own in-house Investment Management Company. They are appointed by the Trustee Board to invest your pension fund in line with a specific set of rules. Those rules have been designed with our members' general retirement in mind.

Eggs, baskets and investments…

When it comes to investing with NOW: Pensions, one word you will hear mentioned quite a lot is 'Diversification'.

The idea of diversification is quite simple. The world of investments can be complicated and it's certainly very difficult to predict what type of investment will produce the best or the worst return over time. Because of that, we spread our investments over several different areas which we carefully monitor every day.

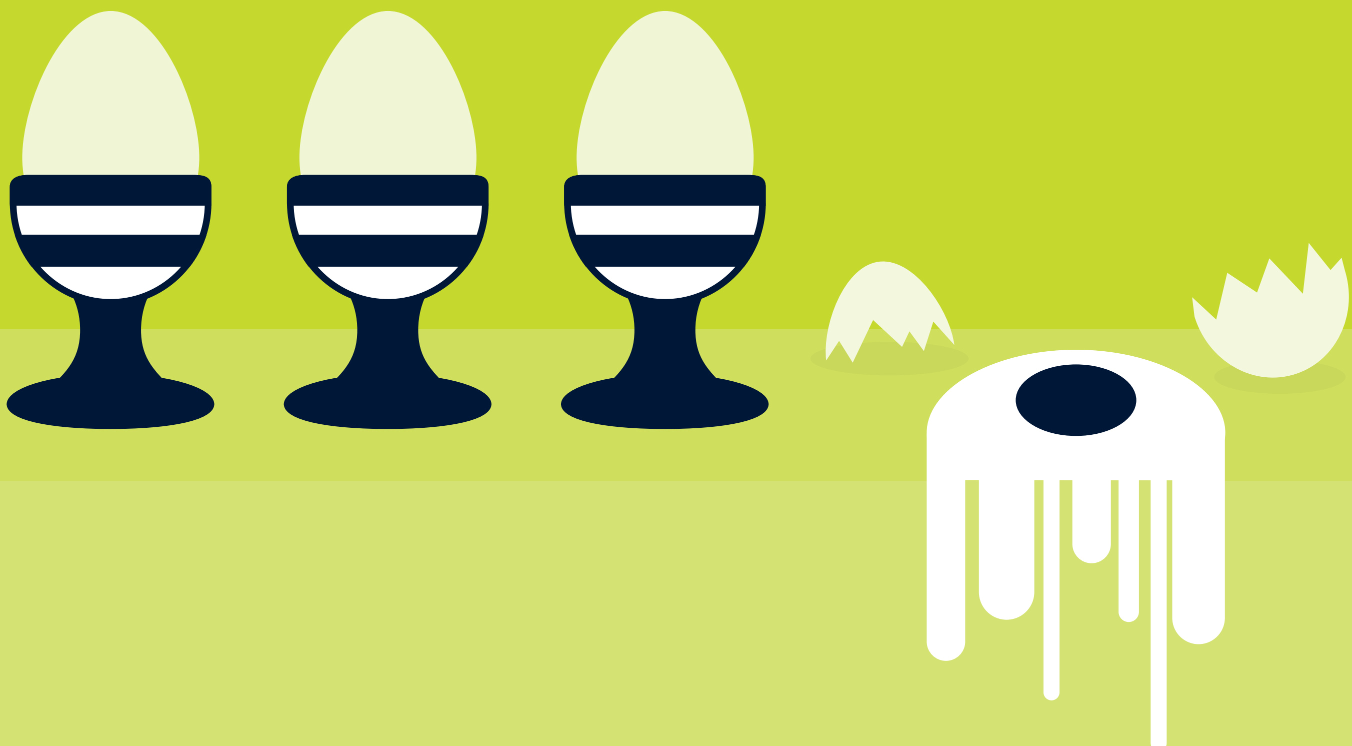
Diversification has two main advantages:

Firstly, it is extremely difficult, if not practically impossible, to invest in one area that will consistently perform well over an extended number of years. By spreading the investments, there is a better chance of achieving good, steady returns over time until your retirement.

Secondly, by spreading the risk there is a better chance of avoiding big sudden drops in the value of your fund which many pension savers will have experienced in the past.

That does mean that there is a lower chance of benefitting from a big sudden gain too, but we believe that's a price worth paying.

Diversification means we're not putting all our eggs in one basket – what would happen if the basket were to fall?



Going through the phases

When it comes to saving for your retirement, there are two main phases that we need to consider:

1. **The Growth phase**
2. **The Protection phase**

The Growth phase focuses on building your fund while retirement is still a long time away. We then slowly move your fund into the Protection phase as you and we start thinking about your retirement.

1 The Growth phase

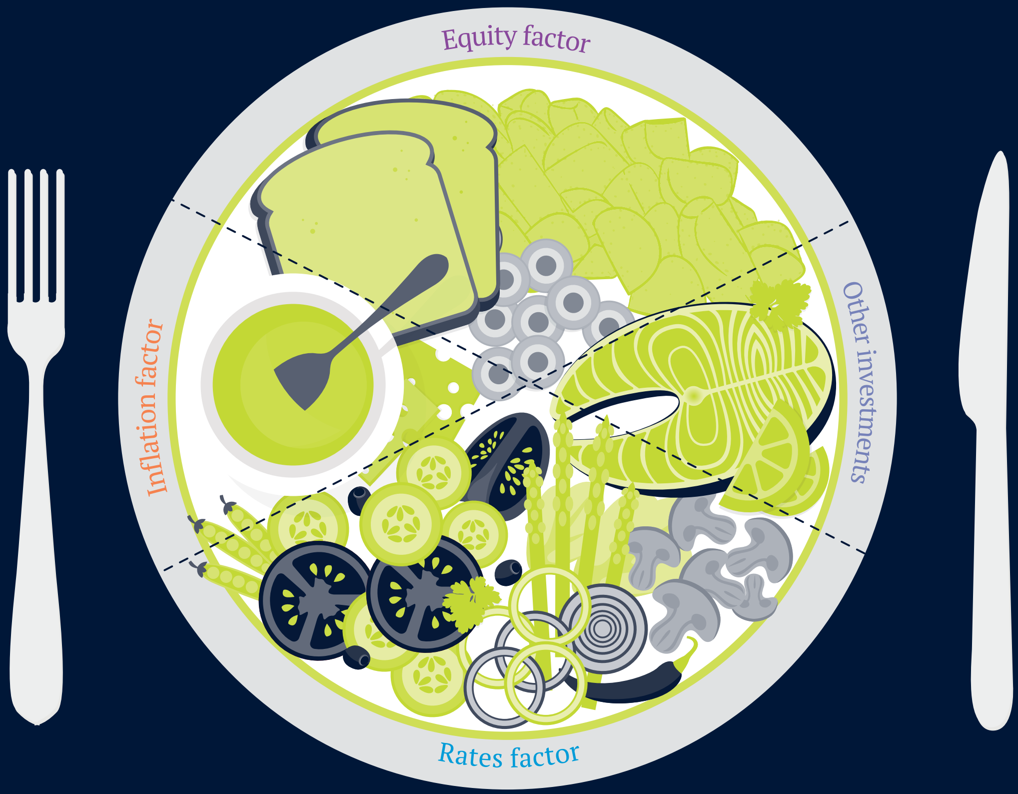
The Diversified Growth Fund (DGF) is the engine room of our investment strategy and it is the fund into which your contributions will be invested until you start approaching retirement. The DGF has an objective to provide stable growth over the long term by spreading your money across lots of different areas.

During this period, short term ups and downs are normal. However, as retirement will be some time away we maintain our focus staying committed to our long term objective. The Fund spreads money across four distinct investment areas which tend to perform differently in different economic conditions. That diversification helps to drive performance, while at the same time controlling volatility.

The four different investment areas are:

A balanced diet of pension investments

Let's compare that with the nutritional value in food. All foods contain various combinations of the basic building blocks (proteins, carbohydrates, fat, etc.), but a well-balanced diet can only be achieved by balancing the nutrients within the different things we eat. Similarly, the DGF consists of a number of building blocks, which combine to create a portfolio with a healthy long-term outlook.



2 The Protection phase

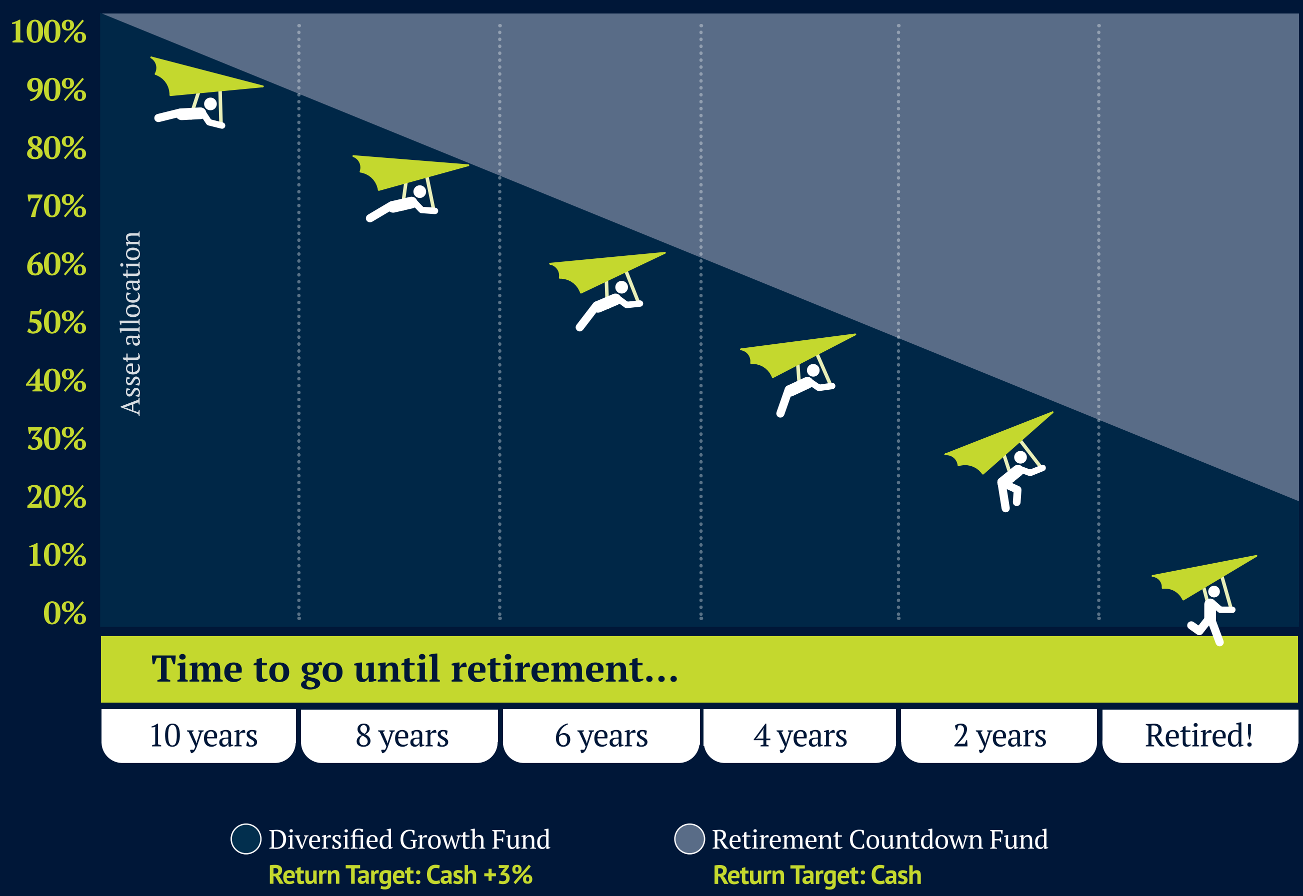
As you begin your approach to retirement, we will gradually switch your investments (as well as your ongoing contributions) into the Retirement Countdown Fund.

While the Diversified Growth Fund is the right investment while your fund grows, as retirement gets nearer, it is important to alter your investment strategy. We do this automatically.

We normally start switching your funds when you are ten years away from retirement. It is important that you tell us if you are not planning to retire or take your benefits at the age that we have recorded for you to make sure that we have you invested in the right place at the right time.

The chart below shows how we move your pension fund, as well as any contributions.

The glidepath into retirement



Retirement Countdown Fund

Our investment strategy is designed to start protecting the value of your pension fund, and therefore your choices, as you head towards retirement.

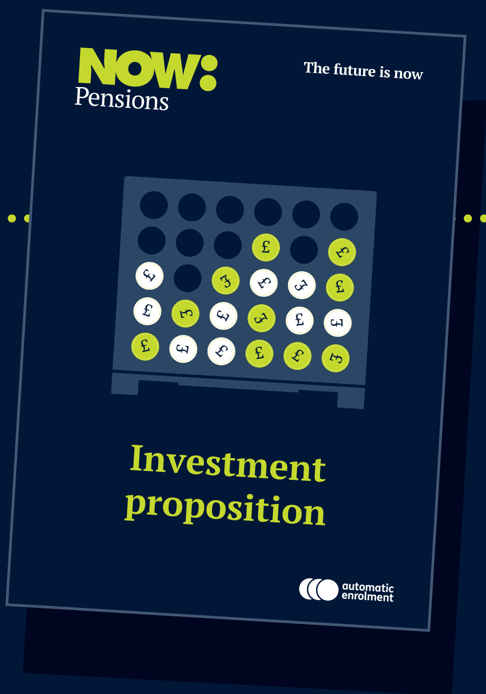
The chart opposite demonstrates the gradual transition into the Retirement Countdown Fund which invests in cash deposits, money market funds, short dated bonds with low credit risk, and in interest rate derivatives in order to reduce the overall level of risk within your pension fund.

Not retiring at your target retirement age?

We know that not everyone will choose to take their benefits at their selected retirement age. We manage your investments assuming that you are, so if that assumption is wrong, please do remember to tell us at what age you expect to take your pension savings, and we will alter your position on the retirement glidepath chart.

Further reading

If you would like to read more about the NOW: Pensions Investment Strategy, you will find another document called 'Investment Proposition' on our website.



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