



## Understanding the security of your workplace pension with Fidelity

Many things we do in life have some type of risk attached to them. So unsurprisingly, saving for a pension involves risks too. There is the risk that you may not save enough by retirement to take care of your needs. There is the risk that the funds your pension account is invested in don't perform as you expect them to. There is also the risk of exceptional events - losing money because of the bankruptcy or negligence of a fund provider.

While the chances of the latter risk are very unlikely, and regulatory bodies ensure there are protections in place to reduce this risk, you should understand it and what Fidelity does to help protect your savings against it.

This factsheet explains:

- the investment of your pension account (see page 2)
- what the risk of an exceptional event is and how it could affect your account (see page 2)
- the measures in place to protect your retirement savings (see page 3)
- the circumstances when you may be entitled to compensation (see page 4).

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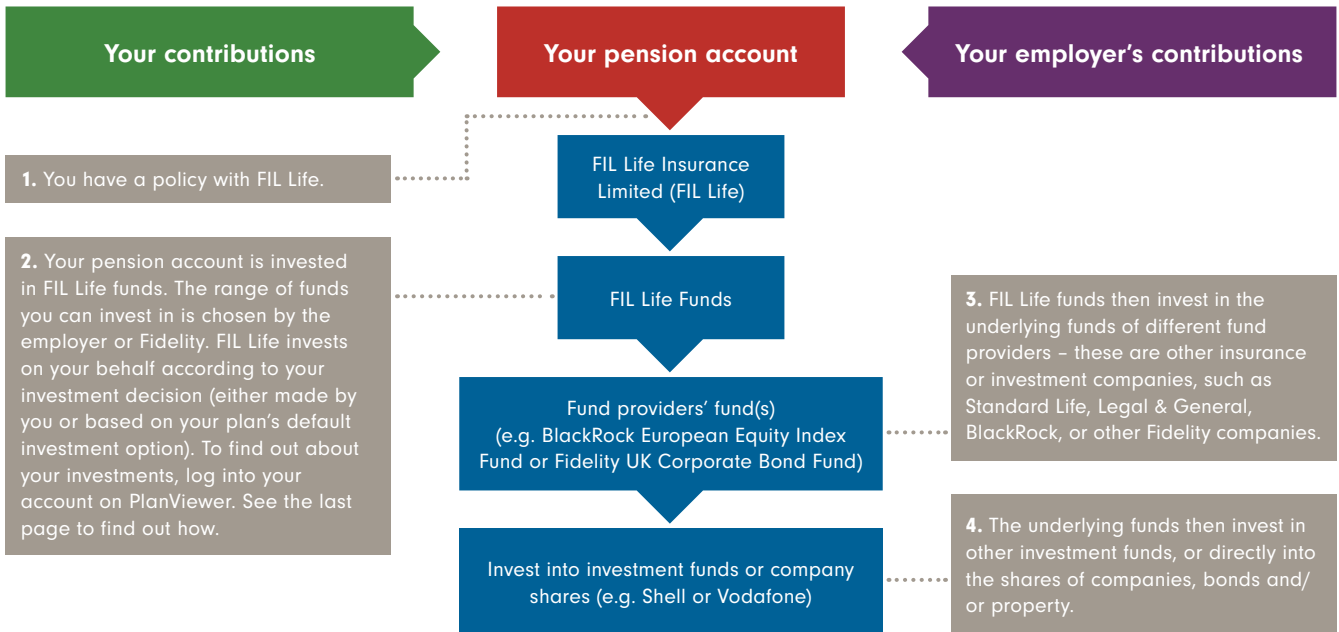
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# How the investment of your pension account works

The investment of your pension account is more complicated than you may realise, and plays a role in how the risk of an exceptional event could affect your account.

Your pension account is invested with a Fidelity company called FIL Life Insurance Limited (FIL Life). You have a policy (your contract) with FIL Life in the same way that people often have a policy with an insurance company for their home insurance. The policy is between you and FIL Life.



**You have a policy with FIL Life. FIL Life has the contractual relationship with the underlying fund providers to give you access to your plan's investment choices. This structure affects how exceptional events could affect your account.**

## The risk of exceptional events

An exceptional event is an event that is out of the ordinary. For example:

- a fund provider or FIL Life goes bankrupt
- a fund provider, FIL Life or their employees engage in fraudulent, negligent or criminal activities that affect an investment fund.

These events could lead to a fund provider or FIL Life losing part or all of the money invested in their funds.

**In our view it is very unlikely that such an event would occur. It is even less likely that any or all of an underlying fund's money could be lost if such an event did occur.**

### **? How could an exceptional event affect my pension account?**

If a fund provider or FIL Life lost part or all of the money invested in one or more of their funds because of an exceptional event, and your pension account was invested in the affected FIL Life fund(s), the value of your investment in that fund would fall.

The value of your pension account would be adjusted to take account of any losses. If the exceptional event was severe enough, you could lose some or all of the money you had invested in that fund.

FIL Life would pursue the fund provider or an appointed receiver (the person responsible when a company becomes insolvent) for the full amount owed. However, we cannot guarantee the amount you would receive back.

**No losses due to exceptional events have happened in the past to FIL Life or any of the fund providers we invest with.**

This is the case despite the financial crisis that occurred during and after 2008 – while your pension account would have dropped in value as stock markets fell, no losses occurred due to a fund provider or FIL Life experiencing an exceptional event.

We also don't anticipate any exceptional events happening in the future, although we cannot guarantee this.

# There are measures in place to protect your pension account

The risk of an exceptional event is unlikely because of these wide-ranging protections:

## Government regulations and regulatory bodies

FIL Life and the fund providers available in your pension plan are regulated in the UK by the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), or by equivalent organisations in Europe.

These organisations set out the rules under which we must operate and how we must manage the investments of pension plans. To protect investor's money, there are strict rules that govern our financial soundness and the systems and controls we have to protect your investments.

These organisations have many powers, including the ability to inspect our operations and the risk controls we have in place. We have to report regularly to the PRA on our financial strength.

There are different types of underlying investment funds and they operate and are regulated in different ways. For example, for some types of fund if a fund manager became insolvent, the fund's assets would be protected because regulations require that the assets are held by an independent custodian that is separate from the fund provider.

## FIL Life monitors the fund providers

FIL Life appoints and monitors fund providers with care. For all our fund providers we assess:

- how they meet the regulations that exist to protect you
- their governance procedures
- the internal controls they have in place
- their financial strength
- the performance of their funds in comparison to benchmarks and similar funds.

This assessment happens before we decide to appoint a fund provider and on an ongoing basis. Each fund provider must sign an agreement to stick to specific investment criteria, and to supply us with ongoing information and support. We monitor their operational effectiveness and, if we identify areas for improvement, we have a clear process in place to raise it with them and work towards making those improvements.

## Investment governance

Pension plans are required to have committees that oversee FIL Life's operations and the financial protections we have in place. For your plan, there is an independent governance committee that monitors how the plan is administered, the security of the investments and the charges members pay. The majority of the committee members are independent of FIL Life.

Before appointing FIL Life and on an ongoing basis, the plan sponsor (your current or previous employer) reviews the security of FIL Life, the investment funds that are available to you and their charges, and the services we offer. Your employer will often appoint employee benefit and investment advisers to help them with their reviews.



## Is my pension account secure?

As described, the regulations that are in place as well as the monitoring done by the plan sponsor and FIL Life help to protect your pension account. These measures aim to reduce the risk to your account.

**However, we cannot guarantee the security of your account, and these measures don't fully protect your account against an exceptional event.**

When we talk about the security of your account we don't mean that its value won't change.

The value of the investment funds your account invests in changes every day. The value goes up and down, for example, as stock markets move. So the value of your pension account may go up and down. This is investment risk, a normal part of investing. It is not an exceptional event.



## Why doesn't FIL Life guarantee my pension account?

There would be a substantial cost associated with FIL Life guaranteeing the funds your account is invested in. It would significantly increase the cost of saving for a pension. We don't believe it represents good value for our policyholders, as in our view the risk of losses due to exceptional events is low.

# Compensation in the case of an exceptional event

The UK Financial Services Compensation Scheme (FSCS) is an independent body set up by the government and funded by the financial services industry. It pays compensation when it's satisfied that a fund provider can't pay the claims against it because it's insolvent.

## In certain circumstances you may be entitled to compensation from the FSCS.

Take a look at these scenarios:

### 1. If an exceptional event happened to FIL Life

You **would** generally be able to claim compensation from the FSCS. It aims to ensure you get back 100% of any loss with no upper limit.

- ✓ You would be eligible for compensation because you are one of our policyholders.

### 2. If an exceptional event happened to a fund provider

You **wouldn't** be able to claim compensation from the FSCS.

- ✗ You wouldn't be eligible for compensation because FIL Life is the client of the fund provider. (including other Fidelity companies acting as the fund provider). As a 'professional investor' (according to legislation) we aren't afforded the same FSCS protection as an individual investor like you.

These are the current rules. Visit [fscs.org.uk](http://fscs.org.uk) for details.

## ? Why do FIL Life's funds work this way?

Our service aims to offer versatility so you have a wide choice of funds to invest in from many fund managers. We may also offer funds that you might not otherwise have access to, and at lower charges than you may be able to get as an individual investor. Our approach also has the advantage of same day changes to investments, so if you switch between funds you don't usually have to wait for the sale of one fund to buy another.

This variety may also allow you to diversify – or spread – your investments between different fund providers and different funds. Diversification is a useful tool to reduce many types of risk. When we consider the risk of exceptional events, if one fund provider runs into problems other fund providers are unlikely to be affected. In other words, spreading investments across more than one fund provider could be a further way of reducing risk to your pension account, over and above the protections explained earlier.

## ? Can I move my account to another provider whose funds don't work this way?

Many pension providers in the UK operate in this way. But some operate differently. If you would prefer to transfer your account to another provider, we won't charge you a fee.

Transfers can be complex so consider speaking to a financial adviser before making a decision. You should also discuss it with your employer, as you may lose certain benefits if you leave the plan. For example, they may not contribute on your behalf to another pension plan.

## Find out about your investments and how we manage funds

- It's important that you understand what funds your account is invested in – whether you've chosen them yourself or you have not made a decision and are invested in your plan's default option. This includes knowing the fund providers that manage the funds. You can find out by logging into your account on PlanViewer at [planviewer.co.uk](http://planviewer.co.uk). If you don't have your login details you can request them on the site.
- Read the literature that explains your plan. You can download copies on PlanViewer from the 'My plan' section under 'Forms & Documents'.
- Also on PlanViewer, 'My guide to investing' covers the basics of investments. The guide is in the 'My toolkit' section.

If you have questions about this factsheet, your investments or your pension account, contact us on **0800 3 68 68 68.**

