



Pension Investment Approaches

Guide

Important information you need to read



Your pension is invested

So how much it grows in value to fund your retirement won't only depend on what you and your employer pay in – but also on other factors, including how well those investments perform.

Our mission is to empower you to make the most of your retirement. We understand that you want peace of mind, and to support you, we offer a range of investment strategies designed to grow your pension over the long-term while managing the risks along the retirement journey.

Launched in 2006, the Pension Investment Approaches (PIA) are our fully governed range of investment strategies, offering you flexibility depending on your appetite for risk and how you want to access your retirement benefits. You can be sure that Scottish Widows will look after the retirement journey from start to finish and are responsible for all investment decisions.

We're making significant changes to our Pension Investment Approaches in 2025 and beyond:

- Changing the mix of investments
- Enhancing our responsible investment approach
- Shortening the time members are in lower-risk investments from 15 years to 12 years (see page 4 for how PIA currently works)
- Removing build-up of cash investments for most people
- We're closing all PIA Cautious options. If you're in a PIA Cautious option, we'll be gradually moving the investments you're in to match those in our PIA Balanced approach. This means we'll be investing more of your pension savings in higher-risk investments which have greater growth potential when you're years away from retirement. As Cautious is closing, anyone choosing it now will still be moved into the equivalent Balanced option.

Your Pension Investment Approach (PIA) choices

We offer three risk categories, each with a different combination of investment risk and reward:

Adventurous

Balanced

Cautious

We'll be gradually moving the investments in PIA Cautious to match those of PIA Balanced.



For more information on risk and reward visit scottishwidows.co.uk/investing/understanding-investing/risk-explained

We offer three distinct retirement outcomes, giving flexibility in how you access your pension savings.

- If you intend to purchase an annuity at retirement, we offer a 'Targeting Annuity' retirement outcome.
- If you intend to take your pension as a cash lump sum, we offer a 'Targeting Encashment' retirement outcome.
- If you intend to draw down income or are unclear about your exact retirement income route, we offer a 'Targeting Flexible Access' retirement outcome.

Our PIA structure is as follows:

Adventurous Risk Category	Balanced Risk Category	Cautious Risk Category
Adventurous (Targeting Annuity)	Balanced (Targeting Annuity)	Cautious (Targeting Annuity)
Adventurous (Targeting Encashment)	Balanced (Targeting Encashment)	Cautious (Targeting Encashment)
Adventurous (Targeting Flexible Access)	Balanced (Targeting Flexible Access)	Cautious (Targeting Flexible Access)

We realise that you may not be sure how you will want to provide for your retirement, especially if you are still some years from taking your retirement benefits. So we make it easy for you to change to a different retirement outcome (or to a different risk category) if your plans and objectives change as you get closer to retirement. Remember that we're gradually moving the investments in the Cautious options to match those of our Balanced options. The Cautious options will be closed.

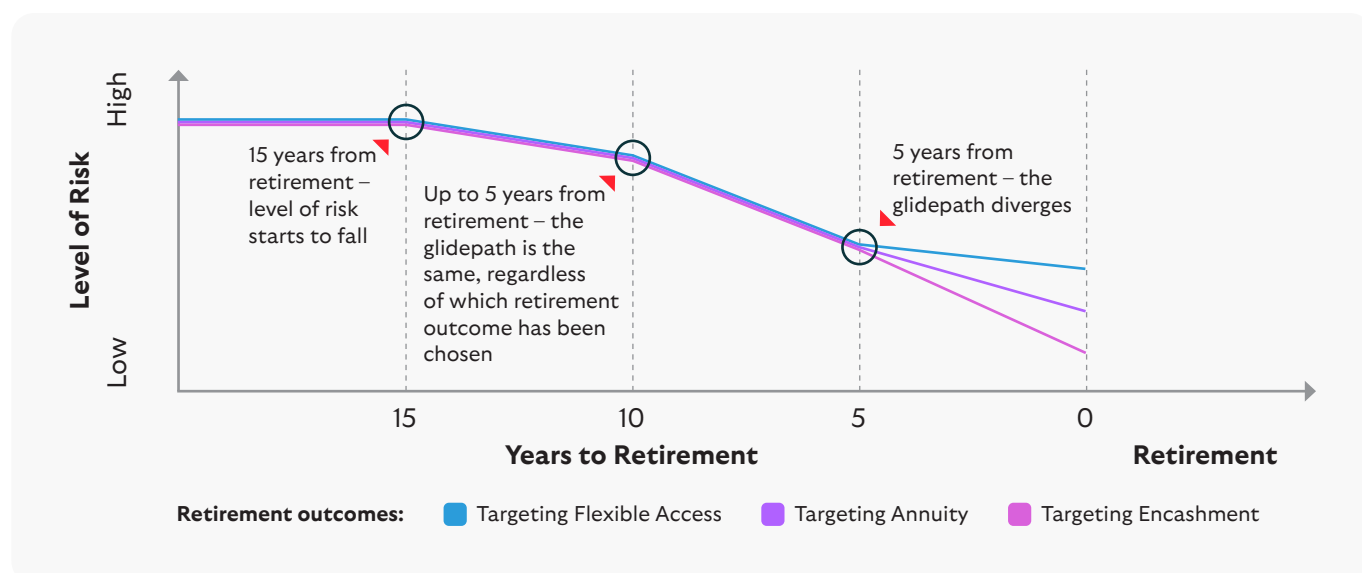
We recommend you take financial advice before making any changes. A financial adviser will normally charge you for any advice they give.

How a Pension Investment Approach currently works

The Pension Investment Approaches are designed to balance the level of risk taken against the time to retirement. In the earlier years, more of your money is invested in higher-risk assets such as equities and property to increase the potential for growth. We then begin to gradually reduce your exposure to higher-risk assets once you are 15 years from your selected retirement date, moving more of your pension savings into safer assets such as bonds and cash.

In the final five years leading up to the selected retirement date, your pension will gradually move into one of three carefully selected packages depending on how you plan to access your pension savings once you reach this date. These are tailored to suit either purchasing an annuity, taking a lump sum or taking flexible income.

The graph below illustrates how the overall level of risk changes at different stages (and not the likely performance of an investment).





How do the Pension Investment Approaches currently invest?

The Pension Investment Approaches invest in various Scottish Widows funds, in different proportions at different times. This is illustrated in the charts on pages 6-8.

The PIAs work by reference to the selected retirement date we hold on our system – so if you think you might retire earlier or later than this, please let us know when you have a better idea.

Asset allocation

Scottish Widows' investment experts set the asset allocation of the Pension Investment Approaches. We model how a change in the asset mix, could affect long-term returns under a range of future economic and market conditions, allowing for hundreds of random variations. This modelling is underpinned by our climate-risk framework designed to model climate risks in our decision making processes.

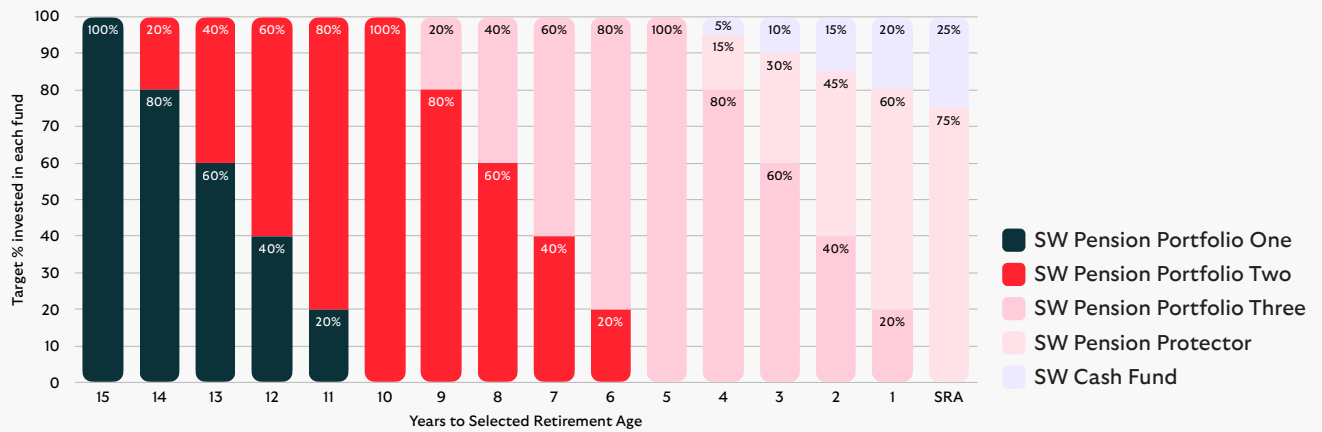
Our experts review the asset allocation every 12 to 18 months to ensure the Pension Investment Approaches are suitably positioned to balance investment risk and reward along the retirement journey.



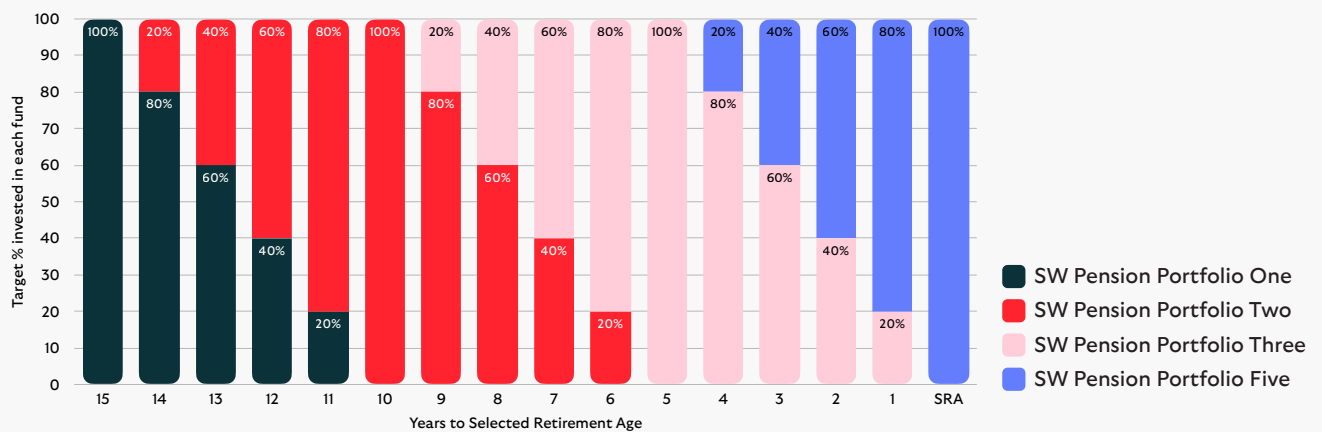
We're evolving the funds in which the PIAs invest. You can find details of the changes on your scheme infosite.

The charts on pages 6-8 show the asset allocations at March 2025.

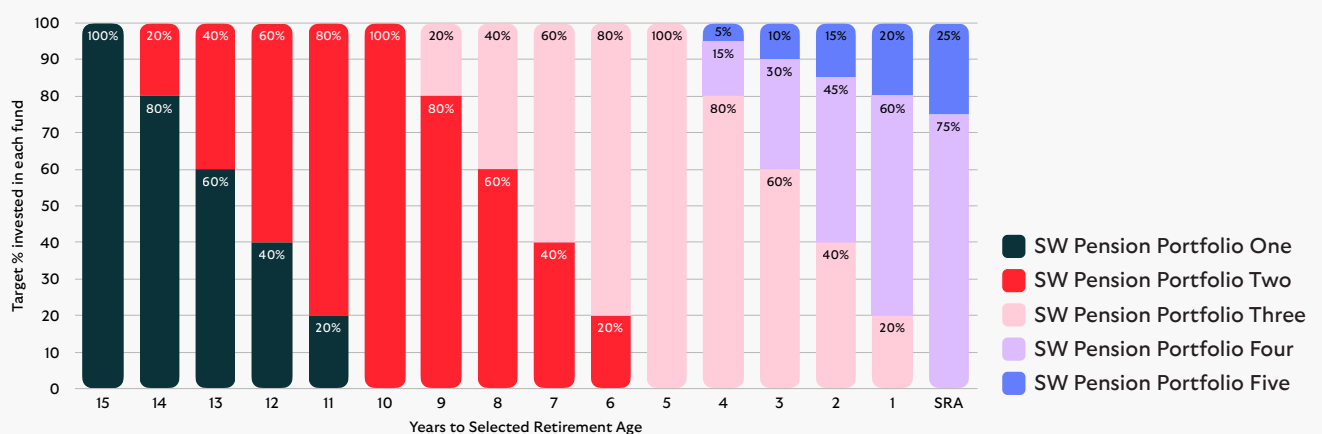
Adventurous Targeting Annuity



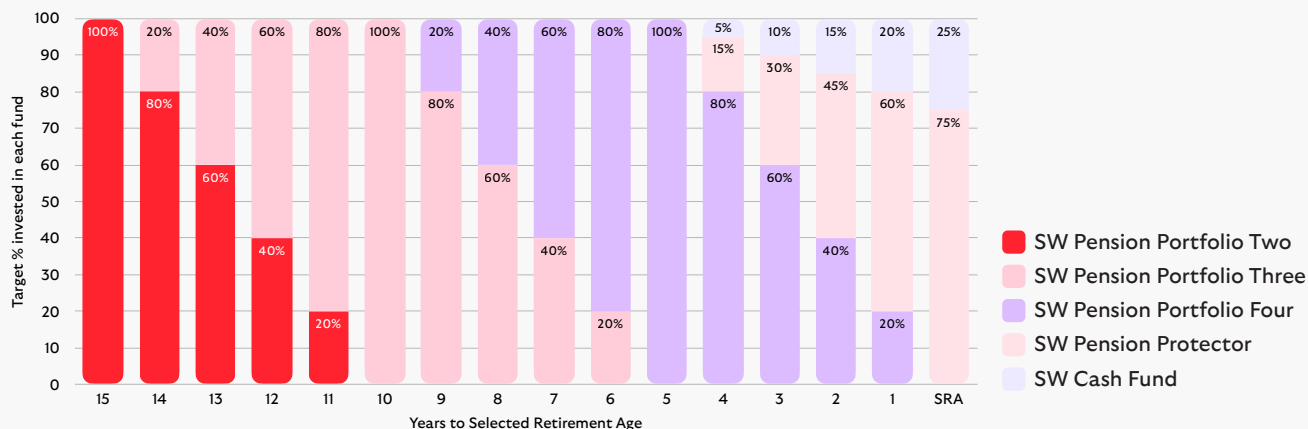
Adventurous Targeting Encashment



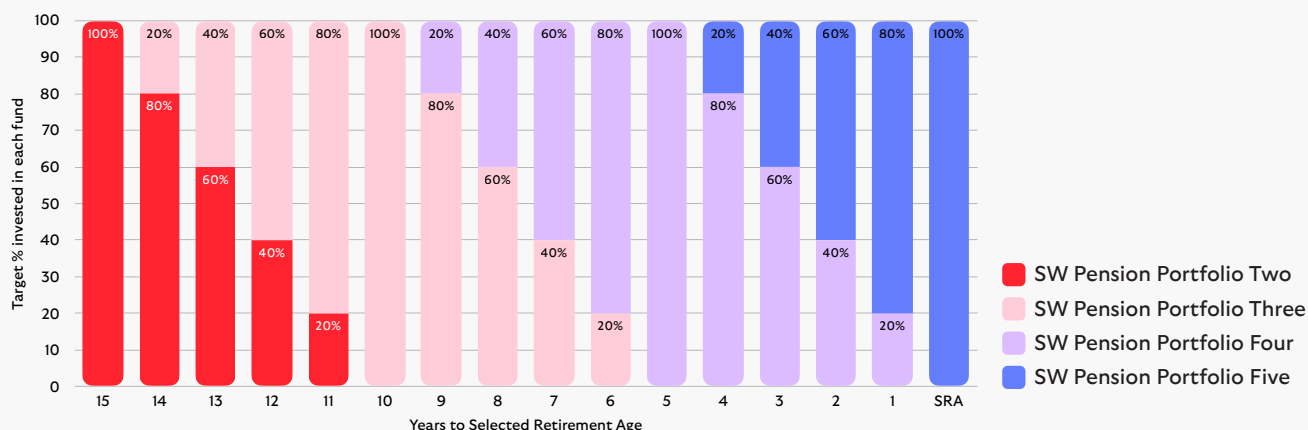
Adventurous Targeting Flexi Access



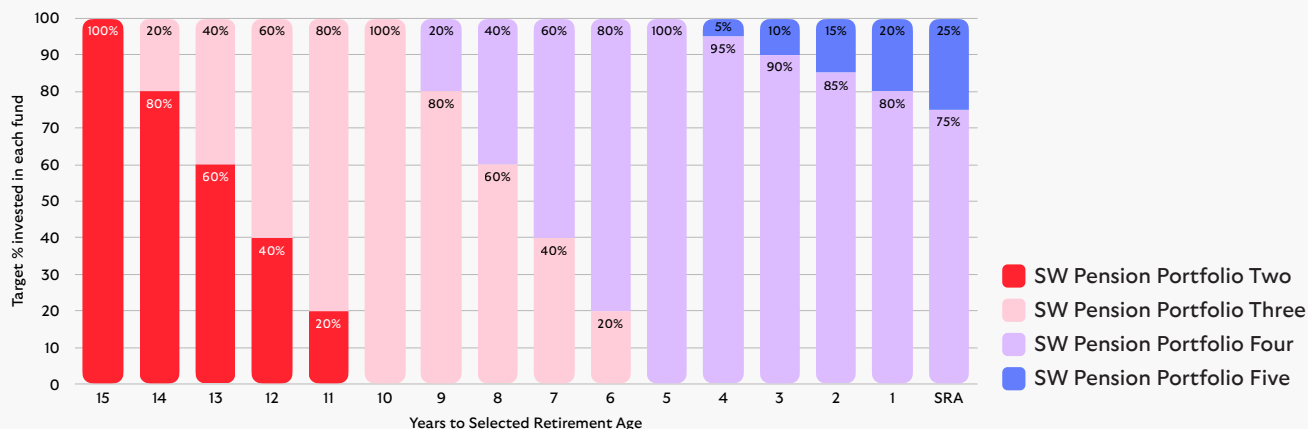
Balanced Targeting Annuity



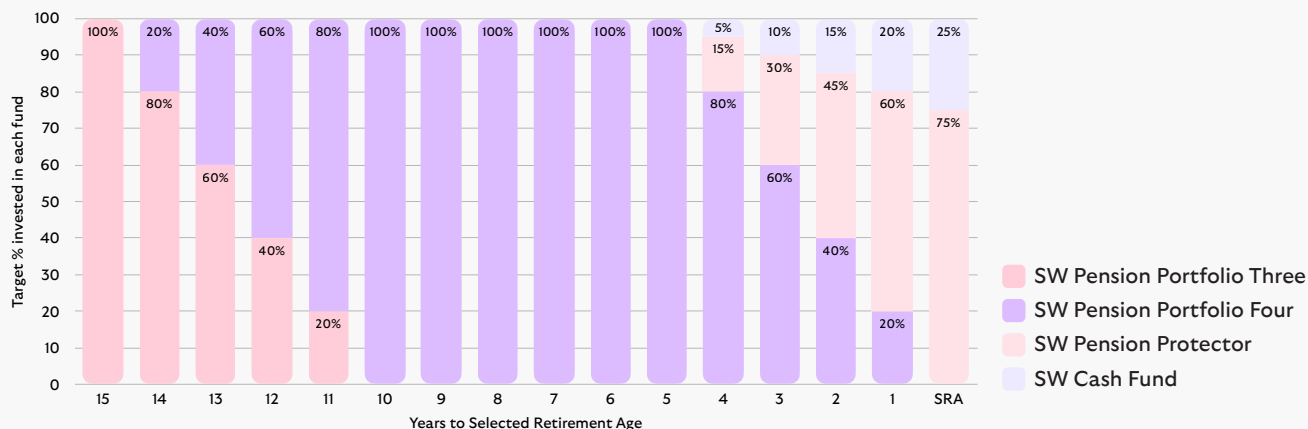
Balanced Targeting Encashment



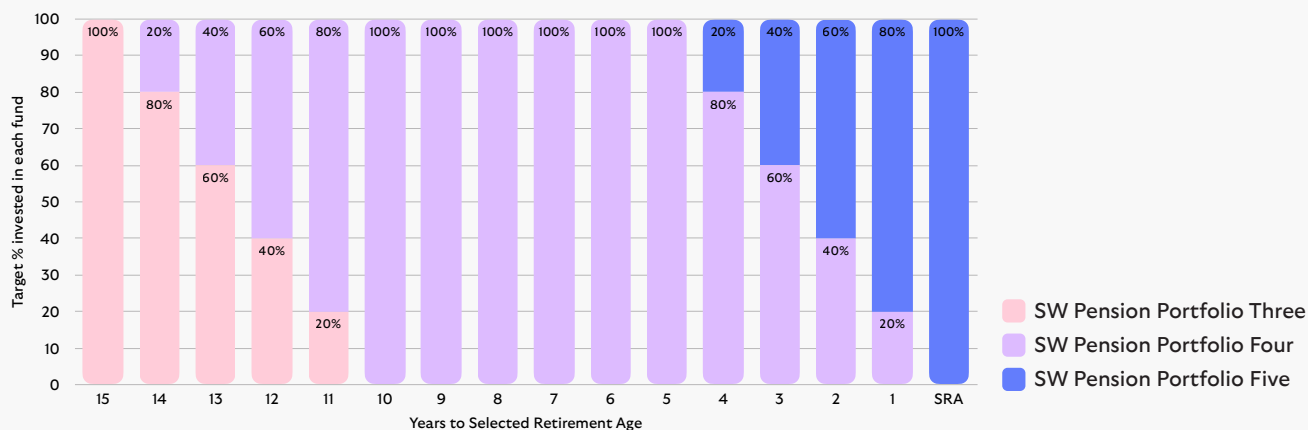
Balanced Targeting Flexi Access



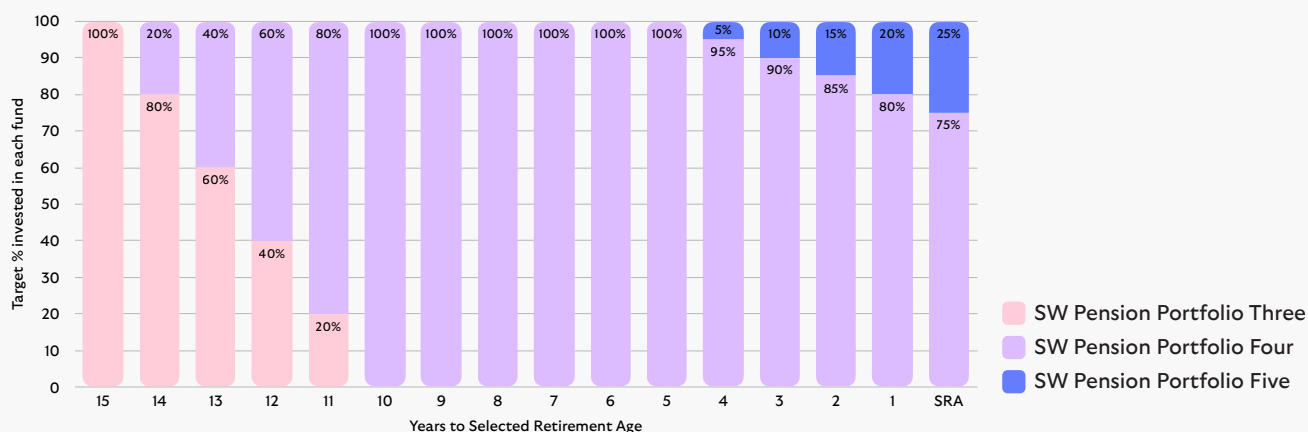
Cautious Targeting Annuity



Cautious Targeting Encashment



Cautious Targeting Flexi Access



What are the PLA components & what funds do they invest in?

The funds allocated to by the PIAs make different types of investments including UK and international company shares, bonds (debt) that companies and governments issue, property, and cash. Together, they are designed to generate long-term growth for a suitable level of risk. The asset allocations as at 31st March 2025 are shown below:



We're evolving the funds in which the PIAs invest. You can find details of the changes on your scheme infosite.

Scottish Widows Pension Portfolio One

Fund	Aim	Risks
Equities Property Fixed interest/cash	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests almost exclusively in equities by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest almost exclusively in equities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	CIS EM EQ OS PYS

Scottish Widows Pension Portfolio Two

Fund	Aim	Risks
Equities Property Fixed interest/cash	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests predominantly in equities, with some exposure to fixed interest securities, by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest predominantly in equities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	CIS EM EQ FI OS PYS

Source: Scottish Widows as at 31st March 2025. Figures may not total 100% due to the effect of rounding.

Scottish Widows Pension Portfolio Three

Fund	Aim	Risks
Equities Property Fixed interest/cash	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests primarily in equities, with a proportion in fixed interest securities, by investing in passive* index tracking funds. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest primarily in equities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	CIS EM EQ FI OS PYS

Scottish Widows Pension Portfolio Four

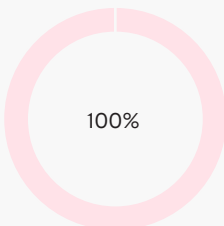
Fund	Aim	Risks
Equities Property Fixed interest/cash	The Fund aims to deliver long-term growth by investing in other funds. The Fund invests with an emphasis on fixed interest securities, with the remainder in equities, by investing in passive* index tracking funds. The fixed interest securities can be in sterling or other currencies and may be issued by governments or companies. The equity investments cover a mix of geographic regions and can include the UK, other developed markets and emerging markets. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest with an emphasis on fixed interest securities. *Passive management is where the fund manager aims to match a benchmark index and will buy, sell or hold investments depending on the components of that index.	CIS EM EQ FI OS PYS

Scottish Widows Pension Portfolio Five

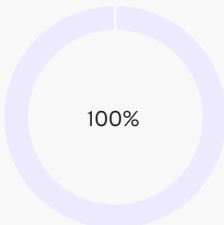
Fund	Aim	Specific risk
Fixed interest/cash	The Fund aims to provide high levels of capital security by actively investing almost exclusively in high-quality short- to medium term securities through other funds. These include fixed- or floating-rate debt instruments such as deposits, commercial paper, medium term notes, asset-backed securities and bonds. This Fund will be reviewed periodically by Scottish Widows. In future the Fund could be invested in different funds and additional asset types, though the Fund will continue to invest almost exclusively in short- to medium term securities.	Some of the securities in which this Fund invests might default or their credit rating might fall. The value of those investments will usually fall should an issuer default or receive a reduced credit rating. Fluctuations in interest rates are likely to affect the value of the securities held by the Fund. If interest rates rise, the value of the units is likely to fall and vice versa. The Fund therefore carries a relatively modest risk to capital.

Source: Scottish Widows as at 31st March 2025. Figures may not total 100% due to the effect of rounding.

Scottish Widows Pension Protector Fund

Fund	Aim	Risks
 100% Fixed interest	The fund may be suitable for investors approaching retirement who intend to purchase a conventional pension annuity. The fund invests mainly in long-dated UK fixed interest securities. The prices of these are one of the key factors affecting the cost of buying a pension and so any investment in the fund should rise and fall broadly in line with changes in the cost of buying such a pension in retirement. The fund does not provide any guarantee of the level of pension in retirement or the cost of buying that pension. It may not be effective for those who intend to buy an inflation-linked pension and does not provide protection against changes in the cost of buying a pension that arise from changes in life expectancy.	(DV) (FI)

Scottish Widows Cash Fund

Fund	Aim	Specific risk
 100% Cash	The fund aims to provide long-term growth consistent with high levels of capital security by investing mainly in short-term securities.	The fund can invest in high-quality, mostly short-term debt instruments such as fixed deposits, certificates of deposit, commercial paper and floating rate notes. It carries a relatively modest risk to capital.



Please refer to fund factsheets for further information. Please note that, whichever fund or PIA you are investing in, the value of your investment can go down as well as up, and could fall below the amount(s) paid in. This also applies to 'cash' and 'near-cash' funds.

Regular reviews

Pension Investment Approaches are a range of fully-governed, flexible investment options. They invest in different types of investments which can change over time. We regularly review the mix of investments and the investment paths (known as glidepaths) to ensure they can continue to deliver good outcomes. Following each review, we may make changes to the mix of investments, add new investments and/or remove existing investments. For example, we may increase or decrease the amount invested in shares or bonds. We may also make changes to the glidepaths.

Where we consider a change is material, we'll let you know about the change. Otherwise, any changes we make will be reflected in guides, factsheets and other materials we make available.

Scottish Widows and responsible investment

We aim to grow the money paid into your pension through the performance of our funds.

We're aiming to halve the carbon footprint of all our investments by 2030 and reach 'net zero' carbon emissions across all our investments by 2050. This is one aspect of our Responsible Investment Framework, which integrates Environmental, Social, and Governance considerations (known as ESG) throughout our investments.

1

As a responsible asset owner, we carry out stewardship activity on your behalf. Stewardship is the management of our investments to create sustainable benefits in the long term. It includes challenging the companies we invest in to behave more sustainably and responsibly in order to help protect and maximise the value of your investments in the long term.

2

We integrate ESG (environmental, social and governance) factors into our investment processes. When making changes to the asset allocation of the PIAs, we look at economic scenarios which take into account the impact of climate change risk and other ESG factors.

3

Where possible, we will disinvest from companies involved in areas where stewardship would make no difference to their long-term prospects.

Cash in the pension investment approaches

When we refer to 'cash' as an asset class, it does not mean the same thing as money in a normal bank account. A cash allocation may be made to different types of 'cash-like' (sometimes called 'money market') assets that have similar characteristics to bank deposits – such as a fixed rate of interest, quick access and low risk of capital loss. Unlike a bank account, cash funds can fluctuate in value because of, among other things, charges and possible falls in interest payments. This means investors may get back less than they originally invested.

There is also the risk that an investment made in 'cash-like' assets will not keep pace with inflation, which would mean prices in shops rise quicker than your investment increases in value, so its spending power is reduced.

Investment risks

Where any of the following general risks apply to a fund, they will be indicated beside the aims of the fund shown in the following table. Any specific risks associated with a fund will also be shown here.

CIS	The fund can invest in other funds (also known as collective investment schemes) which can themselves invest in a diverse range of other assets. These underlying assets may vary from time to time but each type of asset (such as shares, bonds or property) has individual risks associated with them. The fund is unlikely to have any control over the activities of any collective investment scheme invested in by the fund.
DV	The fund can use derivatives for investment purposes to help meet the fund's aim and also to help portfolio management (also known as 'efficient portfolio management'). Derivatives are financial instruments which derive their value from an underlying asset, (such as a share or bond) and provide an obligation or right to trade that asset when certain conditions are met. This can be cheaper than buying or selling the asset, but it can also increase or reduce the impact of market movements. This has the potential to result in greater losses, or affect the gains, of the fund and can lead to increased volatility. If a party to the derivative transaction becomes insolvent this might also result in a loss to the fund.
EM	The fund invests in assets from emerging markets. Emerging markets are those in developing nations. They are generally less well-regulated and with less investor protection than developed markets like the UK. Emerging market investments may be traded less often and in low volumes which might make them harder to trade and/or result in large price changes. In addition, the emerging market country might be subject to political or economic instability. This can result in greater risks to the value of the fund.
EQ	The fund invests in company shares (also known as equities). The value of company shares might fluctuate in value considerably over time. They generally have the potential for higher capital growth over the longer term than investing in say, corporate bonds and other fixed interest securities. However, there is a greater risk that the value of the investment will fall.
FI	The fund invests in bonds (also known as fixed interest securities) which are essentially loans to a government or company. The value of a bond will usually fall if the bond's interest or capital (the amount borrowed) isn't paid or if the credit rating of the company or government falls. Fluctuations in interest rates are also likely to affect the value of bonds. If long-term interest rates rise, the value of the bonds is likely to fall and vice versa. This could affect the value of the fund.
OS	The fund invests in overseas markets. Changes in exchange rates could affect the value of overseas assets in foreign currencies and might cause the value of the investments to go up or down.
PYS	The fund invests in property indirectly such as through shares in property companies. There might be considerable fluctuations in share prices which can affect the value of the fund. Investment in property is harder to sell quickly compared to other assets such as fixed interest securities or equities. The value of the property companies could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

Some funds may use derivatives (contracts which have a value linked to the price of another asset) to help reduce risk or reduce cost, or to help generate extra capital or income. This is normally referred to as Efficient Portfolio Management (EPM). It is not intended that this will cause the risk profile of these funds to change, but using derivatives might not achieve the described outcomes and may result in greater fluctuations in the values of these funds.

The funds may engage in 'securities lending'. This is where a fund lends out some of its assets with an agreement that the borrower will return them after a limited period. The borrower pays a fee which is added to the fund after the costs associated with the lending have been deducted. The fund receives other assets and possibly a cash payment as security during the lending period for the assets lent. There is a risk that the borrower may be unable to return the fund's assets and if this happens, the other assets would be sold. If the sale proceeds and any other payments due to the fund were not enough to replace the assets lent, the fund would go down in value.



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Financial Services Register number 181655.