



# Changing the funds your pension invests in

Pension Investment Approaches

Your pension invests in a mix of funds which changes as you get closer to the selected retirement age (SRA) for your pension.

Your employer, or the trustees of your pension, will have selected a retirement age for you. If you've not chosen another age, this will be your SRA.

Our Pension Investment Approaches (PIA) currently invest in a range of **Scottish Widows Pension Portfolio Funds**. These in turn invest in other funds, which we call the 'underlying funds'. People targeting buying an annuity will also invest in Scottish Widows Pension Protector Fund and Scottish Widows Cash Fund as they get close to their SRA.

Which fund or funds you're currently investing in will depend on a number of things. This includes the investment category (Cautious, Balanced, Adventurous), retirement option (targeting annuity, encashment or Flexible Access), and what stage you're at.



#### What is a fund?

A fund is a package of investments like shares in companies and bonds, which are loans to governments or companies.

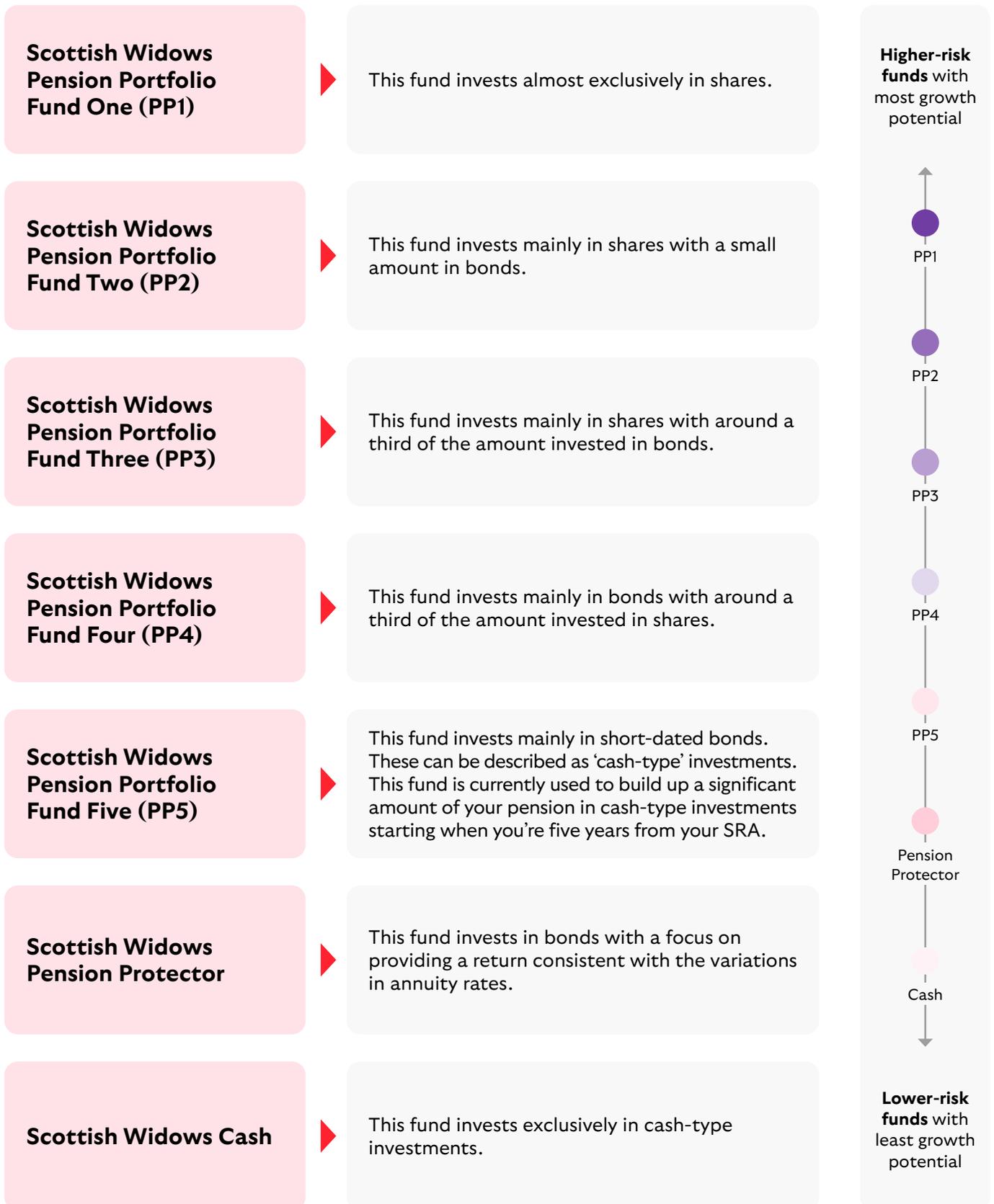
Your money is invested with other people's money. This allows you to access a wider range of investments than you can on your own and to spread risk.

A fund's value can go up and down depending on how its investments are performing.

### PIA fund range currently

Most of the PIA funds invest in different types of investments including UK and international company shares, bonds, property, and cash. They range from the highest risk fund with greatest growth potential – Scottish Widows Pension Portfolio One Fund – to the lowest risk fund with least growth potential – Scottish Widows Cash Fund.

# PIA Funds



## Investment types

Shares

Bonds

Annuity  
purchase  
investments

Cash-type  
investments

### Shares

Shares in UK and overseas companies, often known as equities, are likely to offer greater potential for higher returns over the longer term, but with greater changes in value. This is because they are more volatile, meaning their value can rise and fall more quickly, more often. The value of company shares is dependent on several factors including how well the companies perform and how much they pay out to shareholders in dividends. Dividends are payments that can be made from a company's profits. Shares are generally higher risk and should be considered as a longer-term investment to give time to ride out rises and falls in the stock market.

### Bonds

Bonds are essentially loans to companies (known as corporate bonds), or governments (known as government bonds or gilts in the UK). They allow companies and governments to borrow money directly from the public. Investors typically receive a return or 'interest' on their loan. A fund will include many different bonds with different interest rates and terms. Bonds typically produce lower returns over a longer period than shares, but they're generally less volatile – in other words, they're more predictable.

### Annuity purchase investments

These are predominantly bonds with a focus on providing a return consistent with the variations in annuity rates. The aim is to reduce risk when converting pension savings into an annuity.

### Cash-type investments

Cash-type investments are not the same thing as money held in your bank account, but they have similar characteristics, such as a fixed rate of interest, quick access and a low risk of capital loss. They include short-term loans to government and deposits. Cash funds are considered better at helping to protect the value of your investments in the short term compared to other types of investments. However, cash typically provides lower rates of return in the long term, might not keep up with price inflation and there is still a risk that cash investments can go down in value from time to time.

Higher-risk investments  
with most  
growth potential

Shares

Bonds

Annuity

Cash

Lower-risk investments  
with least  
growth potential

# Investing in different PIA funds along your journey to retirement

We move you through the different funds along your journey to retirement. When you're years away from your SRA, you'll be in higher-risk funds with greater potential for growth. As you get closer to your SRA, we'll gradually move your pension into lower-risk funds with less growth potential as illustrated below. This is known as a 'glidepath' and aims to help protect your pension's value.

## Glidepaths

Years to retirement

15

10

5

0

Initial years – 100% in Pension Portfolio One (PP1)    PP1 into PP2    PP2 into PP3    PP3 into PP4 and PP5

**Adventurous – Targeting Flexible Access**

Initial years – 100% in Pension Portfolio One (PP1)    PP1 into PP2    PP2 into PP3    PP3 into Pension Protector & Cash

**Adventurous – Targeting Annuity**

Initial years – 100% in Pension Portfolio One (PP1)    PP1 into PP2    PP2 into PP3    PP3 into PP5

**Adventurous – Targeting Encashment**

- Pension Portfolio One (PP1)
- Pension Portfolio Two (PP2)
- Pension Portfolio Three (PP3)
- Pension Portfolio Four (PP4)
- Pension Portfolio Five (PP5)
- Pension Protector
- Cash

Initial years – 100% in Pension Portfolio Two (PP2)    PP2 into PP3    PP3 into PP4    PP4 into PP4 and PP5

**Balanced – Targeting Flexible Access**

Initial years – 100% in Pension Portfolio Two (PP2)    PP2 into PP3    PP3 into PP4    PP4 into Pension Protector & Cash

**Balanced – Targeting Annuity**

Initial years – 100% in Pension Portfolio Two (PP2)    PP2 into PP3    PP3 into PP4    PP4 into PP5

**Balanced – Targeting Encashment**

- Pension Portfolio Two (PP2)
- Pension Portfolio Three (PP3)
- Pension Portfolio Four (PP4)
- Pension Portfolio Five (PP5)
- Pension Protector
- Cash

Initial years – 100% in Pension Portfolio Three (PP3)    PP3 into PP4    100% in PP4    PP4 into PP4 and PP5

**Cautious – Targeting Flexible Access**

Initial years – 100% in Pension Portfolio Three (PP3)    PP3 into PP4    100% in PP4    PP4 into Pension Protector & Cash

**Cautious – Targeting Annuity**

Initial years – 100% in Pension Portfolio Three (PP3)    PP3 into PP4    100% in PP4    PP4 into PP5

**Cautious – Targeting Encashment**

- Pension Portfolio Three (PP3)
- Pension Portfolio Four (PP4)
- Pension Portfolio Five (PP5)
- Pension Protector
- Cash

# We're moving to a new range of funds in two phases

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## Phase One

From June 2025, we began to move the funds the Pension Portfolio Funds invest in – the underlying funds – to a new set of underlying funds with our enhanced responsible investment approach applied.

At this stage, you'll still be investing in the Pension Portfolios Funds.

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## Phase Two

From early 2026, if you're in PIA Cautious or you're less than 15 years from your SRA, we'll start to move you out of the Pension Portfolio Funds (and Pension Protector Fund if you're less than 5 years to SRA and targeting annuity purchase) into our new funds. Which fund or funds you'll be investing in will depend on the investment category, retirement option, and what stage you're at. Our new funds are:

- Scottish Widows Growth Fund;
- Scottish Widows Diversified Bond Fund;
- Scottish Widows Defensive Bond Fund;
- Scottish Widows Annuity Purchase Fund;
- Scottish Widows Liquidity Fund.

If you're targeting flexible access or annuity purchase and are less than 5 years from your SRA, we'll reduce or phase out any investment in Pension Portfolio Fund 5 and Cash Fund over time. If you're targeting encashment, we'll move you out of Pension Portfolio Fund 5 and into Scottish Widows Liquidity Fund.

If you're in PIA Balanced or PIA Adventurous and are more than 15 years from your SRA you'll stay in the Pension Portfolio Funds but your pension savings will have moved into the new underlying funds. Later in phase two, we'll move you out of the Pension Portfolio Funds and into our new funds.

We'll also be changing when we start to move everyone's pension more into lower-risk investments, from 15 years to 12 years before SRA, meaning your pension will be more in higher-risk investments with greater growth potential for longer.

# Phase One

From June 2025, we're changing the underlying funds the Pension Portfolio Funds invest in to new underlying funds with our enhanced responsible investment approach applied.

## Before these changes

### Pension Portfolio Funds underlying funds – before June 2025

SW Pension Portfolio Fund	One	Two	Three	Four
<b>Underlying funds investing in shares</b>				
BlackRock UK Equity Tracker	8.7%	7.3%	5.7%	3.0%
SSgA Europe (ex UK) Equity ESG Screened Index	11.3%	9.4%	7.5%	4.0%
BlackRock US Equity Tracker	31.1%	27.3%	22.1%	12.5%
BlackRock Japan Equity Tracker	4.5%	3.8%	3.1%	1.5%
SSgA Asia Pacific (ex Japan) ESG Screened Index	4.2%	3.4%	2.8%	1.5%
SSgA Emerging Markets Equity ESG Screened Index	10.2%	8.7%	6.9%	3.7%
BlackRock ACS Climate Transition Screened and Optimised World Equity	17.5%	15.4%	12.7%	6.5%
Scottish Widows Global Developed ESG Titled Equity	6.6%	5.6%	4.6%	2.7%
<b>Underlying funds investing in bonds</b>				
Scottish Widows Global Government Bond	0%	1.0%	1.4%	2.0%
BlackRock iShares UK Gilts 0-5yr UCITS ETF	0%	1.0%	1.9%	5.5%
Scottish Widows ESG Sterling Corporate Bond Tracker	0%	3.4%	8.8%	20.1%
Scottish Widows Sterling ESG Tilted Corporate Bond	0%	0%	0.4%	0.4%
Abrdn Global Corporate Bond Screened Tracker	0%	4.3%	11.4%	27.3%
BlackRock Global Corporate ESG Insight Bond	0%	0.2%	0.6%	1.4%
Scottish Widows Global ESG Tilted Corporate Bond	0%	0%	0.4%	0.7%
BlackRock iShares Emerging Market Government Bond	0%	3.0%	4.8%	2.8%
<b>Underlying funds investing in property company shares</b>				
BlackRock iShares Environmental & Low Carbon Tilt Real Estate Index	1.4%	1.7%	1.4%	1.4%
<b>Underlying funds investing in cash-type investments</b>				
Scottish Widows Short Dated Aggregate Bond	0%	0.3%	0.5%	0.5%
Schroder Sterling Short Duration Bond	0%	0.8%	0%	0.2%
Cash or Liquidity Fund	4.4%	3.3%	2.8%	2.3%

Asset allocation as of 31st March 2025. Figures may not total 100% due to the effect of rounding.

## After these changes

### Pension Portfolio Funds underlying funds – by January 2026

SW Pension Portfolio Fund	One	Two	Three	Four
Underlying funds investing in shares				
SW Global Developed ESG Titled Equity Fund	87.6%	74.8%	61.6%	35.2%
State Street Emerging Market Screened Index Equity Fund	11.9%	10.2%	8.4%	4.8%
Underlying funds investing in bonds				
SW Global Government Bond Fund	0%	5.5%	11.2%	20.7%
SW Global ESG Tilted Corporate Bond Fund	0%	4.4%	8.9%	16.4%
SW Sterling ESG Tilted Corporate Bond Fund	0%	2.9%	5.9%	10.9%
iShares Emerging Markets Government Bond Index Fund	0%	1.0%	2.1%	3.8%
iShares Emerging Markets Local Government Bond Index Fund	0%	0.7%	1.5%	2.7%
SW Short-dated Bond Fund	0%	0%	0%	5.0%
Underlying funds investing in cash-type investments				
SW Cash Fund	0.5%	0.5%	0.5%	0.5%

**Target asset allocation as of January 2026.**

# Phase Two

From early 2026, we'll begin to move into our new funds

Fund name	Summary
<b>Scottish Widows Growth Fund</b>	Aims to provide long-term capital growth by investing predominantly in company shares.
<b>Scottish Widows Diversified Bond Fund</b>	Aims to provide long-term capital growth by investing in a mix of government and corporate bonds.
<b>Scottish Widows Defensive Bond Fund</b>	Aims to achieve capital growth and income by investing in short-dated government and corporate bonds.
<b>Scottish Widows Annuity Purchase Fund</b>	Aims to provide a return consistent with the variations in annuity rates.
<b>Scottish Widows Liquidity Fund</b>	Aims to provide capital growth and preserve the value of investments by investing in cash-like investments.

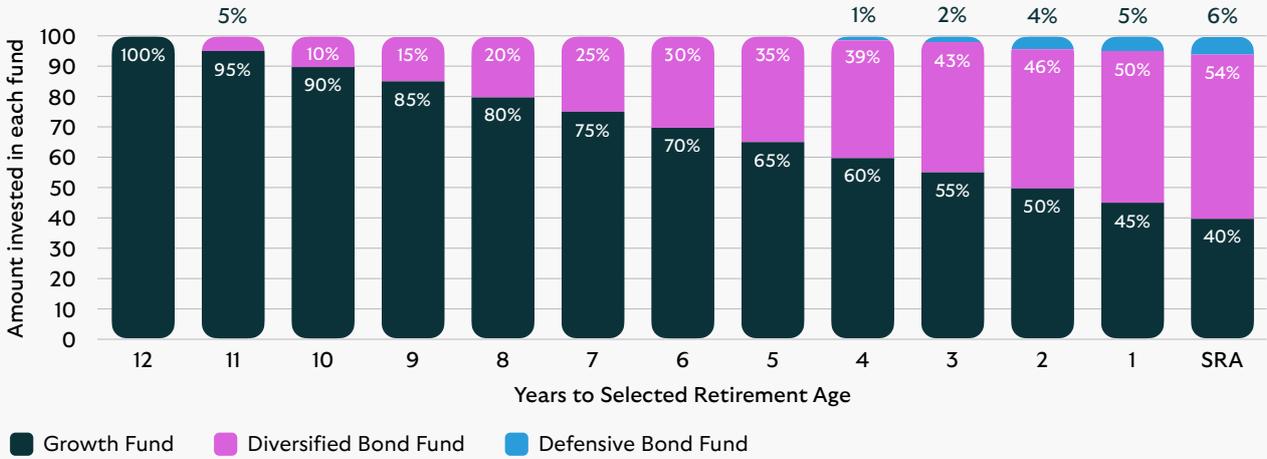
- **If you're in a PIA Adventurous option**, when you're 12 years or more away from your SRA you'll be 100% invested in Scottish Widows Growth Fund.
- **If you're in a PIA Balanced option**, when you're 12 years or more away from your SRA you'll be 85% invested in Scottish Widows Growth Fund and 15% in Scottish Widows Diversified Bond Fund.
- **If you're in any of the PIA Cautious options**, we're gradually moving your investments to match those of the equivalent Balanced options.



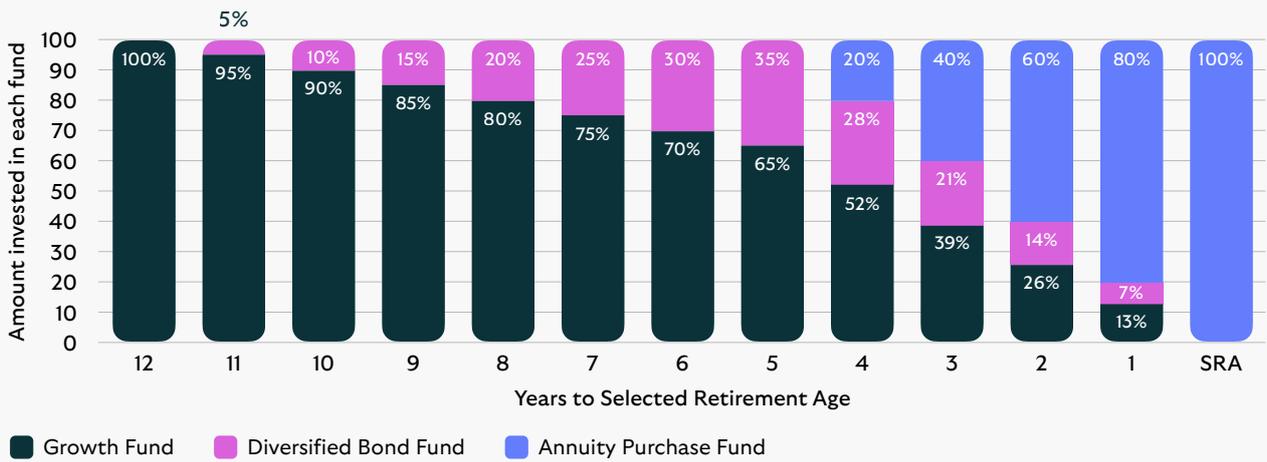
As you get closer to your SRA, you'll move into a mix of funds as illustrated in the following charts on pages 10 & 11.

# How you'll be invested in the run up to your SRA once the changes are completed

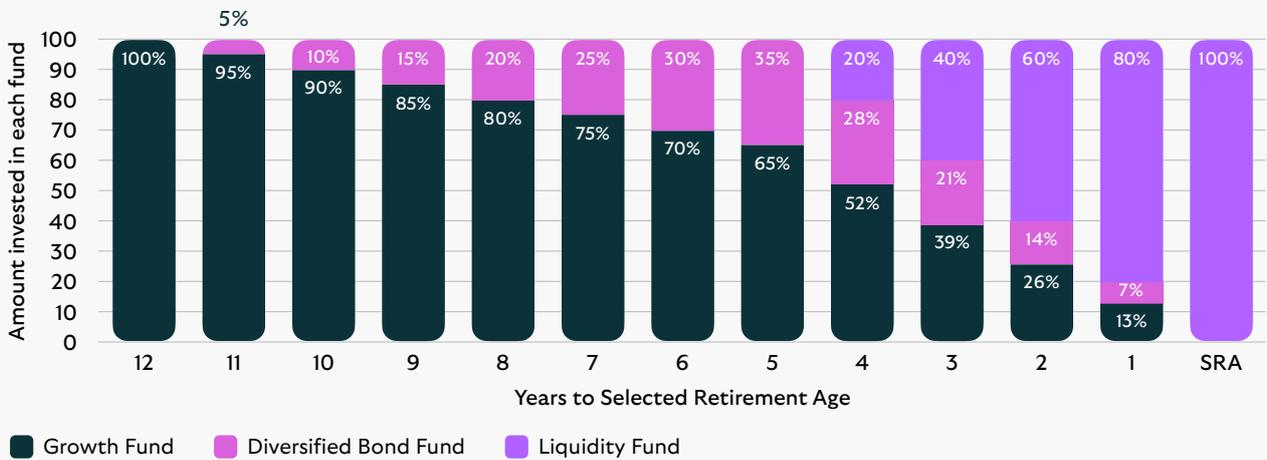
## Adventurous targeting flexible access



## Adventurous targeting annuity

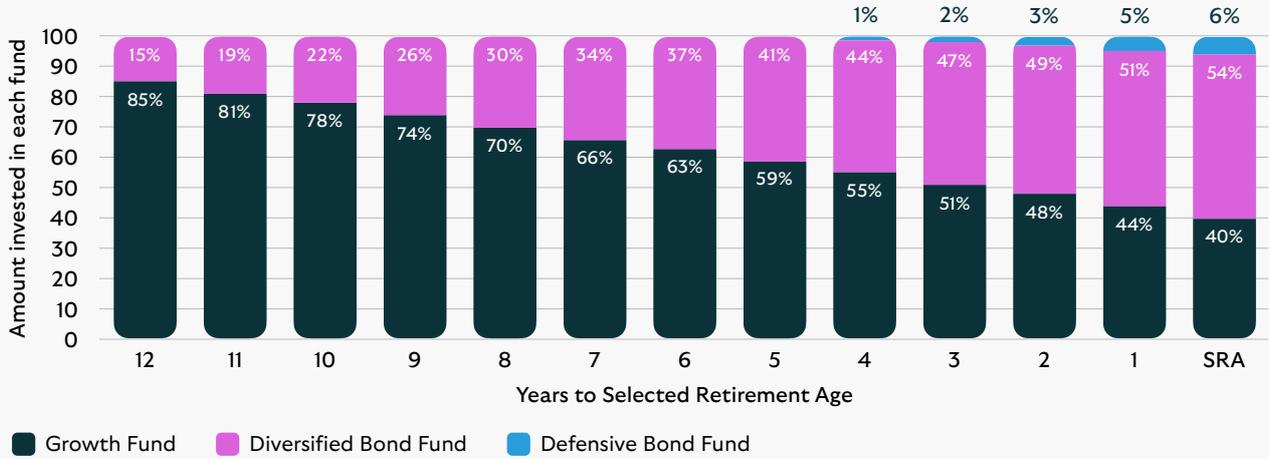


## Adventurous targeting encashment

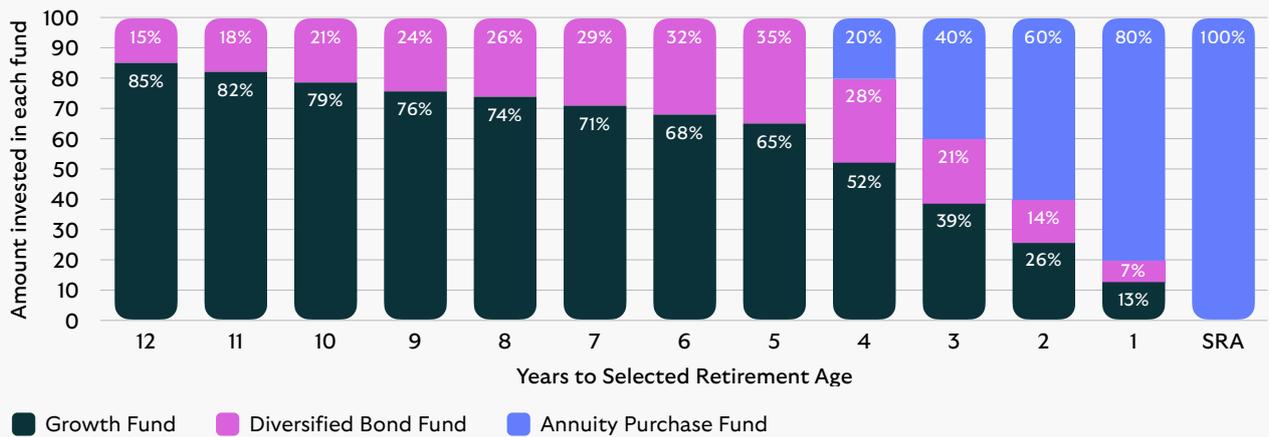


# How you'll be invested in the run up to your SRA once the changes are completed

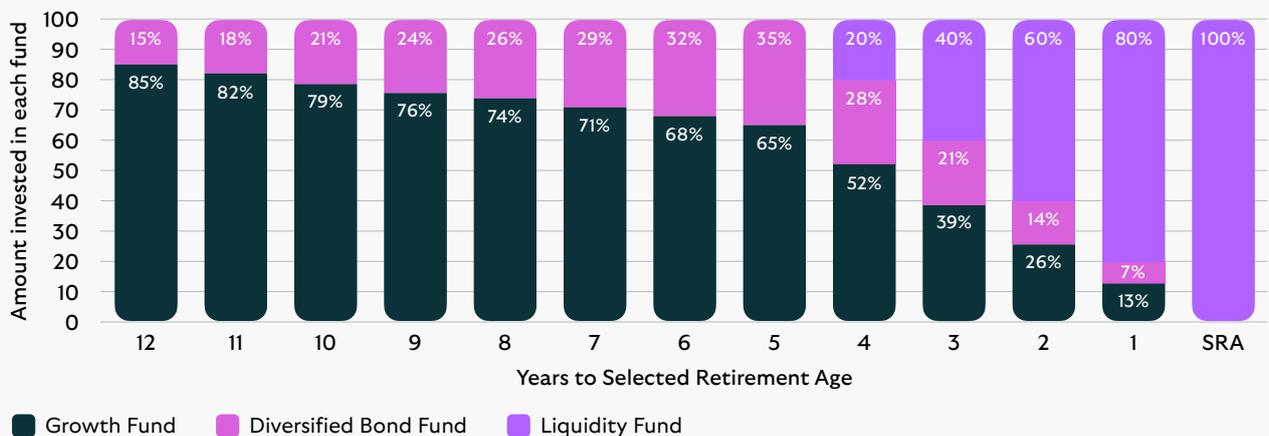
## Balanced/Cautious targeting flexible access



## Balanced/Cautious targeting annuity



## Balanced/Cautious targeting encashment



# SCOTTISH WIDOWS

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