



Information Guide for Hybrid members and DB members (with AVCs) of the HSBC Bank (UK) Pension Scheme (the Scheme)

Investment changes to Lifecycle 2 –
your options

Why have you been sent this guide?

Our records show that you are a Hybrid member with a Defined Contribution (DC) pension pot or a Defined Benefit (DB) member with Additional Voluntary Contributions (AVCs) invested in Lifecycle 2. The covering note explains why the Trustee of the Scheme decided to change your investment in Lifecycle 2 and this guide sets out:

- ✓ how the change will affect the investment of your DC pension pot in Lifecycle 2 (see pages 3 and 4),
- ✓ your alternative options (see page 6) and how to select one of them (see page 7), and
- ✓ what will happen and when including key dates for you to note (see page 7).

What automatic changes will be made to your DC pension pot invested in Lifecycle 2 from November 2022?

If you don't make a different investment choice by 4pm on 31 October 2022, from November 2022:

1. **your DC pension pot or AVCs** currently invested in Lifecycle 2 **will be invested in the Lump Sum Strategy**, and
2. **any future contributions** that would otherwise have been invested in Lifecycle 2 **will be invested in the Lump Sum Strategy**.

You don't need to take any action if you are happy with this change, but **it is important that you read this guide**.

If your DC pension pot (or AVCs) includes investment in a mix of one or more Freechoice funds, Targeted strategies, Flexicycle and other Lifecycles, this change will not affect any of these investment options that you have also chosen. The changes described in this guide are based on information concerning the investment of your DC pension pot in Lifecycle 2 held on our records at midday on 17 August 2022. If you chose to switch from Lifecycle 2 to another investment option after that date, the changes described in this guide will not apply to your DC pension pot (or AVCs).

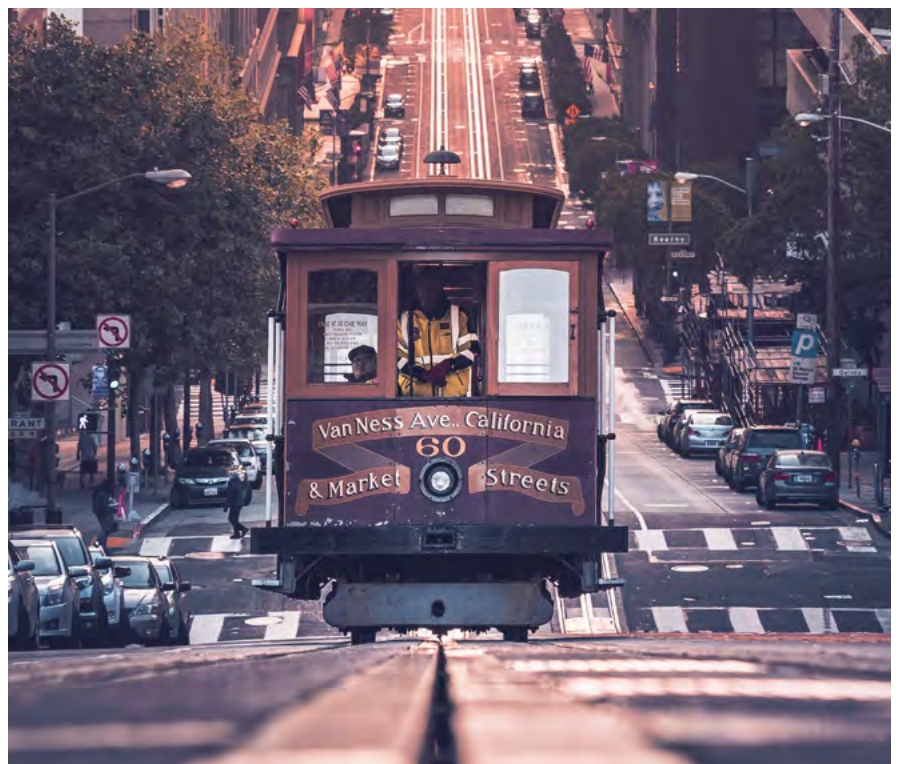
If your Scheme benefits include AVCs held with one or more of the following insurance companies, they will not be included as part of the change: Aviva Life & Pensions UK Limited, Phoenix Life Limited, Prudential Assurance Company Limited, Schroders Life Pension Management Limited, Scottish Equitable plc (Aegon), Scottish Widows Limited and Standard Life Assurance Limited. The content and investment changes described in this guide do not apply to these AVCs.

Your Target Retirement Age (TRA) is important

Members should regularly review the age that they have selected to take their Scheme benefits, called their TRA.

Now is a good time to review your TRA. This is because the automatic changes made to the investment mix used by Lifecycle 2 and the Lump Sum Strategy (see page 4), Flexible Income Strategy and Annuity Purchase Strategy are all based on the time to TRA.

You can log on to **My Pension** to review and update your current TRA (see page 7). If you update your TRA before 4pm on 31 October 2022, but don't make your own investment selection, this new TRA will be used for the automatic changes to your DC pension pot invested in the Lump Sum Strategy once this has been moved from Lifecycle 2 in November 2022.




What do the investment changes mean for your DC pension pot?

Lifecycle 2 and the Lump Sum Strategy target different outcomes at retirement. This means the investment aim for your DC pension pot (and any future contributions) or AVCs will change.

Current investment aim for your DC pension pot (or AVCs) invested **in Lifecycle 2**.

Lifecycle 2 is designed for members who plan to use 25% of their DC pension pot (or AVCs) as part of their overall tax-free cash sum and the balance to buy an annuity (a regular income for life) at their TRA. Members can buy an annuity from an insurance company of their choice.



In November 2022, your DC pension pot (and any future contributions) or AVCs will be automatically switched to the Lump Sum Strategy unless you make a different investment choice (see page 6).

Investment aim from November 2022 for your DC pension pot (or AVCs) invested **in the Lump Sum Strategy**.

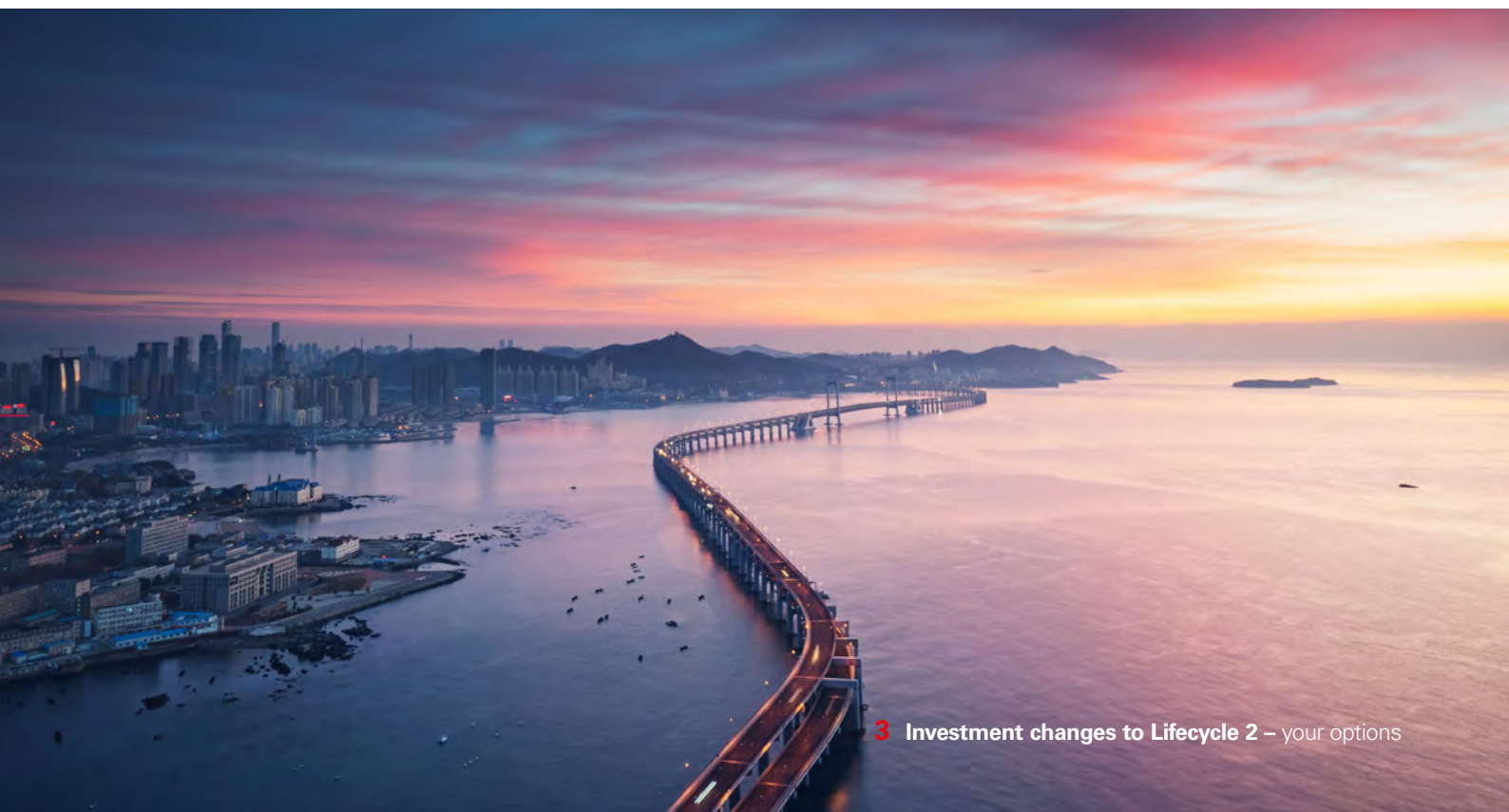
The Lump Sum Strategy is designed for members who plan to use all of their DC pension pot (or AVCs) as part of their overall tax-free cash sum at their TRA and beyond.

Will the investment mix used for your DC pension pot (or AVCs) change in November 2022?

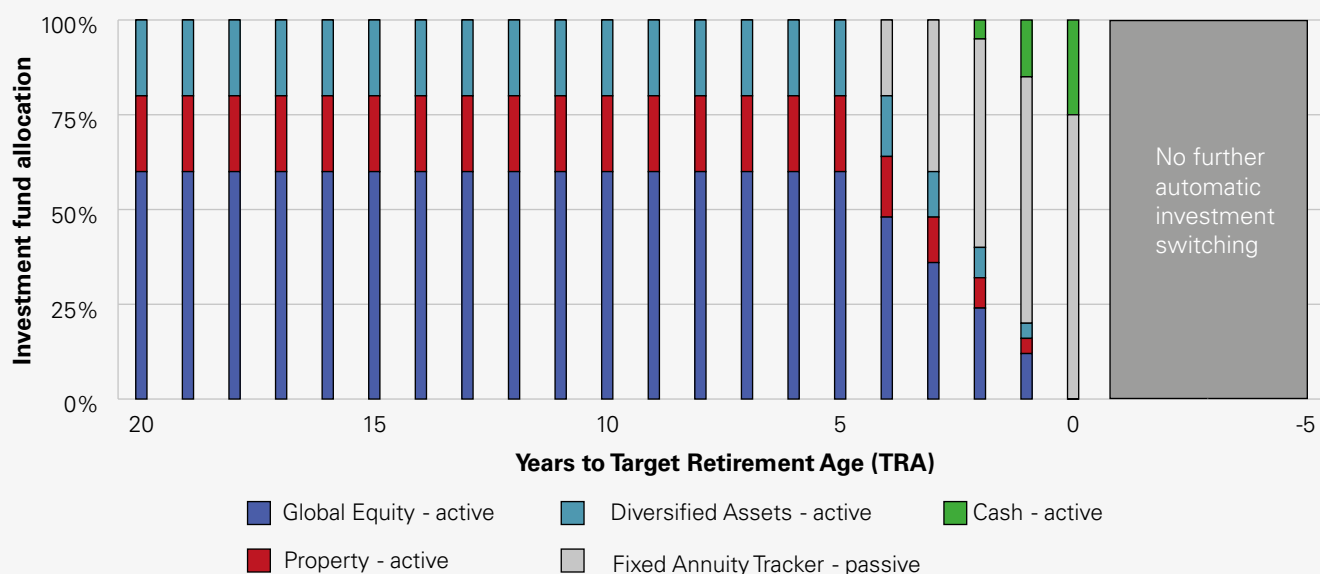
Yes. This is because the Lump Sum Strategy uses a pre-selected mix of investment funds that is different to your current Lifecycle 2 at all ages before and after TRA. This means that some or all of your current investment funds will be sold and a new mix of investment funds will be bought for your DC pension pot (or AVCs) in November 2022.

The charts on page 4 provide an indication of the investment mix used for your DC pension pot (or AVCs) before and after the changes in November 2022, based on your TRA.

If your Scheme benefits include AVCs held with an insurance company (see page 2) they will not be included as part of this investment change.

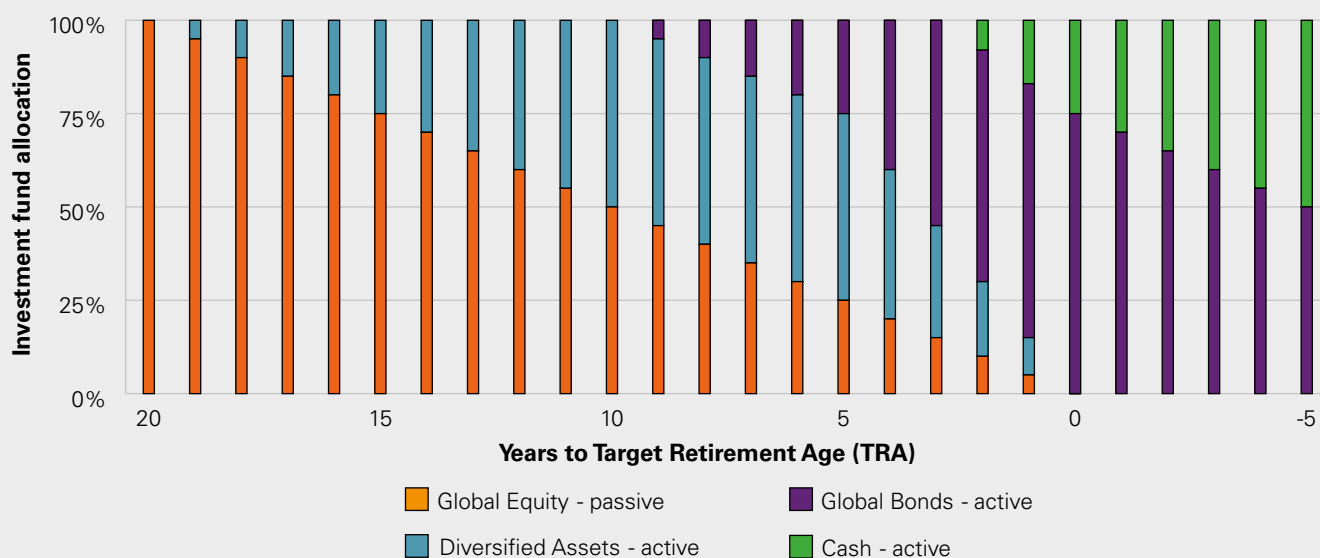


Up to November 2022: this chart shows how the **Lifecycle 2 investment mix** currently used for your DC pension pot (or AVCs) changes over the time to your TRA:



The mix of investments used for your DC pension pot (or AVCs), currently invested in Lifecycle 2, will automatically change when the switch to the Lump Sum Strategy is made. The changes to the investment mix used for your DC pension pot (or AVCs) will depend on the time to your TRA.

From November 2022: this chart shows how the **Lump Sum Strategy investment mix** that will be used for your DC pension pot (or AVCs) changes over the time to your TRA and beyond:



You can find more information about Lifecycle 2 and the Lump Sum Strategy in the DC Investment Guide and individual **fund factsheets** available on **futurefocus** (see page 7).

More about the investment aims of the Lump Sum Strategy

Growth phase – when members have more than 10 years to TRA

The aim of the growth phase is to achieve good long-term growth that is greater than inflation. Achieving investment growth greater than inflation over long periods will help maintain, and potentially increase, the future “buying power” of members’ DC pension pots (or AVCs).

Consolidation phase – when members are within 10 years of TRA

The aims of the consolidation phase are to provide some continued growth for members’ DC pension pots (or AVCs) whilst smoothing out some of the investment market’s highs and lows. The investment mix is designed to reduce the risk that the value of a member’s DC pension pot (or AVCs) falls sharply just before they access it at their TRA to take a tax-free cash sum.

What if members take their DC pension pot (or AVCs) after their TRA?

If members do not take their DC pension pots (or AVCs) at their TRA, the investment mix used will continue to gradually switch (until 5 years after TRA). This is designed to continue to reduce the risk that members’ DC pension pots (or AVCs) may fall sharply in value when they want to access it.

More information about the Lump Sum Strategy, including details about the changing mix of investment funds used, is provided in the DC Investment Guide and the individual fund factsheets which can be read and downloaded from **futurefocus** (see page 7).

The investment choice that you make now does not restrict the type of retirement income that you can take when you are ready to use your DC pension pot (or AVCs).

Will members incur any costs as a result of this change?

Members do not pay any charges for the administration or investment management of their DC pension pot (or AVCs). These are paid by HSBC. This will remain the case after the proposed changes are made or if you make your own investment choice.

There are other investment costs which members bear from time to time when the investment funds used are bought and sold known as transaction costs. This will be the case as a result of the changes outlined in this guide. These costs are deducted from the assets of each investment fund used and are reflected in the daily fund price; this means that members will not see a separate deduction from their DC pension pot (or AVCs).

The Trustee is aiming to ensure that any transaction costs for members are kept to a minimum for any investment changes made.





Your alternative options

You can make your own investment choice for your DC pension pot (or AVCs) invested in Lifecycle 2 at any time until 4pm on 31 October 2022:

- ✓ Retain your investment in Lifecycle 2 (see page 3)
- ✓ Switch to the Annuity Purchase Strategy or Flexible Income Strategy
- ✓ Switch to Freechoice and select your own funds

Who is the Lifecycle 2 designed for?

Members who plan to use 25% of their DC pension pot (or AVCs) for a tax-free cash sum and the balance to buy an annuity (a regular income for life) at their TRA.

Important note about Property Fund- active

Lifecycle 2 will continue to use the Property Fund – active. You should be aware of **the risk** that investment circumstances can arise **that prevent you from selling or buying** investments in this fund (also called “illiquidity risk”). If this happens, the fund can be temporarily “closed” at short notice. You should consider the potential **impact this could have on your financial plans if you could not access your DC pension pot (or AVCs)** when you want to. You can read more about the Property Fund – active investment risks in the **fund factsheet** available on **futurefocus** (see page 7).

Who is the Annuity Purchase Strategy designed for?

Members who plan to use 25% of their DC pension pot (or AVCs) for a tax-free cash sum and the balance to buy an annuity (a regular income for life) at their TRA (or beyond).

Who is the Flexible Income Strategy designed for?

Members who plan to take 25% of their DC pension pot (or AVCs) as a tax-free cash sum at their TRA (or beyond) and the balance to provide a flexible income (e.g. drawdown income), spreading the amount and timing of withdrawals. Members can do this by transferring their DC pension pot (or AVCs) out of the Scheme to their choice of external pension provider which offers this option.

Who is Freechoice designed for?

Members who are comfortable controlling and monitoring the investment of their DC pension pot (or AVCs) can choose their own mix of investments from the Freechoice fund range. Freechoice allows members to create an investment strategy for their DC pension pot that reflects their financial aims and personal circumstances.

You can find more information about the Annuity Purchase Strategy, Flexible Income Strategy and Freechoice range of funds in the DC Investment Guide and individual **fund factsheets** available on **futurefocus** (see page 7).

What should you do now?

Once you have **read this guide**, you should **carefully consider the investment option that is right for you**.

If you are happy for your DC pension pot (and any future contributions) or AVCs to be invested as described in this guide, you do not need to take any action. **If you want to make your own investment choice or to change your TRA, log on to My Pension (see page 7) and confirm your decision at any time until 4pm on 31 October 2022.**

If your DC pension pot (or AVCs) includes investment in a mix of one or more Freechoice funds, Targeted strategies, Flexicycle and other Lifecycles, this change will not affect any of these investment options that you have also chosen.

Next steps

A recap of what is happening and when:

Make your choice

Until 4pm on 31 October 2022

If you want to make your own investment choice (see below), log on to **My Pension** and confirm your decision by 4pm on 31 October 2022.

My Pension blackout

From 1 November 2022 until 10 am on 6 December 2022

Investment changes will be made during this period. See below for an explanation of what the My Pension “blackout period” means for you.

View your investments

From 10 am on 6 December 2022

View your chosen investments and make any changes in the usual way by logging on to **My Pension**.

Log on to My Pension

If you want to check your DC pension pot, make your investment choice or update your TRA you can do this online on My Pension:

- If you are on the HSBC network, visit [futurefocus](https://futurefocus.staff.hsbc.co.uk) <https://futurefocus.staff.hsbc.co.uk> and click on **My Pension** on the top right-hand corner.
- If you are not on the HSBC network, visit [futurefocus](https://futurefocus.staff.hsbc.co.uk) and click on **My Pension** on the top right hand corner and enter your User ID and password.

If you want more help to log on to My Pension or have forgotten your User ID or Password, you can read and download a step-by-step guide available at:

https://epa.towerswatson.com/doc/HSB/pdf/faq_login.pdf

Make your own investment choice

Once you are in My Pension, you can make your investment choice for your DC pension pot (and any future contributions) or AVCs invested in Lifecycle 2, by clicking on ‘My Investments’:

- Follow the instructions on the ‘My Investments’ page to make a switch to the Annuity Purchase Strategy, Flexible Income Strategy or Freechoice range of funds.
- Click on ‘Alternative investment option – choice to retain your investment in Lifecycle 2’ on the ‘My Investments’ page to confirm this choice.

Questions and help

If you have any questions, please contact Equiniti. You will need to include your full name, date of birth, full address, member number or payroll number. This will ensure Equiniti can respond to your query without delay.

For most general queries you may be able to find the information you require online via Member Self Service (MSS). For questions about the investment changes members with:

- **Hybrid** benefits should contact Equiniti by telephone 0371 384 2631 or email HSBCHybridPensions@equiniti.com
- **Defined Benefit (DB) with AVCs** should contact Equiniti by telephone 0371 384 2620 or email HSBCDBPensions@equiniti.com

While the investment changes are made

There will be a My Pension “blackout period” from 1 November 2022 until 10 am on 6 December 2022 when you will not be able to make changes to your investments, transfer money in or out of your DC pension pot (or AVCs), take your DC (or AVC) benefits or make one-off contributions. During this time, you can select to update your TRA but any investment changes will be made **after** the “blackout period” and will apply to your investment selection at that later time.

Are you planning to take your DC (or AVC) benefits or transfer out before November 2022?

If you are planning to take your DC pension pot (or AVCs) or transfer out DC (or AVC) benefits before 1 November 2022, you will need to provide all the necessary information and confirmations by **3 October 2022**.

Please contact the Scheme administrator, Equiniti, if you need help.

Financial advice

If you need help to make an investment choice, you should consider speaking to a financial adviser. Visit the Money Helper website www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser to learn more about finding a financial adviser.

Please note that the Trustee and the Scheme administrator cannot provide you with financial advice.



Notes about your DC pension pot:

- The value of members' DC pension pots (or AVCs) are always linked to the price of the investment funds which make up their investment choice. This means that the value of members' DC pension pots (or AVCs) are not guaranteed and can fall as well as rise. Past investment performance is not a reliable indicator of future results.

Notes from the Trustee:

- If you are a Jersey, Guernsey or Isle of Man member of the Scheme, the options that are currently available to you at retirement differ to those available for UK members. You may wish to consider this when deciding which investment option is most suitable to you. If you have any questions about the benefit options that are currently available to you please contact the Scheme administrator (see page 7).
- The Trustee reserves the right to determine whether the changes described in this guide will be implemented in part or full or are delayed depending upon future circumstances.
- The Trustee keeps the range of investments described in this guide under review and may, from time to time, make changes to the funds including removing or replacing some or all of the options.
- The Trustee takes the security of the Scheme's data seriously and has up to date security measures in place to protect members' data.

This guide takes account of the Trustee's understanding of the UK tax and social security legislation in force as at June 2022. If there are differences between this guide and the Trust Deed and Rules, the latter will always override.

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