For members of the HSBC Bank (UK) Pension Scheme

New investment options for your Defined Contribution (DC) pension pot

What's inside?

This brochure provides important information about the changes to the investment options for members with DC benefits.

It is important you read this alongside the separate letter or letters that have been sent to you which explain how these changes affect your DC pension pot.

HSBC

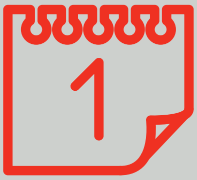
February 2018

Current investment options

There are three ways that members can currently choose to invest their Defined Contribution (DC) pension pot and any future contributions in the HSBC Bank (UK) Pension Scheme (the Scheme).

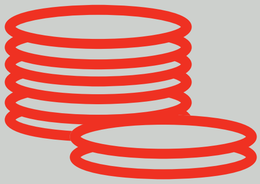
1. **Lifecycles:** These use pre-selected investment funds for members' DC pension pots and any future contributions. They automatically change the investment mix used as members approach their Target Retirement Age (the age that they have selected to access their DC pension pot) with the aim of providing more certainty of the benefits that their DC pension pot may provide.

There are three Lifecycle investment strategies available:



Income Lifecycle

Designed for members who plan to use 25% of their DC pension pot for a tax-free cash sum and the balance to buy an annuity (a regular income for life) at their Target Retirement Age. Members can buy an annuity from an insurance company of their choice.



Capital Lifecycle

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

Cash Lifecycle

Designed for members who plan to use all of their DC pension pot for a cash lump sum at their Target Retirement Age.

2. **Flexicycle**: Flexicycle allows members to design and build their own version of a Lifecycle investment strategy.
3. **Freechoice:** The Freechoice range of funds allows members to create and manage a personal investment strategy.

Visit the Information Centre on **futurefocus** to find a copy of the Scheme's current DC Investment Guide which contains more information about the existing investment choices described above and the Lifecycle 2 Information Sheet.

What happens now if a member does not make an investment choice?

The Trustee previously decided that members' DC pension pots and any future contributions would be automatically invested in the appropriate default investment strategy. Currently, the Scheme has the following two default investment strategies:

- The Income Lifecycle for DC only members
- The Cash Lifecycle for Hybrid members

Find out more

Visit the Information Centre on **futurefocus** to read or download a copy of the current **DC Investment Guide.** You will find the **investment changes videos** which provide an introduction to the new investment options available to you from 1 March 2018. A **separate letter** has been sent to you that explains how the changes will affect your investments.

If your DC pension pot includes investment in a mix of investment options, a separate letter will have been sent to you for each one that you have chosen to use.

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Why are the Scheme's investments being updated?

The Trustee aims to provide a wide range of investment options that meet the needs of members with DC benefits. The Trustee carries out a three-yearly review of these investment options as part of the ongoing governance of the Scheme. The most recent review took place last year. As part of this, the Trustee collected a wide range of data from members with DC benefits including:

- Feedback from a series of workshops held with members around the country in 2017.
- Results of an investment questionnaire sent to members asking for views on their current and potential future investment options.
- Where members invested their DC pension pot whilst in the Scheme and insights into their choice of retirement benefits when they left.

This information was analysed together with membership information, data on current DC market best practice and input from the Trustee's independent DC adviser. The Trustee also consulted with the Bank as sponsor of the Scheme.

The outcome was the Trustee's decision to change and improve the Scheme's investment options from 1 March 2018 for members with DC benefits.

Why does this matter?

The new investment options will be available to all members with DC benefits from 1 March 2018. This brochure should be read alongside the separate letter(s) sent to all members. Together they explain:

- What the investment changes mean for a member's DC pension pot and any future contributions.
- Whether in April 2018 any investment changes will be automatically made to a member's DC pension pot and any future contributions.
- How to make a different investment choice.

Summary of the investment changes

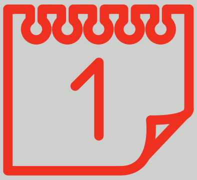
The Trustee has decided to make some updates to the Lifecycle options (referred to as "targeted strategies" in this brochure).

The Scheme's main default investment option will also be changed. New Freechoice funds will be introduced and Flexicycle will be closed to members not currently invested in it.

Further details are set out in the next few pages.

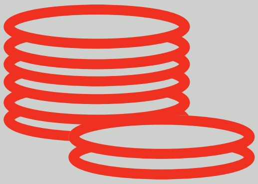
Investment options from 1 March 2018

There will be three targeted strategies which members can choose:



Annuity Purchase Strategy (currently Income Lifecycle)

This will use exactly the same mix of pre-selected investment funds as the existing Income Lifecycle (just with a new name).



Flexible Income Strategy

This will be an updated version of the existing Capital Lifecycle which will use a new mix of pre-selected investment funds from 10 years to Target Retirement Age and beyond.

Lump Sum Strategy

This will be an updated version of the existing Cash Lifecycle which will use a new mix of funds from 10 years to Target Retirement Age.

Further details are provided on pages 5 to 8. Note that the existing Capital Lifecycle and existing Cash Lifecycle will remain in place for certain members (see page 10) close to their Target Retirement Age but will not be available as an investment choice from 1 March 2018.

New default investment strategies

Members' DC pension pots are invested in the default investment strategy if they do not make their own investment choice. The Trustee is making changes to the default investment strategies as described below.

For DC only members

The Trustee has decided that the Flexible Income Strategy will be the new default investment option for DC only members from April 2018 (in place of the Income Lifecycle). This is because the Trustee expects that, over time, more members will want to take a flexible income (e.g. income drawdown), spreading the amount and timing of withdrawals. Members can do this by transferring their DC pension pot out of the Scheme to a pension arrangement of their choice that offers this option.

Certain members (see page 10) who are close to their Target Retirement Age will remain in the Income Lifecycle (renamed as the Annuity Purchase Strategy).

For Hybrid members

The Lump Sum Strategy will be the new default investment option for Hybrid members from April 2018 (in place of the Cash Lifecycle).

Certain members (see page 10) who are close to their Target Retirement Age will remain in the Cash Lifecycle.

Changes to Freechoice funds

The Trustee is extending the range of Freechoice funds available by adding four new passive regional equity funds and a new sterling corporate bond fund. Two fund names are also being changed. Further details are provided on page 9.

Changes to Flexicycle

Current members who have chosen this option can continue to invest in Flexicycle but from 5pm on 9 April 2018 no further investment fund or strategy changes can be made within Flexicycle other than to update their Target Retirement Age. Flexicycle will not be available for use by any other member after 9 April 2018.

More about the targeted strategies from 1 March 2018

Each of the three targeted strategies (Annuity Purchase Strategy, Flexible Income Strategy and Lump Sum Strategy) automatically change the mix of investment funds used for members' DC pension pots based on the time to their Target Retirement Age.

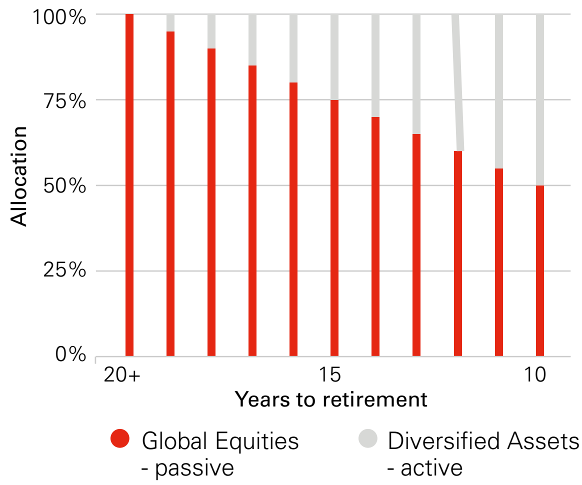
They do this in two different "phases" called the growth phase and the consolidation phase. The investment aims (i.e. the balance between risk and potential return) for members' DC pension pots will change automatically over time as explained in the next few pages.

Growth phase for each targeted investment strategy – when members have more than 10 years to Target Retirement Age

The targeted strategies all use the same mix of investment funds during the growth phase (up to 10 years before a member's Target Retirement Age). Members' DC pension pots are invested in a mix of the Global Equities Fund - passive and the Diversified Assets Fund - active which gradually change as shown in the diagram (see right). 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.

When members reach 10 years from their Target Retirement Age, the consolidation phase begins. From this time, the mix of investment funds used will depend on whether a member's DC pension pot is invested in the Flexible Income Strategy, Annuity Purchase Strategy or Lump Sum Strategy. Further details are provided on pages 6 and 7.

Growth phase investment funds used for each targeted investment strategy



We assume that members who have not chosen a Target Retirement Age plan to access their DC pension pot at age 65. Members can update their Target Retirement Age on My Pension (see pages 11).

Members who change their Target Retirement Age between midday on 7 February 2018 and 5pm on 9 April 2018 should read page 10. This is to check whether their new Target Retirement Age will affect the automatic investment changes that will apply in April 2018 to their DC pension pot and any future contributions.

Find out more

Watch the **investment changes videos** for an introduction to the new investment choices by visiting **futurefocus.**

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Flexible Income Strategy

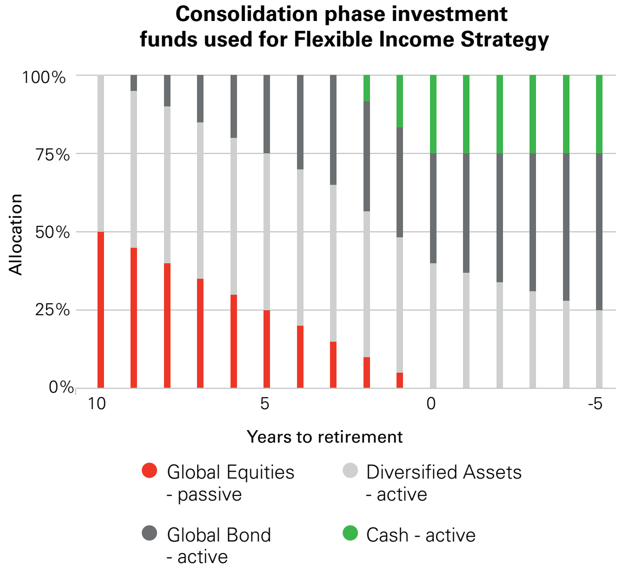
Who is this for?

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

What's new?

The Flexible Income Strategy is an updated version of the Capital Lifecycle.

The mix of investment funds used in the consolidation phase is different to the Capital Lifecycle.



Consolidation phase – when members are within 10 years of Target Retirement Age

The aims of the consolidation phase are to provide some continued growth for members' DC pension pots 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 falls sharply in value just before they access it at their Target Retirement Age. The Flexible Income Strategy does this by gradually switching more of a member's DC pension pot to investments in the Global Bond Fund - active and Cash Fund - active (see diagram above).

The Global Bond Fund - active is a new fund in the consolidation phase. It has been included with the aim of having less investment risk than the Diversified Assets Fund - active and is also designed to provide more protection against the impact of inflation than investing in the Cash Fund - active.

At Target Retirement Age

When members reach their Target Retirement Age, 40% of their DC pension pot will be invested in the Diversified Assets Fund - active, 35% will be invested in the Global Bond Fund - active and 25% will be in the Cash Fund - active.

If members' DC pension pots are invested in the Flexible Income Strategy, Lump Sum Strategy or Annuity Purchase Strategy, these will include investment funds that aim to provide growth throughout the consolidation phase. This means the value of their DC pension pot is not guaranteed and could fall as well as rise throughout the time it is invested in any of these strategies.

Lump Sum Strategy

Who is this for?

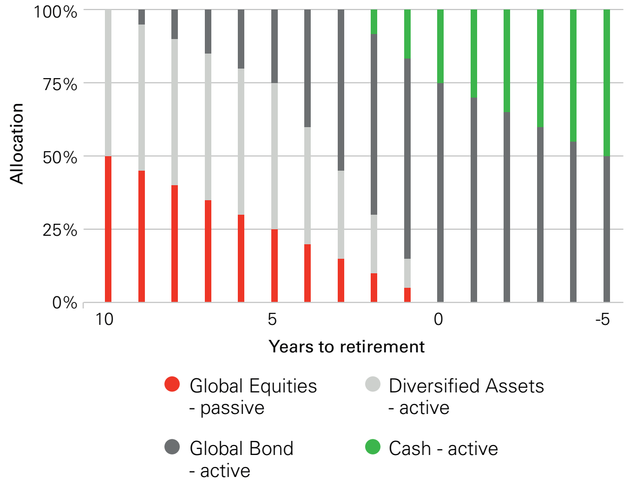
This strategy is designed for members who plan to use all of their DC pension pot for a cash lump sum at their Target Retirement Age.

What's new?

The Lump Sum Strategy is an updated version of the Cash Lifecycle.

The mix of investments used in the consolidation phase is different to the Cash Lifecycle.

Consolidation phase investment funds used for Lump Sum Strategy



Consolidation phase – when members are within 10 years of Target Retirement Age

The aims of the consolidation phase are to provide some continued growth (but more limited as members near Target Retirement Age) whilst smoothing out some of the investment market's highs and lows. The investment mix is designed to provide increasing certainty for the value of a member's cash lump sum when they take it at their Target Retirement Age. The Lump Sum Strategy does this by gradually switching more of a member's DC pension pot to investments in the Global Bond Fund - active and Cash Fund - active (see diagram above).

The Global Bond Fund - active is a new fund in the consolidation phase. It has been included with the aim of providing more protection against the impact of inflation than investing in the Cash Fund - active.

At Target Retirement Age

When members reach their Target Retirement Age, 75% of their DC pension pot will be invested in the Global Bond Fund - active and 25% will be in the Cash Fund - active.

Annuity Purchase Strategy

Who is this for?

The Annuity Purchase Strategy is designed for members who plan to use 25% of their DC pension pot for a tax-free cash sum and the balance to buy an annuity (a regular income for life) at their Target Retirement Age.

Any changes?

There will be no changes to the objective of this strategy or the pre-selected investment mix used in the growth or consolidation phases of the Annuity Purchase Strategy compared with the existing Income Lifecycle. It just has a new name.

Find out more

Visit the Information Centre on **futurefocus** to read or download a copy of the current **DC Investment Guide.** You will also find the **investment changes videos** which provide an introduction to the new investment options available to you from 1 March 2018.

www.futurefocus.staff.hsbc.co.uk

Target Retirement Age is important

Members should regularly review the age that they have selected to take their benefits, called their Target Retirement Age. Now is a good time, especially if their DC pension pot is invested in an existing Lifecycle strategy. This is because changes to the investment mix used by all the existing Lifecycle strategies and the new targeted strategies are based on the period to a member's Target Retirement Age.

Members who change their Target Retirement Age between midday on 7 February 2018 and 5pm on 9 April 2018 should read page 10. This is to check whether their new Target Retirement Age will affect the automatic investment changes that will apply in April 2018 to their DC pension pot and any future contributions.

What if members take their benefits after their Target Retirement Age?

If members are invested in the Annuity Purchase Strategy, no further investment switches will be made. Their DC pension pot will already have switched to investments that aim to provide increased certainty for the amounts of the tax-free cash sum and annuity benefits.

If members' DC pension pots are invested in the Flexible Income Strategy or the Lump Sum Strategy and they do not take their benefits at their Target Retirement Age, the investment mix used will continue to gradually switch. The investment switching will stop five years after Target Retirement Age. At this time, these two targeted strategies will have the following investment mixes:

- Flexible Income Strategy will be invested 25% in the Diversified Assets Fund - active, 50% in the Global Bond Fund - active and 25% in the Cash Fund - active.
- Lump Sum Strategy will be invested 50% in the Global Bond Fund - active and 50% in the Cash Fund - active.

This ongoing investment switching after Target Retirement Age is designed to continue to reduce the risk that a member's DC pension pot may fall sharply in value when they want to access it. This is because many members do not retire at their Target Retirement Age.

We assume that members who have not chosen a Target Retirement Age plan to access their DC pension pot at age 65. Members can update their Target Retirement Age on My Pension (see pages 11).

Freechoice

Members who are comfortable controlling and monitoring the investment of their DC pension pot can choose their own mix of investments from the updated Freechoice fund range.

Freechoice allows members to create an investment strategy for their DC pension pot that reflects their financial aims and personal circumstances. In response to member feedback, the Trustee has extended the range of Freechoice funds available by adding four new regional equity funds (all passively managed) and a new sterling corporate bond fund (actively managed).

The Trustee is also changing the name of two of the existing funds. These new names are designed to make the investment objectives of these funds clearer.

More information about the existing Freechoice range of funds is contained in the current DC Investment Guide and individual fund factsheets available from the Information Centre on **futurefocus**.

New and updated Freechoice funds

	Fund name	Objective
New Fund	North American Equities - passive*	To provide long-term capital growth in excess of UK price inflation by investing predominantly in North American listed shares. The fund aims to perform in line with the benchmark as closely as possible.
New Fund	European (ex UK) Equities - passive*	To provide long-term capital growth in excess of UK price inflation by investing predominantly in European (excluding UK) listed shares. The fund aims to perform in line with the benchmark as closely as possible.
New Fund	Japanese Equities - passive*	To provide long-term capital growth in excess of UK price inflation by investing predominantly in Japanese listed shares. The fund aims to perform in line with the benchmark as closely as possible.
New Fund	Asia Pacific (ex Japan) Equities - passive*	To provide long-term capital growth in excess of UK price inflation by investing predominantly in Asia Pacific (excluding Japan) listed shares. The fund aims to perform in line with the benchmark as closely as possible.
New Fund	Sterling Corporate Bonds - active	To provide long-term capital growth in excess of UK price inflation by investing mainly in investment grade corporate bonds of UK companies. The fund aims to outperform the benchmark over the long term.
Renamed	**Current name** Index Linked Bonds - passive **New name** Inflation Linked Annuity Tracker - passive	To mitigate against pension conversion risk (for indexed annuities).
Renamed	**Current name** Fixed Income Bonds - passive **New name** Fixed Annuity Tracker - passive	To mitigate against pension conversion risk (for non-increasing and fixed increase annuities).

*The currency exposure of these funds matches the overseas markets in which they invest and is not hedged back to sterling.

What do the investment changes mean for you?

You have been sent a separate letter that explains how the **changes will affect your investments** and the **new options available to you from 1 March 2018**. The changes described in the letter are based on information concerning your investment choices and Target Retirement Age, held on Scheme records, at midday on 7 February 2018.

If your DC pension pot includes investment in a mix of one or more Lifecycle(s), Flexicycle and Freechoice funds, a separate letter has been sent to you for each of the investment options that you have chosen to use.

This brochure together with the separate letter(s) sent to you explain and provide more information about:

- What the investment changes mean for your DC pension pot and any future contributions.
- Whether in April 2018 any investment changes will be automatically made to your DC pension pot and any future contributions.
- How to make a different investment choice.

What should you do now?

You should **read this brochure alongside the separate letter(s) sent to you** and then **carefully consider the investment option that is right for you.**

If you are happy for your DC pension pot and any future contributions to be invested as described in your separate letter(s), you do not need to take any action. A summary of what will happen automatically to your investments in April 2018 is set out below.

It is important that you **read the summary below** and check (if any) automatic changes will be made in April 2018 in line with **your new investment choice and / or Target Retirement Age,** if one or both of the following apply:

- You have changed your investment choice between midday 7 February 2018 and 28 February 2018.
- You have changed or decide to change your Target Retirement Age between midday 7 February 2018 and 5pm on 9 April 2018.

Any automatic change made in April 2018 will apply to your DC pension pot and any future contributions and may differ from the description in the separate letter(s) sent to you.

If your investment choice is the Income Lifecycle[1], then from April 2018 your DC pension pot and any future contributions will...

- Be automatically moved to the Flexible Income Strategy if you have at least 12 months until Target Retirement Age[2].
- Remain invested in the Income Lifecycle (which is being be renamed the Annuity Purchase Strategy) if you have less than 12 months until Target Retirement Age[2].

If your investment choice is the Capital Lifecycle, then from April 2018 your DC pension pot and any future contributions will...

- Be automatically moved to the Flexible Income Strategy if you have at least 12 months until Target Retirement Age [2].
- Remain invested in the Capital Lifecycle if you have less than 12 months until Target Retirement Age[2].

If your investment choice is the Cash Lifecycle, then from April 2018 your DC pension pot and any future contributions will...

- Be automatically moved to the Lump Sum Strategy if you have at least 12 months until Target Retirement Age[2].
- Remain invested in the Cash Lifecycle if you have less than 12 months until Target Retirement Age[2].

If your investment choice is Freechoice, then from April 2018 your DC pension pot and any future contributions will...

- Remain invested in your selection of Freechoice funds but you will have additional options (and some of the funds will be renamed).

If your investment choice is Flexicycle, then from April 2018 your DC pension pot and any future contributions will...

- Remain invested in your selection of Flexicycle funds but you will not be able to make any further investment fund or strategy changes within Flexicycle other than to update your Target Retirement Age.

If your investment choice is Lifecycle 2, then from April 2018 your DC pension pot and any future contributions will...

- Remain invested in Lifecycle 2 but you will have a range of additional options described in this brochure.

Notes

[1] This includes both members who selected the Income Lifecycle and those using it because it is the default investment strategy for DC only members who did not make their own investment choice.

[2] Your Target Retirement Age as at 10 April 2018.

Next steps

A recap of what is happening and when

Make your choice

From 1 March 2018 to 5pm on 9 April 2018

If you want to make your own investment choice or change your Target Retirement Age, log on to My Pension and confirm your decision by 5pm on 9 April 2018.

My Pension blackout

From 5pm 9 April 2018 to 8 May 2018

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 8 May 2018

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

While the investment changes are made

There will be a **My Pension "blackout period" from 5pm on 9 April 2018 until 8 May 2018 when you will not be able to make changes** to your investments, transfer money in or out of your DC pension pot, take your benefits or make one-off contributions. **If you are planning to take your retirement benefits or transfer out benefits before 8 May 2018, you will need to provide all the necessary information and confirmations by 23 March 2018.** Please contact the Scheme administrator now if you need help (see contact details below).

Questions and help

If you have any questions, please contact the Scheme administrator at Willis Towers Watson. You can send an email to **HSBCpension@willistowerswatson.com** at any time or telephone **01737 227575** from Monday to Friday between 9am and 5.30pm. Please ensure you include your date of birth, National Insurance number and current address in any of your correspondence to meet the required security checks.

If you need more help to make an investment choice, you should consider speaking to a financial adviser. Visit the Money Advice Service website to learn more about finding a financial adviser (you will probably be charged for professional financial advice).

The Trustee and the Scheme administrator cannot provide you with financial advice.

You can log on to My Pension at any time.

If you want to check your DC pension pot, change your investment choice or update your Target Retirement Age you can do this online:

- At work visit **futurefocus** and click on **My Pension**.
- At home visit **futurefocus** and click on **My Pension** then enter your user ID and password.

Your user ID: HSBC + your 8 digit employee ID + the year you were born.

If you are having difficulty accessing My Pension, you will find explanations and help on the My Pension log on page or you can contact the Scheme administrator (see left).

www.moneyadviceservice.org.uk

www.futurefocus.staff.hsbc.co.uk

Notes about your DC pension pot:

- Members don't pay any charges for the administration or investment management of their DC pension pot. These are paid by HSBC. There may be 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 brochure. These costs are deducted from the assets of each investment fund used and are reflected in the daily fund price so members will not see a separate deduction from their DC pension pot. The Trustee is aiming to ensure that any transaction costs for members are kept to a minimum for any investment changes made.
- The value of members' DC pension pots 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 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 11).
- The Trustee reserves the right to determine whether the changes described in this brochure will be implemented in part or full or are delayed depending upon future circumstances.
- The Trustee keeps the range of investments described in this brochure 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.

The Trustee welcomes your feedback

If you have thoughts or views on the investment changes, the communications and helpline, using My Pension to select your investment option or other topics, please email your comments to: pensionschemeexecutive@hsbc.com

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