

A close-up photograph of a hand holding a silver coin, poised to drop it into a white piggy bank. The piggy bank is partially visible at the bottom of the frame. The background is a light blue gradient. A teal speech bubble shape is in the top right corner.

your  
FUTURE

# BAXI GROUP PENSION SCHEME

INVESTMENT GUIDE

**BAXI**  
●●●● HEATING

# WELCOME TO BAXI PENSION INVESTMENTS

At Baxi Heating, we take our people's wellbeing seriously. As a result, we're passionate about helping them plan for the future. The way we do that is through our Pension Scheme, which lets us work with our employees to provide them with a competitive retirement fund. It works like this:

Throughout your Scheme membership, your own contributions and those of the Company are paid into your retirement account in the Scheme. The amount you contribute and the investment returns earned by your retirement account will be key factors in determining what your retirement benefits will ultimately be. For this reason, the Scheme allows you to decide how your retirement account is invested to enable you to meet your own personal objectives and circumstances.

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You can change your investments at any time by filling in an Investment Decision Form or by logging in to the member portal to view and change your investment choices.



01

# YOUR INVESTMENT GUIDE

If you are reading this guide, then you are part of the defined contribution section of the Baxi Group Pension Scheme. The Scheme works in a similar way to a savings account:

- You pay a percentage of your salary into your pension pot every month and Baxi will also pay a percentage for you. For most members, these contributions are paid through a salary sacrifice arrangement called SMART Pension.
  - Over time, we would expect your pot to grow as you and Baxi continue to pay in contributions. Your pot is expected to grow with investment returns and these depend on which investment option you choose.
- You can choose to invest the contributions made to your retirement account, including any Additional Voluntary Contributions (AVCs), in a range of investment funds offered by Legal and General, a leading UK investment manager. To assist you in making your investment decisions, you can choose between two basic investment approaches. These are:
- A Lifestyle Option, or
  - Self-select
- This guide will take you through the different types of investments and your options.

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## WHAT IS AN INVESTMENT FUND?

It's a type of pooled investment in which people place their money, with the aim of increasing its value.

Different funds invest in different things - like company shares, property, bonds or cash. They all have different objectives and different levels of risk. There are a number of factors that will affect a fund's performance, including where they are in the world, the type of activities associated with the fund and the size of the market.

Generally though, funds that invest in company shares are more likely to go up and down in value than funds that invest in bonds and cash. Investments in bonds and cash are less likely to go up and down in value in the short term but they're also less likely to grow by as much over the longer term.

So the choices you make will depend on how you feel about the ups and downs of investments, how long you have to go until retirement, and what other savings you have as part of your plan for giving you an income once you've retired.

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02

## YOUR ATTITUDE TO RISK

Selecting an investment strategy that suits you depends on a number of factors, including your personal circumstances, how long you have left until retirement, and your attitude towards risk.

Different asset classes carry different risks. For pension funds the most common types of assets available for investments are equities, bonds, cash and mixed/diversified funds.



## Main types of investment and their characteristics

Asset Class	Potential Return	Potential Risk	Characteristics
Equities	High	High	These are company shares. Buying shares in a company gives the investor the right to share its profits. In the short term their value can go up and down, sometimes dramatically. But over the longer term they have the potential to increase significantly as the company grows and becomes more profitable. Of course, there is the risk that this might not happen.
Bonds	Medium	Medium	Bonds are issued by governments (gilts) and companies (corporate bonds) that want to borrow money and will pay interest on it. They can either pay out the same rate of interest every year or vary the payments with inflation. Investors are not required to keep a bond until the repayment date.  Gilts are backed by the UK government and are regarded as very safe investments, but their expected return is low. Corporate bonds are considered less safe but have a higher expected return.
Mixed / Diversified	Medium	Medium	These funds invest in a wider range of assets, including equities, property, bonds, cash and other commodities. The funds are focused on providing greater stability of returns through investing in a diversified range of investments.
Property	Medium	Medium	Property investments involve owning buildings, such as offices, shops or houses. The aim is to earn money from renting out the properties or from an increase in the value of the property over time. Property values can rise and fall depending on things like the economy and interest rates. Unlike shares or bonds, property is harder to sell quickly, and there can be extra costs involved in looking after the buildings. While property can offer good returns, it also comes with some risks.
Cash	Low	Low	Cash funds are similar to a bank deposit account. They pay out interest but they may not be the best strategy for long-term retirement savings - the returns on cash have historically been low compared to inflation.



When deciding where to invest, you should bear in mind that the value of funds can go down as well as up. Remember that past performance is not a guide to future performance. Future investment returns are potential but not guaranteed.

## HOW MUCH RISK SHOULD I TAKE?

### Balance between risk and return is key!

All investments will naturally involve some risk, but not all risks are bad! When it comes to your retirement account, not having enough money to retire is the biggest risk you face.

Thinking about these risks may seem complicated and make saving for your retirement difficult to manage. However, as you get closer to retirement, the importance of each kind of risk changes – understanding why will help you make your investment decisions.

#### Your age matters



#### A long way from retirement

When you are younger the main risk is that the investment return on your retirement account does not keep pace with inflation and the value of your benefits is eroded. Saving for retirement in a low investment risk/ low return fund could mean that your pension might fall short of your expectations.

On the other hand, a sudden fall in the value of the retirement fund should be less of a concern. This is because it does not matter so much if your fund falls in value for a short while because there is time for the value to rise again.

This means you may want to think about investing in at least some of your savings in equities (shares in companies).

#### Getting closer to retirement

A sudden fall in the value of your investments is more of a problem when you are closer to retirement. This is because there is simply less time available for your fund to recover from any fall in value.

If you are planning on switching to an income drawdown arrangement in retirement, you may want to target a portfolio that is a balance of growth and lower risk investments. If you are considering purchasing an annuity at retirement you may want to invest in bonds or the BGPS Pre-Retirement Fund which are linked to the cost of buying a fixed income. If you are planning to take any part of your pension fund as tax-free cash, you will probably also want to think about investing that part of your account in a cash fund. This change of investments can be done automatically through one of the Lifestyle options.

The options available through the Scheme mean that most members should be able to find an approach that helps them reach their savings goal, whilst offering a level of risk that they feel comfortable with.

03

# YOUR CHOICE: LIFESTYLE OPTIONS

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## WHAT IS A LIFESTYLE OPTION?

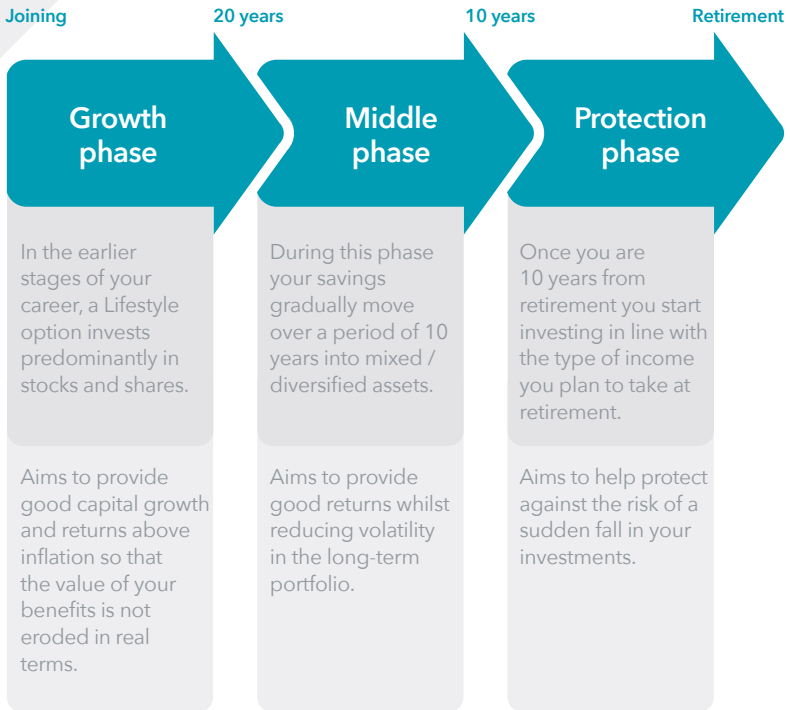
A Lifestyle option is a predetermined investment strategy, which means your investments will be decided for you. As you approach retirement, it automatically moves your investments into less risky funds to protect the value of your benefits. It reflects how many years you are from retirement, and how the Trustee expects you to take your benefits on retirement (e.g. cash, annuity or drawdown).

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As we discussed in Section 2, one of the key issues to appreciate when selecting your investment strategy is that your tolerance to investment risk is likely to change as you approach retirement. The objective of the Lifestyle approach is to minimise these risks over time.



There are typically 3 stages to a Lifestyle option: the growth, the middle and the protection phases.



## WHAT CHOICE DO I NEED TO MAKE?

There are three Lifestyle strategies:

- BGPS Drawdown Lifestyle (the default)
- BGPS Annuity Lifestyle
- BGPS Cash Lifestyle

All three strategies work in a similar way and have no differences in the growth phase or middle phase.

The growth phase is invested 100% in equities in all three strategies. During the middle phase, the portfolio gradually reduces the proportion invested in equities until it is fully invested in diversified growth assets. The key difference is the proportion of the portfolio in the protection phase that is invested in gilts and cash compared to diversified growth assets.





## BGPS DRAWDOWN LIFESTYLE

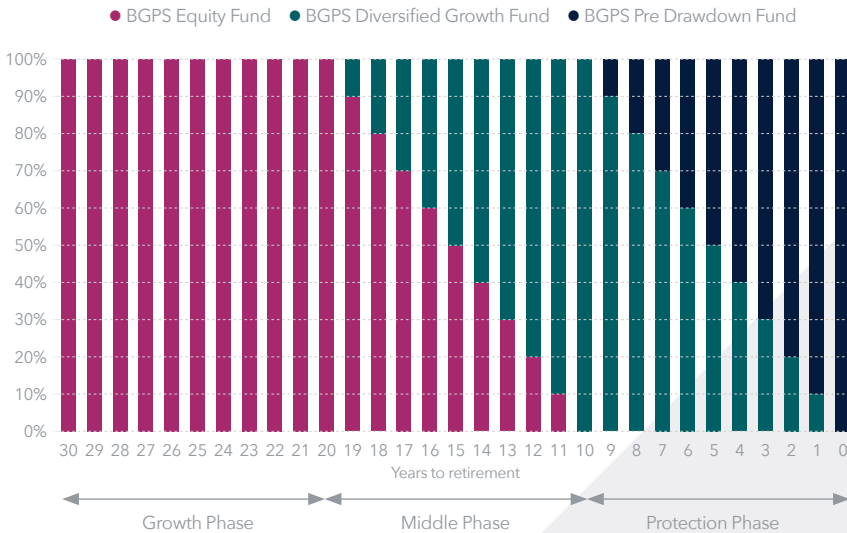
It has been specifically designed to suit people who will withdraw their retirement savings gradually through their retirement rather than choosing a regular income (an annuity) or a one-off cash lump sum.

The protection phase gradually moves your pension pot to the BGPS Pre Drawdown Fund, which is designed to invest in assets that suit a member planning to use their pension for a flexible income at retirement.

The fund charges for the BGPS Drawdown Lifestyle currently range from 0.15% to 0.39% per annum, depending on how far you are from retirement. Please note that these charges may change over time.

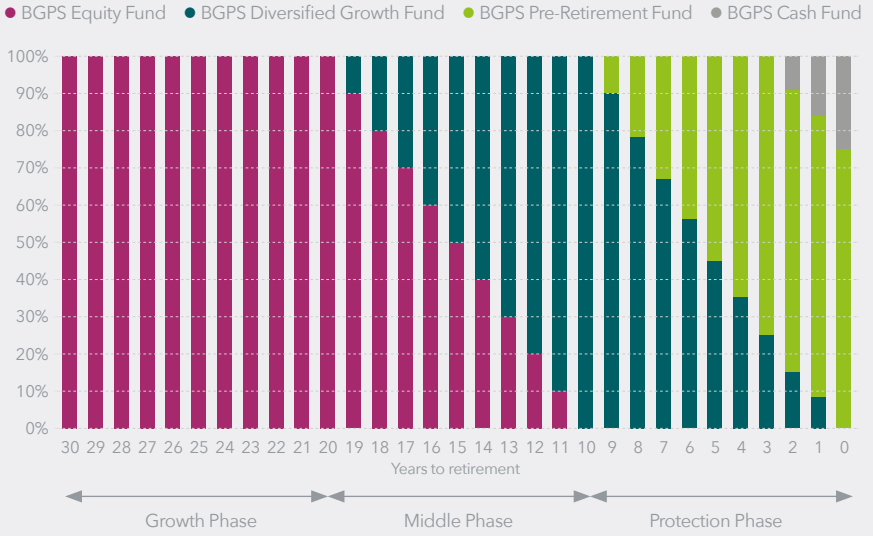
The diagram below sets out how your investments would change over time.

This is the default option for all members of the Scheme. This means that if you haven't made any decisions, you will be automatically invested in this Lifestyle option. However, the Trustee cannot know what is right for you on an individual basis so please ensure that you are comfortable with the option in which your funds are invested.



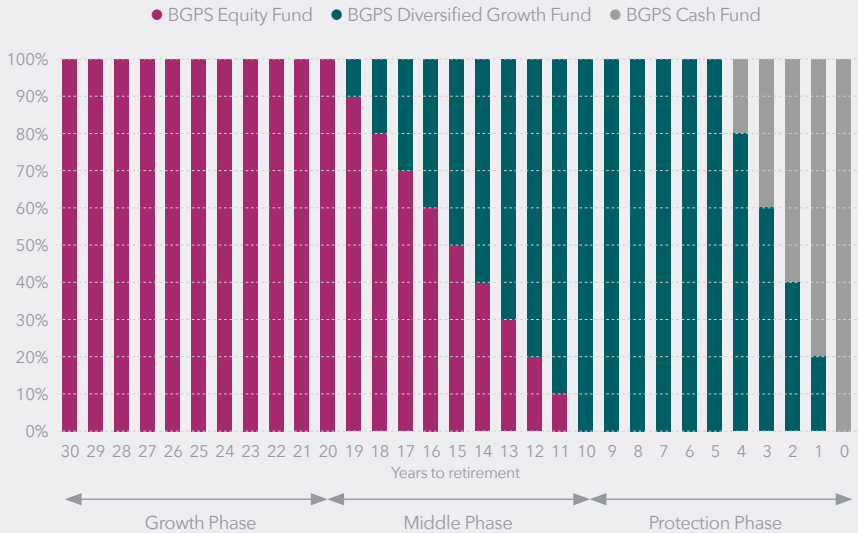
## BGPS ANNUITY LIFESTYLE

This strategy has been designed specifically to suit people who will withdraw their retirement savings by purchasing an annuity and choosing a regular income.



## BGPS CASH LIFESTYLE

It has been designed specifically to suit people who will withdraw their retirement savings as a cash lump sum at retirement.



## FAQ: LIFESTYLES

### How does Lifestyle work if I want to retire early or late?

Your Lifestyle strategy will be geared to your selected retirement age, which may be different from the Scheme's normal retirement age (65). You can confirm your selected retirement age on your Application Form, which is included in the invitation pack. You may change your selected retirement age in the future if you wish, by logging on to the portal or by completing an Investment Decision Form.

If you do not select a retirement age, the Lifestyle strategy will use a retirement age of 65. Therefore, if you want to retire at a different age, it is important that you let us know.

### Can I switch out of the Lifestyle option or join it at a later date?

Yes. You can change from the Lifestyle option to Self-select (or vice versa) by completing an Investment Decision Form or by logging in to the member portal to view and change your investment choices.

### What charges can I expect from the alternative Lifestyle options?

The fund charges for the BGPS Annuity & Cash Lifestyle options currently range from 0.14% to 0.41% per annum, depending on how far you are from retirement. Please note that these charges may change over time.



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## YOUR CHOICE: SELF-SELECT OPTIONS

If you prefer to design your own investment strategy you can do this by selecting the BGPS (Baxi Group Pension Scheme) funds in which to invest yourself. There are 15 funds from which you can choose:

\*NOTE: Each charge is expressed as a percentage of the value of the fund per annum, and is automatically taken into account in the price of the units. Please note that charges can change. The charges overleaf are as at September 2024. All fund charges are below the charge cap of 0.75% per annum, which is required by the Government for auto enrolment default arrangements.

Further details of these funds are available on the fund factsheets on the portal/website.



Fund name	Description	Charges (% per annum)
<b>Equity Funds</b>		
BGPS UK Equity Fund	Invests in UK company shares. Aims to gain returns that are the same as the FTSE-All Share Index.	0.06
BGPS World Equity Fund	Invests in overseas company shares. It can help to protect your retirement savings by spreading the risk among different markets.	0.15
BGPS Sterling Hedged World Equity Fund	Invests in overseas company shares but aims to hedge (protect) against adverse movements in exchange rates. However, the hedging is only beneficial depending on what happens with exchange rates, which is why we offer the unhedged version above.	0.13
BGPS Global (50:50) Equity Fund	Invests 50% in UK company shares and 50% in overseas company shares.	0.11
BGPS Emerging Markets Fund	Invests in developing economies, for instance China, India or Brazil.	0.21
BGPS Islamic Equity Fund	Adheres to Islamic investment principles as interpreted and laid down by the Shariah Committee.	0.35
BGPS Future World Fund	Invests in global company shares while reflecting significant environmental, social and corporate governance issues in the fund's strategy.	0.15
<b>Diversified Funds</b>		
BGPS Diversified Growth Fund	Aims to provide long-term growth by investing in a variety of assets.	0.39
BGPS Pre-Retirement Fund	Invests in bonds and aims to provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity.	0.15
BGPS Retirement Income Fund	Invests in a range of assets and aims to provide long-term investment growth up to and during retirement. It is intended for members wanting to opt for drawdown at retirement and it also makes up the protection phase of the default BGPS Drawdown Lifestyle option.	0.38
<b>Bond Funds</b>		
BGPS Gilts Fund	Invests in bonds issued by the UK Government of different durations.	0.06
BGPS Index-Linked Gilts Fund	Invests in bonds issued by the UK Government that are linked to inflation.	0.05
BGPS Corporate Bond Fund	Invests in bonds issued by companies (corporate bonds).	0.07
<b>Property Fund</b>		
BGPS Property Fund	Invests primarily in UK commercial property.	0.75
<b>Cash Fund</b>		
BGPS Cash Fund	Aims to offer access to cash/liquidity whilst providing capital stability.	0.14

## FAQ: SELF SELECT

### Can I invest in more than one fund?

Yes. You can invest in as many of the fund options as you wish. Simply indicate the proportion of your contributions to be invested in each fund (minimum for each fund is 10%) in your Application Form, Investment Decision Form, or through the member portal. If you wish to invest in one fund only, simply indicate your fund choice and confirm that you wish to allocate 100% of your retirement account to that fund.

Please note: you cannot invest in the Lifestyle and the Self-select funds at the same time.

### What is the past investment performance of the funds?

Information regarding the past investment performance of each of the investment funds is available from Legal and General. If you would like to see this information for any of the funds, please contact the person responsible for HR at your site or go to the portal/website. However, you should be aware that past investment performance is not necessarily a guide to future performance.

### Can I change the funds in which my contributions are invested?

Yes. You can change the funds in which all (or part) of your future contributions are invested by completing an Investment Decision Form or through the member portal. You can also choose to switch the funds in which your existing retirement account is invested, or leave them as they are.

When making changes to your investment strategy you have three basic choices:

- Change how your future contributions are invested, whilst leaving your accumulated funds unchanged.
- Change how both your future contributions and accumulated funds are invested.
- Change your existing accumulated funds, but leave the investment choices for future contributions unaltered.

### Are there any costs involved in switching funds?

The Trustee and Legal and General reserve the right to apply a small charge to cover the cost of switching funds. However, the current practice is not to charge for the first switch in each Scheme year. (Although there may be a charge if you switch more than once).

### What happens if I do not want to make an investment decision?

The Trustee will automatically choose the BGPS Drawdown Lifestyle for you if you do not make an investment choice. This is the default fund and may or may not be appropriate for your circumstances. You will remain invested in the BGPS Drawdown Lifestyle option until you instruct the Trustee otherwise.

# YOUR DECISIONS IN A NUTSHELL: HELPING YOU MAKE THE RIGHT DECISION

## Which funds are most suitable for me?

Ultimately this is your decision. If you choose the Self-select option, you must decide in which individual fund(s) to invest.

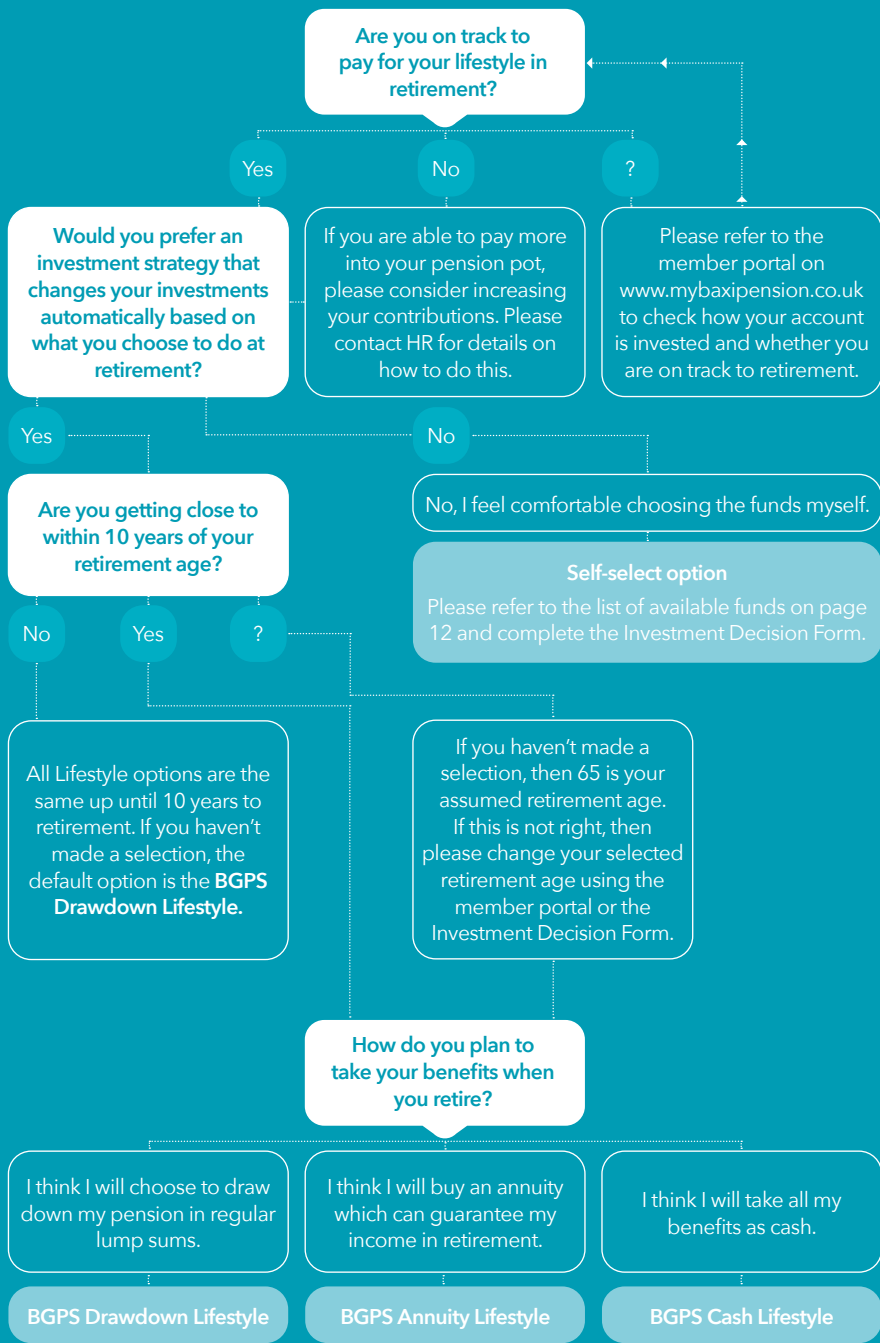
When making a choice you should think about how long you might be investing before you reach retirement and how much risk you are prepared to take. Bear in mind that although higher risk funds (such as those that invest in equities), may be more likely to go up and down in value they may also give better returns over the long term.

Lower risk funds tend to give lower investment returns over the long term but will provide better security for your pension fund in the short term when you need it, i.e. when you are close to retirement.

You should also review your investments regularly, to ensure that they remain suitable for you. You may well find that your attitude to risk changes over time.

The important thing is to choose a fund or a combination of funds that suit you. The decision tree below might help you make a choice:







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# MAKING THE CHOICE – 5 EASY STEPS

Now that you have read this investment guide, take the following steps to make your investment choice:

## STEP 1

Understand your investment options and consider your attitude to risk.

## STEP 2

Think about how you would like to take your benefits when you retire.

## STEP 3

Decide whether you want to stay invested in the BGPS Drawdown Lifestyle or opt for one of the other Lifestyle options or the Self-select option.

## STEP 4

Get financial advice if you need it.

## STEP 5

Make your choice by completing the Investment Decision Form or on the member portal. If you are just joining the Scheme, you can also use the Application Form to make your investment choice.

Please note that if you do not indicate which investment option you wish to choose, your contributions will be invested in the BGPS Drawdown Lifestyle.

# WHERE TO GO FOR MORE INFORMATION

If you have any queries relating to individual benefits or changes in personal details please contact the Scheme Administrators at:

Baxi Group Pension Scheme  
Buck  
PO Box 319  
Mitcheldean  
GL14 9BF

Phone: 0330 123 9581  
Email: [baxipensions@buck.com](mailto:baxipensions@buck.com)

To keep track of your pension and check where you are invested please log in to the member portal:

**[www.mybaxipension.co.uk](http://www.mybaxipension.co.uk)**

The portal/website contains fund factsheets on each of the fifteen funds. These reports provide useful information about each fund's aims and objectives, its risk grading (as determined by Legal and General) as well as past investment performance figures.

Please note that the reports merely provide general information and cannot provide financial advice on which fund(s) to choose. You also need to remember that the value of funds can go down as well as up, and that where past performance figures are quoted, these are not a guide to the future performance of a fund.

## **Financial advice**

The Trustee cannot know what is right for you on an individual basis. Neither the Company, Legal and General, the Trustee or their advisors can provide you with individual financial advice on which fund(s) to invest in. The Trustee recommends that you consider speaking to a financial adviser to help you make any decisions regarding your pension arrangements. You will be charged a fee for this service. Please note that Pension Vouchers may be available via salary sacrifice to help you reduce this cost - please contact the Human Resources department for more information. If you don't have a financial adviser you can find one in your area at **[www.unbiased.co.uk](http://www.unbiased.co.uk)**.



## 08 IMPORTANT NOTE

Please note that the value of investments can go down as well as up. Past investment performance is not necessarily an indication of future investment returns. Please read the description of the Scheme's investment strategies and investment funds carefully to ensure that you choose the funds most suitable for your needs and objectives.

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