



# PHILLIPS 66 UK PENSION PLAN (“THE PLAN”) — DEFINED CONTRIBUTION SECTION: CHANGES TO THE DEFAULT ARRANGEMENT AND OTHER LIFECYCLE STRATEGIES

We are writing to you as a member of the Defined Contribution (“DC”) section of the Plan to make you aware of upcoming changes to the investment options available to you.

## A. WHAT IS CHANGING?

Following a review of the current DC investment offerings by the Trustee of the Plan (“the Trustee”) and advice from the Trustee’s investment adviser, the following changes are being made with effect from 18 October 2023.

### (a) Default Arrangement

The current Default Arrangement is the 2019 Target Income Drawdown Lifecycle Profile. The Default Arrangement is made available by the Trustee, on the basis of advice from its investment adviser, as an investment strategy for a member who does not choose their own investments: as the member moves closer to their retirement date their pension account is automatically and gradually moved from investments that are typically higher risk / higher return to those that are typically lower risk / lower return.

When you joined the Plan, your pension contributions would have been automatically invested in the Default Arrangement, and unless you have elected to change your investment strategy, you will be impacted by the following change.

Effective from 18 October 2023, the current Default Arrangement will switch to a strategy managed by the Trustee’s investment manager, Legal & General, called the Legal & General Flexible Drawdown Target Date Funds. The 2019 Target Income Drawdown Lifecycle Profile will be closed and cease to be available as an investment option.

Continued overleaf

The Legal & General Flexible Drawdown Target Date Funds are designed to continue to target flexible drawdown at retirement, which the Trustee believes, on the basis of advice from its investment adviser, is the most appropriate target for DC members. Please note that the Plan does not currently permit members to take their pension savings from the Plan at retirement as drawdown and members would still need to transfer out of the Plan to another pension provider to take them as drawdown.

If you are invested in the current Default Arrangement, your pension account will be automatically switched to the Legal & General Flexible Drawdown Target Date Funds with effect from 18 October 2023 and placed into the appropriate fund based on your chosen Target Retirement Date (please refer to the Frequently Asked Questions for more information).

### **(b) Annuity Lifecycle Strategy**

The previous Default Arrangement, the 2016 Target Annuity Lifecycle Profile, which is currently available as a self-select lifecycle strategy, will no longer be available for investment from 18 October 2023. The Legal & General Flexible Drawdown Target Date Funds (i.e., the new Default Arrangement as noted above) are regarded by the Trustee, on the basis of advice from its investment adviser, as a more appropriate replacement investment option for DC members. Members may wish to note the Future World Annuity Aware Fund (previously known as the Pre-Retirement Fund) which is intended to target annuity purchase, is also currently available within the Self-Select range of funds. The 2016 Target Annuity Lifecycle Profile will be closed and cease to be available as an investment option.

If you are invested in the 2016 Target Annuity Lifecycle Profile, your pension account will automatically be switched to the Legal & General Flexible Drawdown Target Date Funds with effect from 18 October 2023 and placed into the appropriate fund based on your chosen Target Retirement Date (please refer to the Frequently Asked Questions for more information).

### **(c) Cash Lifecycle Strategy**

The 2016 Target Cash Lifecycle Profile, which is currently available as a self-select lifecycle strategy, will close and cease to be available for investment from 18 October 2023. This is being replaced by a broadly equivalent new target date fund range managed by Legal & General, the Legal & General Cash Target Date Funds.

The Legal & General Cash Target Date Funds are being made available as a self-select lifecycle strategy for all members and may suit those members who specifically wish to target cash and cash-like investments at retirement.

If you are invested in the current 2016 Target Cash Lifecycle Profile, your pension account will automatically be switched to the Legal & General Cash Target Date Funds with effect from 18 October 2023 and placed into the appropriate fund based on your chosen Target Retirement Date (please refer to the Frequently Asked Questions for more information).

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### **(d) Other self-select funds**

If you are invested in, or want to invest in, the other (non-lifecycle strategy) self-select funds currently available, at this time no change is proposed to the range of these funds offered.

As a reminder, self-select funds mean that you can build your investment portfolio using one or more of the funds available and you are able to freely change how your pension fund is invested. Remember, if you take an active role in managing your pension account through the self-select investments, it is important to consider from time to time whether your investments remain suitable for your needs.

If you are invested in the other available self-select funds, at this time no change is proposed to your current investments; you will however have the option to move to either the new Legal & General Flexible Drawdown Target Date Funds or the Legal & General Cash Target Date Funds at any time after 18 October 2023.

## **B. WHAT ARE TARGET DATE FUNDS?**

Target Date Funds are a range of funds that allow you to match your investment strategy according to your Target Retirement Date (“TRD”). They work in a similar way to the current lifecycle profiles in the Plan, however instead of switching between different funds as you approach retirement, you are invested in just one fund.

Each Target Date Fund targets a different five year ‘target range’ within which you are expecting to retire. This means that, should you change your TRD and as a result your new TRD falls out of the target range, the Target Date Fund you are invested in should change to align with your new TRD.

Moving the lifecycle strategy options available under the Plan to a Target Date Funds approach managed by our specialist investment manager, Legal & General, is designed to give members added cost-effective flexibility and agility in capturing ever-evolving opportunities in the pensions investments market and to allow better differentiation and alignment of investment glidepaths amongst individual members with differing TRDs.

The Target Date Funds are intended to allow you to match your investment strategy according to your TRD. Each Target Date Fund is intended to adjust the way your savings are invested as you move closer to retirement, with the intention of targeting when and how you want to use your pension account.

In the same way that the current lifecycle strategies follow a glidepath that de-risks over time, Target Date Funds aim to reduce your exposure to investment risk, particularly as you approach your TRD, by adjusting the mixture of assets within the fund. As you progress through your working life and get closer to retirement, the mix of investments within the fund should be adjusted accordingly. If you’re a long way from your TRD, the fund will invest more of your pension savings in higher-risk investments, such as equities. Although such investments could be more likely to fluctuate in value in the short term, this type of investment could also be expected to generate higher returns to grow your pension savings over the longer term. If you’re closer to retirement, more of your pension savings will be invested in lower-risk investments, such as bonds. Although these types of investments may be expected to generate lower returns, your pension savings may also be less likely to fluctuate in value, and so these types of investments are aimed at enabling you to plan for your retirement with more confidence. There is, however, no guarantee that a Target Date Fund will achieve this aim. The value of investments is not guaranteed and may change over time.

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The Legal & General Target Date Funds invest in a range of Legal & General's underlying funds with the level of expected risk and return varying depending on how far you are from your TRD. The funds are constructed in five-year target ranges, and if you are invested in the Target Date Funds, you will be defaulted into the fund which most closely matches your assumed retirement date. For example, if your TRD is 2048, you will be defaulted into the 2045–2050 Target Date Fund.

By way of comparison, appended to this mailing are charts that show the underlying mix of funds (and how they change over time on the glidepath to retirement) under the current Default Arrangement and under the current Cash Lifecycle Strategy, and an illustration of how these will look under the respective Target Date Funds.

## **C. WHAT HAPPENS NEXT?**

The switches to the new Legal & General Target Date Funds as described above are due to occur on 18 October 2023.

If you are invested in any of the three current lifecycle profiles, and do not want your pension account to be automatically moved to the new Target Date Funds as described above in section A: (a), (b) and (c) above, you can amend your investment selections to one or more of the self-select funds via the “Investment Changes” tile on the pension portal, accessible via My HR Tools or by visiting **[phillips66ukpensionplan.co.uk](https://phillips66ukpensionplan.co.uk)**. For the Target Date Funds to work best, it's really important that we have the right Target Retirement Date for you, as this will determine the timing of your investment changes as you move towards retirement. You can amend your TRD via the ‘Do’ tab on the pension portal.

You will not be able to amend your TRD during the blackout window that runs from 29 September 2023 to 18 October 2023 inclusive.

If you do not take any action, any holdings you have in the current lifecycle strategy funds along with any contributions you pay, will be automatically switched into your relevant TRD fund in the new Flexible Target Date Funds or Cash Target Date Funds (as appropriate) with effect from 18 October 2023.

Note that to implement the change from the current lifecycle strategy funds to Target Date Funds a blackout-period is required where the whole switching and disinvestment functionality has to be taken offline, i.e. you will be unable to switch investment funds during this period. This means that even if you are invested in self-select funds and wish to continue to be invested in this way, you will still not be able to amend your fund choice during the blackout period.

The blackout period runs from 29 September 2023 until 18 October 2023 inclusive while the switches are being implemented and you will not be able to amend any of your investment choices or transfer out of the Plan during this period. Monthly contributions will be processed as normal.

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## **D. INVESTMENT MANAGER CHARGES**

The annual management charge (“AMC”) under the Legal & General Target Date Funds will range between 0.25% and 0.27%. For reference, the charge under the current Default Arrangement varies between 0.16% and 0.35%.

AMCs applicable to each of the DC investment offerings are provided under question 7 of the enclosed Frequently Asked Questions document.

Where changes to the Plan’s investment options result in switches to your investments, transaction costs may be incurred when buying and selling units in the underlying funds. The Trustee is working closely with Legal & General to minimise these transaction costs and believes that, on the basis of advice from its investment adviser, any costs incurred are outweighed by the broader benefits that the new investment options provide.

## **E. FREQUENTLY ASKED QUESTIONS (FAQS)**

Please see the enclosed FAQ document for further information in relation to Target Date Funds and the changes occurring on 18 October.

## **F. FUND PERFORMANCE**

Please remember that the value of your pension savings investments is not guaranteed and may change over time. The value of your investments may go up or down, and there is no guarantee that the value of your pension fund will be at least equal to the value of contributions paid to it.

Please note that the new Target Date Funds may not be the most appropriate options for you, and you should review carefully how you wish your pension account to be invested, taking professional financial advice as necessary (and at your own cost). It is your responsibility to ensure that your pension account is invested in line with your individual circumstances, your attitude to risk and your own plans for your retirement.

## **G. IMPORTANT LEGAL NOTES**

Please read the enclosed Important Legal Notes at the end of this mailing which apply equally to these changes to your investment options, to this letter, and to the accompanying FAQs.

Yours sincerely

**For and on behalf of Phillips 66 Pension Plan Trustee Limited  
(Trustee of the Phillips 66 UK Pension Plan)**