

**CHAIR'S ANNUAL STATEMENT**  
**The Jordan International Bank plc (1991) Retirement Benefit Scheme**  
**("the Scheme")**

1<sup>st</sup> August 2022 to 31<sup>st</sup> July 2023

**Introduction**

Defined Contribution (DC) pension schemes are required by law to produce an annual governance statement that illustrates, among other things:

- The scheme's investment strategy and its governance
- The processing of core financial transactions
- The disclosure of member-borne transaction costs and charges
- Net returns of the investment options
- The assessment of value for members and
- How the trustees have met trustee knowledge and understanding requirements.

This is the Chair's Statement covering the year to 31<sup>st</sup> July 2023.

The Scheme was set up on 1<sup>st</sup> August 1991. And operates under a Trust Deed and Rules dated 1<sup>st</sup> August 1991 superseded by a revised version dated 2<sup>nd</sup> January 2007. These are available at Jordan International Bank Plc.

The Scheme is closed and is no longer receiving any contributions.

**What do you need to do next?**

This report is for noting. You do not need to take any action.

If you have any questions or require any further information you should contact James Story at Jordan International Bank Plc.

**The default investment strategy**

The Scheme is not used as a Qualifying Scheme for automatic enrolment purposes. Therefore, although a default investment arrangement was in place when the Scheme was open, and is referred to within this document, this is not a default option as defined under the Investment Regulations or for the purposes of the preparation of this Chair's Statement and is therefore not subject to the Regulations.

The Trustees have prepared a Statement of Investment Principles and this is attached as Appendix 1.

The Trustees have considered the extent to which the return on investments relating to the default arrangement (after deduction of any charges relating to those investments) is consistent with their investment aims and objectives.

They have also considered the membership profile of the Scheme, the risk profile and number of investment funds offered to members, the changing long-term investment market conditions and the investment product and techniques available in the marketplace.

There have been no changes to the default fund or to the Statement of Investment Principles during the year under review.

Currently 75% of members are wholly invested in the default arrangement.

#### **Value for Money Assessment**

The government expects that members should be in well run pension schemes that deliver optimal value for members over the long term. To help ensure this, the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced an additional requirement for trustees of 'relevant' money-purchase occupational pension schemes with under £100 million of assets, operating for three or more years.

Trustees have a legal duty to carry out a holistic assessment of how their scheme delivers value for members. The purpose of the assessment is to determine whether members will receive this value in their existing scheme, or whether they would achieve better value in a larger scheme.

Information about the Aviva With Profits fund, how it is invested and managed together with underlying asset allocation and performance details is attached at Appendix 2. Information about the other funds available to members including fact sheets and past performance details can be found on the Aviva website.

As the Scheme is invested in ear-marked insured policies for each member and primarily in a With Profits Fund, charges, transaction costs and performance are difficult to quantify and

compare with other providers and pension schemes. Aviva have been asked to provide further information but have been unable to do this in time for publication of this report.

Furthermore, the Employer and Trustees are currently, considering winding up the Scheme and securing members' benefits under an alternative pension scheme or policy. Value for members including costs, investment options, security and flexibility will be the primary consideration for the Trustees in this process. Further information will be provided to members as soon as decisions are made.

### **Core financial transactions**

The Trustees ensure that the core financial transactions of the Scheme are processed promptly and accurately by:

- Having an agreement with their service provider committing them to defined service level agreements ("SLAs")
- Having the service provider report on their performance against the SLAs above and
- Having the Scheme provider process/effect payments to scheme members

The core financial transactions include:

- The transfer of assets relating to members out of the Scheme
- The transfer of assets relating to members between different investments within the Scheme
- Payments from the Scheme to, or in respect of, members.

As the Scheme no longer receives contributions, this function is now primarily restricted to the drawing of benefits and processing claims.

There have been no such transactions under the Scheme in the year under review.

Not specific to the Scheme, therefore, but Aviva have provided data based on its most common processes at platform level.

Service Level Agreement	Turnaround Time (days)	Monthly Target (as at July 2022)	Monthly Average (over last 12 months)
Process general enquiry, amendment	5	96.33%	96.03%
Process terminate policy and money out	3	90.00%	88.30%
Produce projection, valuation, servicing quotation	3	95.37%	95.36%
Calls answered by the contact centres before the customer abandons the call	N/A	95.00%	92.96%
Achieving FCA deadlines for complaint handling	40	99.50%	99.89%

Customer experience data:

Measure	Target	Overall Year to Date Score
Transactional net promoter score	No formal target	+47.9
Customer satisfaction	85%	93.2%
Customer ease	85%	90.4%

### Charges and transaction costs

The charges applied to the default arrangement during the year were 1%.

The charges and transaction costs applicable to all other funds available through the scheme during the year are set out in the paper attached to this report as Appendix 3.

The charges for Aviva older-style pension products are in line with those charged by other providers for similar products, but when compared with the charges for modern products, the charges can seem high. Based on market norm and the cost of a wholly insured pension plans such as Group Personal Pension plans, the trustees believe that the charges and transaction costs represent good value for members. However, as mentioned above, the Trustees are considering whether members might be better served by winding up the Scheme and securing benefits under an alternative more modern arrangement.

### Knowledge and understanding of the Trustees

The Trustees relevant knowledge and understanding has been assessed during the year and where necessary, additional training has been provided. Each Trustee maintains their knowledge through reading trustee information and guidance from the Pension Regulator.

## *Appendix 1*

### *Statement of Investment Principles*

This statement sets out the principles governing decisions about the investment of the assets of the Jordan International Bank PLC (1991) Retirement Benefit Scheme ('the Scheme'). The Trustees of the Scheme ('the Trustees') issue this statement to comply with section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (S.I. 2005/3378) ('the Investment Regulations').

As the Scheme has less than 100 members and is a wholly insured scheme, this statement is required to cover:

- (1) the Trustees' policy for compliance with the requirements of section 36 of the Pensions Act 1995 (choosing investments) and
- (2) the reasons for the Scheme being a wholly-insured scheme.

The Trustees' policy for compliance with the requirements of section 36 of the Pensions Act 1995 (choosing investments):

- a) The Trustees have obtained and considered proper advice on the question of whether their investment in pensions with Friends Life is satisfactory having regard to the requirements of the Investment Regulations, so far as relating to the suitability of investments, and to the principles contained in this statement.
- b) The Trustees have also determined at what intervals the circumstances, and in particular the nature of the investment, make it desirable to obtain such advice as is mentioned in (a) above and will obtain and consider such advice accordingly.

The reasons for the Scheme being a wholly insured scheme with Friends Life (insurance company):

- (a) the financial strength of the insurance company;
- (b) the security given by (1) the insurance company's regulation by the Financial Conduct Authority and the Prudential Regulation Authority and (2) the Financial Services Compensation Scheme;
- (c) the professional management of the insurance company's investment funds;
- (d) the insurance company's pensions administration and investment expertise; and
- (e) value-for-money in investing in a packaged product with the insurance company;

This statement will be reviewed at least every three years and without delay after any significant change in investment policy.

Before preparing this statement, the Trustees have

- (a) considered advice of a person and persons who are reasonably believed by the Trustees to be qualified by their ability and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of occupational pension schemes and
- (b) consulted the employer in relation to the Scheme.

Signed on behalf of the Trustees of the Scheme

Date

*James Story*

*Appendix 2 –  
Default Arrangement Aviva FP With-Profits sub fund and investment  
summary*

*Appendix 3*

*Aviva - Charges and transaction costs*



# FLC With-Profits Sub-Fund

and Investment Summary



This guide provides a summary of how we manage the **Aviva Life & Pensions UK Limited FLC With-Profits Sub-Fund (the 'Sub-Fund')**, along with details of the asset mix and investment returns.

Your policy document will show the name of the company your policy was taken out with. If you're unsure which with-profits sub-fund you're invested in, you can find further details at [aviva.co.uk/ppfm](https://www.aviva.co.uk/ppfm)

## Contents

- 3 An Aviva with-profits investment
- 4 Asset mix
- 7 Historical asset mixes
- 8 Investment returns
- 8 What affects how much you might get
- 9 Smoothing – how it works
- 10 Bonuses – how do we add the bonuses?
- 12 What are the guarantees?
- 13 What happens if you leave the Sub-Fund early?
- 14 A bit more about the Sub-Fund
- 16 Where can you find out more?

## Making sense of it

You may find some of the terms in this guide unfamiliar. To help, we've provided an explanation of the terms in **What does it mean?** boxes.

### There are two main types of with-profits policies in the Sub-Fund:

**Unitised with-profits policies** – your investment is used to buy units of equal monetary value based on the unit price on the day of the investment.

**Conventional with-profits policies** – your investment provides a guaranteed amount (sometimes referred to as the 'sum assured') at maturity or on death.

If your yearly statement or bonus notice shows units and/or unit prices, then you have a **unitised policy**. Otherwise, your policy is a **conventional** one. Where there is a different explanation between types of policy, to make it easier to spot which one that applies, you'll find the 'Unitised policy' explanation on the left and the 'Conventional policy' one on the right.

There can be other differences between the two types – where appropriate these are highlighted throughout the guide.

# An Aviva with-profits investment

## At a glance

A number of our products allow investment into with-profits. An Aviva with-profits investment is a low to medium risk investment that has the advantage of pooling your money with that of other investors, so you can benefit from investing in a wide spread of assets.

## We explain assets in greater detail on page 6.

- The FLC With-Profits Sub-Fund is rated as a **low to medium risk** fund. It offers the possibility of higher returns than you may get from an average savings account with a bank or building society.
- On 1 July 2022, we merged the FLC New With-Profits Sub-Fund with the FLC Old With-Profits Sub-Fund. This brochure applies to the merged Sub-Fund - the FLC With-Profits Sub-Fund.
- An Aviva with-profits investment aims to provide steady capital growth over the medium to long term by investing in a broad range of assets, while smoothing out some of the fluctuations of investment markets.
- The value of the Sub-Fund can go down as well as up depending on the returns made by the assets that make up the Sub-Fund, so you may get back less than has been paid in. We share out the profits and losses of the Sub-Fund through a system of bonuses, with the aim of smoothing the returns on your with-profits investment over the long term. We explain smoothing on page 9.
- Some products provide guaranteed policy benefits if certain events happen or on specified dates. We explain some of these guarantees in greater detail in the What are the guarantees? section on page 12.

### What does it mean?

Aviva assesses its risk ratings using historical performance data.

#### **Low to medium - 3**

Funds typically investing in **assets like corporate bonds** or a mix of assets where day-to-day changes in value have historically been less than for shares. There's still a risk that the value of your investment could fall.

You can find out more about our risk ratings at [aviva.co.uk/retirement/fund-centre/investment-funds/risk-ratings](https://www.aviva.co.uk/retirement/fund-centre/investment-funds/risk-ratings)

#### **Assets**

An asset is a type of investment. Different types of assets include equities (shares), property, fixed interest (gilts and other bonds), alternative investments and cash/money market. Assets can rise and fall in value.

### Things you need to be aware of

Investing in with-profits may not be appropriate if you:

- expect to need your money in the short term
- aren't prepared to accept any risk of losing money
- would prefer the certainty of the interest from a bank or building society savings account, which you're guaranteed to receive once it's earned.

# Asset mix

## At a glance

We invest your money in the FLC With-Profits Sub-Fund, which invests in a mix of assets including:

- equities (shares) (UK & international)
- property
- fixed interest
- alternative investments
- cash/money market investments

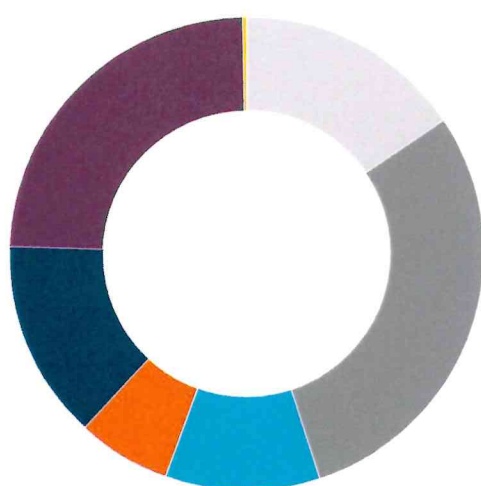
## How do we invest your money?

We invest your money into a broad mix of assets. The asset diagram below shows the type and percentage of each asset that the FLC With-Profits Sub-Fund invests in.

The Sub-Fund your policy invests in will always hold a mixture of higher and lower risk assets to achieve its objective.

The Sub-Fund holds a greater proportion of higher risk assets, such as **equities (shares)** and **property**. The rest is in medium and lower risk investments, such as **fixed interest, alternative investments** and **cash/money market investments**.

For details of the December 2023 asset mixes see the illustrations below. Historical asset mixes are shown on page 7.

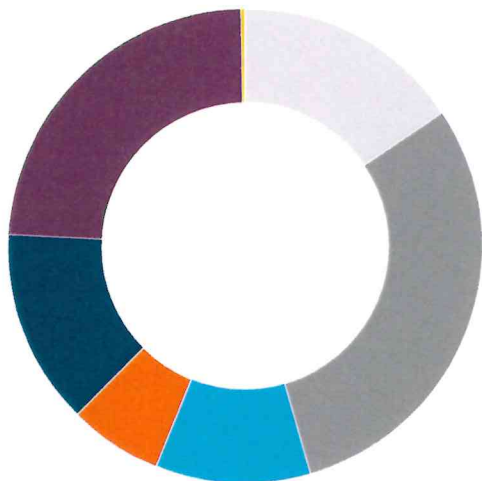


### FLC With-Profits Sub-Fund Overall asset mix (whole Sub-Fund) as at 31/12/2023

- UK equities (shares) 15.7%
- International equities (shares) 29.5%
- Property 10.5%
- Alternative investments 6.3%
- Fixed interest - gilts 13.5%
- Fixed interest - other bonds 24.2%
- Cash/money market investments 0.2%

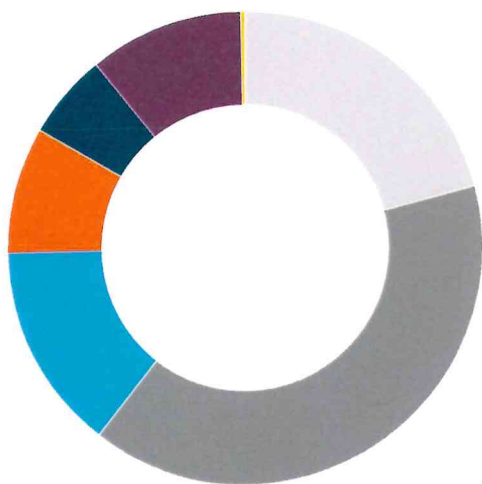
The asset mix may be different for conventional and unitised policies, as detailed below.

# Asset mix (continued)



## Asset mix for conventional policies as at 31/12/2023

- UK equities (shares) 15.8%
- International equities (shares) 29.7%
- Property 10.6%
- Alternative investments 6.4%
- Fixed interest - gilts 13.3%
- Fixed interest - other bonds 23.9%
- Cash/money market investments 0.1%



## \*Initial asset mix for unitised policies as at 31/12/2023

- UK equities (shares) 21.1%
- International equities (shares) 39.7%
- Property 14.2%
- Alternative investments 8.5%
- Fixed interest - gilts 5.9%
- Fixed interest - other bonds 10.6%
- Cash/money market investments 0.1%

\*All **unitised** policies are initially invested in a higher proportion of **equities (shares)** and **property** (as shown in the second diagram above). However, as policies get nearer to their maturity date, we increase the level of **fixed interest (gilts and other bonds)** and reduce the level of **equities (shares)** and **property**.

# Asset mix (continued)

The performance of the different types of assets varies over time, and all asset types can go down in value as well as up. Our fund managers may change the asset mix to:

- try to improve the long term performance of the Sub-Fund
- make sure that the Sub-Fund can meet its obligations.

From time to time the Sub-Fund may include investments in other Aviva group companies. However, this won't have a direct effect on the asset mix backing your policy.



## What does it mean?

### Equities (shares)

Equities are company shares. They represent part-ownership in a company. Companies issue shares on stock exchanges such as the London Stock Exchange, and the shares are then bought and sold on stock markets. Their value can go up or down.

**While there is more potential for gains with shares than some types of investment, there is also greater risk that they will fall in value.**

### Property

This usually refers to commercial property. Shops, offices and warehouses are examples of commercial property. There are two components to an investment in commercial property – the value of the property itself and the rental income received from tenants of the property.

Commercial property can be subject to heavy falls and sharp increases in value. **Property isn't always easy to sell because it can take time for the purchase or the sale to be completed, and as a result, to access the money from the property.** Property funds may also invest in indirect property investments, including quoted property trusts and unregulated collective investment schemes.

### Alternative investments

Alternative investments are assets which tend to behave differently to more traditional asset classes such as equities, bonds or property.

These investments can include multi-strategy funds (that offer a larger number or broader range of investment strategies within a single fund) which seek to take advantage of investment opportunities not always found in the approach used by more traditional asset classes. Adding alternative investments to a portfolio may provide broader diversification, reduce risk and enhance returns.

### Fixed interest

Government bonds and corporate bonds are examples of fixed interest assets. In the UK, government bonds are also called gilts.

Government bonds are loans issued by governments to pay for things such as public services. They're a way for them to borrow money, usually for a fixed term. Governments then pay interest on the loans.

International and UK Corporate bonds are loans issued by companies to pay for their operations or to grow the business among other things.

UK gilts issued by the UK Government are generally seen as lower risk investments than bonds issued by companies (corporate bonds).

Bonds pay the holder of the bond a regular income, and then the full value of the bond is paid when the bond comes to the end of its lifetime. Bonds carry interest rate risk - **changes in interest rates or inflation can contribute to the value of the bond going up or down. For example, if interest rates rise, the bond's value is likely to fall.** There's also the risk of the bond issuer becoming unable to pay back the money it has borrowed.

### Cash/Money market investments

Money market investments are also known as cash investments. They are short-term deposits of cash amounts, usually held with a financial company for less than 12 months. Please note they are not deposit accounts with banks or building societies.

**Although these investments are less risky than other asset classes, they can sometimes fall in value,** for example if an organisation is unable to pay back money it has borrowed. Their value can also be gradually affected over time by inflation and the effect of charges.

# Historical asset mixes

## Recent overall asset mix (whole Sub-Fund)

	2023	2022	2021	2020
UK equities (shares)	15.7%	17.4%	18.3%	19.0%
International equities (shares)	29.5%	27.1%	27.4%	27.2%
Property	10.5%	10.7%	9.7%	9.6%
Alternative investments	6.3%	6.2%	6.6%	6.3%
Fixed interest – gilts	13.5%	12.1%	11.6%	11.8%
Fixed interest – other bonds	24.2%	26.1%	22.2%	25.9%
Cash/money market	0.2%	0.4%	4.2%	0.2%

## Recent conventional policies asset mix

	2023	2022	2021	2020
UK equities (shares)	15.8%	17.6%	18.5%	19.3%
International equities (shares)	29.7%	27.4%	27.9%	27.7%
Property	10.6%	10.8%	9.9%	9.8%
Alternative investments	6.4%	6.3%	6.7%	6.4%
Fixed interest – gilts	13.3%	11.8%	11.3%	11.4%
Fixed interest – other bonds	23.9%	25.7%	21.6%	25.2%
Cash/money market	0.1%	0.4%	4.1%	0.2%

## Recent initial unitised policies asset mix

	2023	2022	2021	2020
UK equities (shares)	21.1%	23.4%	24.7%	25.7%
International equities (shares)	39.7%	36.5%	37.1%	36.9%
Property	14.2%	14.4%	13.2%	13.1%
Alternative investments	8.5%	8.1%	8.9%	8.6%
Fixed interest – gilts	5.9%	5.4%	4.9%	4.9%
Fixed interest – other bonds	10.6%	12.0%	9.4%	10.7%
Cash/money market	0.1%	0.2%	1.8%	0.1%

# Investment returns

The investment returns achieved by the Sub-Fund in recent years are:

	2023	2022	2021	2020	2019
<b>before tax (pensions)</b>	6.9%	-7.3%	9.0%	2.3%	12.2%
<b>after tax (life)</b>	6.1%	-5.8%	8.6%	1.8%	9.6%

Further historical investment returns together with other useful updates are available at [aviva.co.uk/help-and-support/managing-yourpolicy/investments/with-profits-bonus-information/](https://aviva.co.uk/help-and-support/managing-yourpolicy/investments/with-profits-bonus-information/)

The investment returns above are on the whole FLC With-Profits Sub-Fund, and previously both the FLC New and FLC Old With-Profits Sub-Funds, and aren't applicable to any individual policy or plan. Figures are before any deduction for investment expenses. 'Before tax (pensions)' returns relate to the investment returns that apply to pension products. 'After tax (life)' returns relate to non-pension products, such as investment bonds or endowment policies.

This is past performance. Past performance isn't a guide to future performance.

## What affects how much you might get?

The amount you get back will depend on the amount you invest, plus:

- how the Sub-Fund has performed during the time you've invested with us
- the way we apply the smoothing process (this is explained on page 9).
- the effect of any guarantees (shown in your policy documents)
- our charges, such as administration costs, investment management fees and any financial adviser commission or charges
- any tax we pay and any future tax changes (pensions currently receive favourable tax treatment)
- for unitised policies any early exit charges (where applicable), withdrawals (where these are allowed), and whether we're applying a **market value reduction** when you move money out of the Sub-Fund.



# Smoothing – how it works

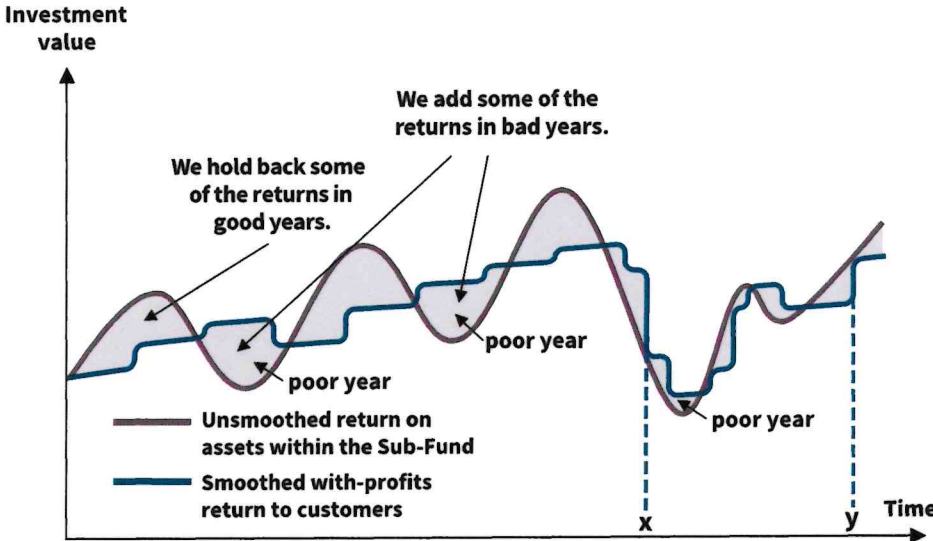
## At a glance

One of the main features of a with-profits investment is that it aims to grow in value smoothly from year to year rather than being affected by the significant ups and downs of the stock market.

Over time the value of the assets held by the Sub-Fund will rise or fall. We don't change bonus rates as often as the value of the assets changes. Instead we aim to even out some of these variations in performance. This is known as smoothing. We show this with the green line in the diagram below. In contrast, the unsmoothed Sub-Fund's value changes each day as the value of the assets goes up and down. This is shown by the purple line in the diagram.

Smoothing applies to both **unitised** and **conventional** policies.

The following diagram is for illustration purposes only and shows a period of positive growth overall, which isn't guaranteed.



### Things you need to be aware of

There may be times in poor market conditions when smoothing can't fully protect the value of your investment. This is illustrated in the diagram above between points x and y where the teal green line showing the smoothed with-profits value has fallen.

This can happen following a large or sustained fall in the stock markets or when investment returns are below the level we normally expect. If you leave the Sub-Fund under these circumstances, this could reduce the value of your investment.

This is explained in more detail under the heading 'What happens if you leave the Sub-Fund early?' on page 13.

# Bonuses – how do we add the bonuses?

We share out the returns the Sub-Fund earns through a system of bonuses. There are different types of bonuses: regular and final.

## Regular bonus

Regular bonuses are designed to be sustainable and provide steady growth over time in the value of your investment. We decide regular bonus rates at least once a year.

You can usually see any regular bonus details in your yearly statement. The rate will vary over the period of your investment.

We decide the bonuses by looking at:

- how the Sub-Fund has performed in the current year
- any returns or losses from earlier years that we haven't already shared out through smoothing
- what we expect to earn in future years, and the effect of smoothing.

### Unitised policies

We calculate your share of your investment in the Sub-Fund in units. We add regular bonuses, if any, by either buying extra units or by increasing the price of the units, depending on the type of policy that you have.

For most unitised policies we add regular bonuses, if there are any, at least monthly by increasing the unit price. For the remaining unitised policies, we add regular bonuses, if any, once a year by adding extra units.

For some unitised policies there's a guaranteed rate of interest. For these policies we may also set a regular bonus which will be paid on top of this guaranteed interest. Your policy documents tell you if this applies to your policy.

### Conventional policies

We add regular bonuses, if any, once a year to the guaranteed amount.

Conventional with-profits policies can receive two types of regular bonus, which are added on top of the initial guaranteed amount. This is calculated as:

- a proportion of the initial guaranteed amount; and
- a proportion of any bonuses we've added previously.

Once added, we guarantee that the regular bonus will be paid at your chosen retirement date, the policy's maturity date or on death.



## Things you need to be aware of

- A regular bonus isn't the same as interest from a bank or building society.
- We don't guarantee to add a regular bonus to your investment each year. This is illustrated on the diagrams on the next page at years 1 and 9 for unitised policies, and at years 1, 11, 17 and 19 for conventional policies.
- It's likely that bonuses will be smaller in poor investment years than in good years.

# Bonuses – how do we add the bonuses? (continued)

## Final bonus

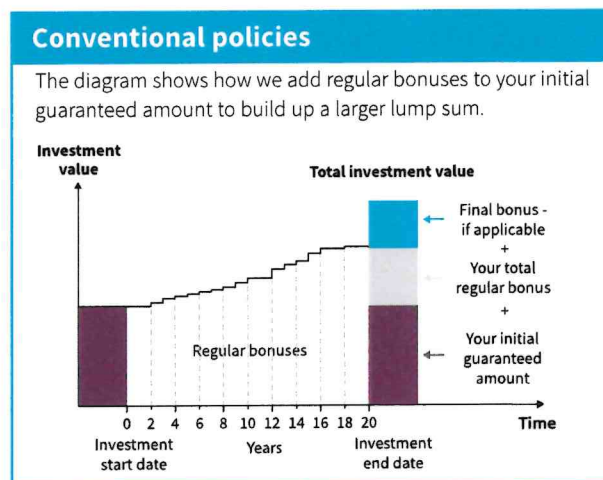
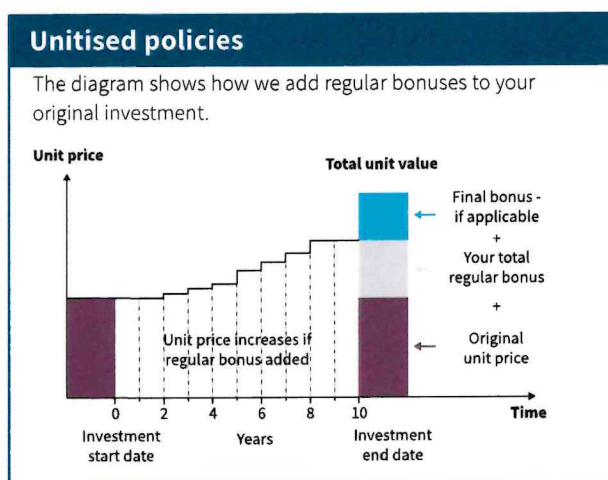
Final bonus aims to pay any balance between the regular bonuses we've already added and the performance of the Sub-Fund over the whole period of your investment. This makes sure that you get a fair share of the return your investment has earned.

Bonuses can vary and aren't guaranteed.

We aim to pay a final bonus to increase the value of your policy:

- if you die
- if you transfer your pension or cash-in your policy
- at the end of the term eg. for savings policies with a maturity date, or on your chosen retirement date for pensions
- if you switch out of the Sub-Fund into another investment fund (unitised policies only).

We normally review final bonus rates twice a year. However, we may review them more frequently if there are large changes in investment markets. Final bonus rates can change at any time, aren't guaranteed and could be zero.



These diagrams are for illustration purposes only and show periods of positive growth overall, which isn't guaranteed. The terms illustrated aren't the minimum or maximum period of investment for with-profits.

## ⚠ Things you need to be aware of

### For unitised and conventional policies

- The final bonus is based on the year in which you invested and the point at which you leave the Sub-Fund. It may vary depending on the returns earned over the lifetime of your investment and isn't guaranteed.
- If the investment return has been low over the period you invested, you may not receive a final bonus as you'll have already received your share of the returns through regular bonuses.
- We use a typical policy rather than individual policies when setting final bonus rates for policies issued in the same year.
- Certain policies aren't entitled to receive a final bonus and as a result the regular bonus on these policies may vary more than on others. Policies where we don't pay final bonuses include:
  - with-profits Individual Savings Accounts
  - Retirement Savings Schemes, and
  - pension policies invested in the Group With-Profits Fund.

### For unitised policies

- If a **market value reduction** is in place then this can reduce the effect of any final bonus and you may get back less than you invested. We'll tell you if a market value reduction is applying before you take money out of the Sub-Fund so you have the opportunity to change your mind.

# What are the guarantees?

Some unitised and conventional products provide guaranteed policy benefits if certain events happen or on dates as set out in your policy document.

For example, the event may be your policy's maturity date as agreed when you took it out. Or, for a pension policy, it may be the date you chose to retire when you started the policy. Your policy documents will set out any guarantees.

## Unitised policies

We won't apply a market value reduction to your policy on your original retirement date, on maturity or on death. However, for pensions policies we may apply one on your selected retirement date if you've made any additional single payments, transfer payments or switches into the Sub-Fund in the previous five years.

We can't guarantee the amount you'll get back if you move out of the Sub-Fund before or after your originally selected retirement date or before your maturity date.

Some types of unitised policy have a guaranteed rate of interest. For these policies we may also set a regular bonus which will be paid on top of this guaranteed interest. Your policy documents tell you if this applies to your policy.

Some pension policies may offer **guaranteed annuity options**. Please read your policy document to find out if this applies to you.

## Conventional policies

At the end of your policy term or on death, we'll pay the basic guaranteed benefit as well as any regular bonus we've already added. We'll do this even if the stock market falls significantly.

You won't receive any guarantees if you decide to cash in your policy early.

Some pension policies may offer **guaranteed annuity options**. Please read your policy document to find out if this applies to you.

## What does it mean?

### **Guaranteed Annuity Options**

Some pension policies may offer guaranteed annuity options, such as a guaranteed annuity rate. A guaranteed annuity rate is a valuable benefit, and usually means you can get a higher income from us than you could from another company.

Please read your policy document to find out if this applies to you.

## Things you need to be aware of

As these guarantees are valuable, we recommended you seek financial advice before withdrawing, switching or surrendering any benefits in the future.

# What happens if you leave the Sub-Fund early?

You may decide to move some or all of your investment out of the Sub-Fund early. For example, where your policy allows, you might:

- cash-in your policy
- transfer to another company; or
- switch to another type of fund (only available for unitised with-profits policies).

You should view with-profits investments as a long-term investment. This means leaving the Sub-Fund early may be the wrong option for you, especially if you have guarantees.

If you're considering leaving the Sub-Fund, we'd strongly suggest that you talk to your financial adviser or contact us directly. You can call us on the telephone number shown on your annual statement.

## Unitised policies

We work out the cash-in, transfer or switch value by looking at the value of units in your policy and then apply any deduction as described in your policy documents. We may then add a final bonus.

There may be times in poor market conditions or when investment returns are below the level we normally expect when we would apply a **market value reduction** if you move out of the Sub-Fund.

Market value reductions only apply to unitised with-profits policies. It's a reduction made to ensure that policyholders who remain in the Sub-Fund aren't disadvantaged when others leave.

If you move out of the Sub-Fund when a market value reduction is in place it'll reduce the value of your investment. This means you could get back less than you've invested. We won't apply it to your policy on your selected retirement date, on maturity or on death. However, we may apply it on your selected retirement date if you've made any additional single payments, transfer payments or switches into the Sub-Fund in the previous five years. Please refer to your policy documents for further details.

If you tell us you want to move your money out of the Sub-Fund, we'll let you know if a market value reduction will be applied before taking your money out of the Sub-Fund. This gives you the chance to change your mind.

## Conventional policies

If you move your money out of a conventional with-profits policy (eg. surrender before the maturity date or transfer before the selected retirement date) we'll reduce the policy's guaranteed benefits to reflect that you've paid fewer premiums and been invested in the Sub-Fund for a shorter time than we expected when you took out the policy. We may add a final bonus.

## What does it mean?

### Market value reduction

This is a reduction we sometimes have to make so that customers who remain invested in the Sub-Fund aren't disadvantaged when others choose to leave.

### An example showing why we may make a market value reduction

If there are three investors in a fund who each invest £10,000, the total fund is worth £30,000. If stock markets fall by 20% and the total fund value drops to £24,000, this would mean that if one investor withdraws their original £10,000 without a market value reduction in place, it would only leave £14,000 to be shared between the remaining two investors. In this example, it would be fairer for the investor wanting to withdraw their investment to only receive £8,000, leaving £16,000 to be shared between the other two investors.

# A bit more about the Sub-Fund

## What's the With-Profits Committee?

Our customers are at the heart of everything we do and we're fully committed to treating them fairly at all times.

To support this, we have a With-Profits Committee which oversees our work with independent expertise to make sure our decisions relating to with-profits investments are fair.

You can find out more about our With-Profits Committee at [aviva.co.uk/wpcommittee](https://aviva.co.uk/wpcommittee)

## How are business risks managed?

The Sub-Fund is exposed to a number of risks. The cost of risks is normally allocated to the Sub-Fund as a whole, not to individual policies.

Our biggest risks come from the need to pay the guaranteed payments on all policies when they become due, and from the possibility of falls in asset values. We control the risks to the Sub-Fund by monitoring the various risk factors, and taking action to reduce our exposure to risk, for example by changing investment strategy.

## What are the estate and the capital support?

Each of our with-profits sub-funds has a buffer over and above the amount needed to make pay-outs to policyholders. This buffer is known as the estate and we use this to support smoothing and guarantees and to provide security for our policyholders. We review the size of the 'buffer' in each with-profits sub-fund every year to determine whether they have additional surplus that can be shared between eligible policies.

In addition, certain capital support assets are available within other parts of Aviva Life & Pensions UK Limited, in all but extreme circumstances. Support assets may be used to pay policy benefits of the Sub-Fund should the reserves and estate prove insufficient. In certain circumstances the support assets will be transferred to the Sub-Fund. The assets will also be repaid when no longer required.

The estate and capital support assets support the operation of with-profits policies. In particular they:

- provide us with the flexibility to invest in a wider range of assets
- provide a cushion of extra security to protect our investors when investment returns are low
- enable bonuses on with-profits policies to be smoothed.

If at any time we believe that the amount of the estate is too low then we'll take action to increase it, for example by reducing future bonus rates or changing our investment strategy. Similarly, if we believe that the amount of the estate is too high, we will take action to reduce it, for example by increasing the amount we allocate to bonuses over a period of time.

We aim to distribute all of the assets attributable to the with-profits policies in the Sub-Fund over the remaining lifetime of those policies. You can find out about the estate distributions that are currently applying at [aviva.co.uk/estate-distributions](https://aviva.co.uk/estate-distributions)

## Is the Sub-Fund closed to new business?

Yes, the Sub-Fund is closed to new business, although we still accept increments to existing policies and new members to existing groups schemes (prior to merger, the FLC New and Old With-Profits Sub-Funds were closed to new business on 28 December 2012).

## How have previous court schemes and the recent fund merger affected policies?

The business of what is now the FLC With-Profits Sub-Fund has been the subject of a number of past schemes by the High Court. In 2017, a further Scheme moved the business to Aviva Life & Pensions UK Limited. All important aspects of the previous schemes have been retained for policyholders.

## What are policyholder and shareholder interests?

There are two groups who have an interest in the Sub-Fund – **policyholders** and **shareholders**. We must make sure that any decisions we make about how we run the Sub-Fund are fair to everyone. This means we have to balance the interests of:

- policyholders whose investments start at different times
- policyholders who move money out of the Sub-Fund and those who keep their money invested in it
- our shareholders.

We take all this into consideration in the way we run the Sub-Fund. Shareholders are currently allocated one ninth of surplus distributed to with-profits policyholders (that is, 10% of the total profits are allocated to shareholders).



### What does it mean?

**Policyholders** have invested their money in the Sub-Fund.

**Shareholders** own a stake in our total business.

# Where can you find out more?

We hope this guide has helped you understand how our FLC With-Profits Sub-Fund works.

This guide is only meant to be a summary. We also have a detailed document, called the **Principles and Practices of Financial Management (PPFM)**, which is produced in line with guidance from our regulator, the Financial Conduct Authority. You can find it and more on our website: [aviva.co.uk/ppfm/#flc-with-profits](https://aviva.co.uk/ppfm/#flc-with-profits)

If there are any differences between the information in the two guides, you should take the Principles and Practices of Financial Management as the final word.

You can see a summary of any changes to our PPFM on our website together with our yearly compliance statement.

---

You can also contact us for a copy of these guides or for more information by calling



**0117 989 9000**

Calls may be monitored and/or recorded.



Write to us at:  
**Aviva, PO Box 582**  
**Bristol**  
**BS34 9FX**



You can use the link below to find out more about our Sub-Funds at:  
**[aviva.co.uk/ppfm](https://aviva.co.uk/ppfm)**



If you have any questions about your investment you can talk to your financial adviser. They'll be able to consider your current circumstances and financial goals.

If you don't have a financial adviser, you can find one at **[unbiased.co.uk](https://unbiased.co.uk)**


Please note, your financial adviser may charge you for any advice provided.

---

## Need this in a different format?

Please get in touch if you'd prefer this summary (**HL02001**) in large print, braille or as audio.

## How to contact us

 0117 989 9000

 [contactus@aviva.com](mailto:contactus@aviva.com)

 [aviva.co.uk](https://aviva.co.uk)

| Retirement | Investments | Insurance | Health |

### Aviva Life & Pensions UK Limited.

Registered in England No 3253947. Aviva, Wellington Row, York, YO90 1WR. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number 185896.

