A guide to YOUR OPTION 32 pension transfer policy

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1. Introduction

On 31 July 2013 Royal London completed the acquisition of Co-operative Insurance Society Limited from Co-operative Banking Group Limited. Following the acquisition Co-operative Insurance Society Limited was renamed Royal London (CIS) Limited.

On 30 December 2014 the policies of Royal London (CIS) Limited were transferred into a separate sub-fund of the Royal London Long Term Fund called the Royal London (CIS) Sub-Fund. At the same time, the Royal London (CIS) Sub-Fund was closed to new policies.

The Royal London Long Term Fund consists of the Royal London Main Fund, which is open to new business, and sub-funds which are all closed to new policies.

We will manage the Royal London (CIS) Sub-Fund in accordance with the Transfer Scheme; this is one of the legal documents that transferred the business of Royal London (CIS) Limited to Royal London. The Transfer Scheme states that Royal London will manage the Royal London

(CIS) Sub-Fund as if it was a stand-alone fund, operating within the constraints of its own capital.

The Royal London (CIS) Sub-Fund itself consists of three funds:

- the RLCIS OB & IB Fund;
- the RLCIS With-Profits Stakeholder Fund; and
- the RLCIS With-Profits Pension Fund.

This guide covers Option 32 Pension Transfer policies.

In this guide we call the RLCIS OB & IB Fund, 'the fund'.

2. What is this guide for?

This guide should answer most of the questions you might have.

If you have any further questions then please contact us

– our contact details are shown at the end of this guide.

The guide explains the main aspects of how your Option 32 Pension Transfer policy works.

It covers the key points from the detailed technical guide called the Principles and Practices of Financial Management (PPFM) document, but is not a replacement for it. Please see the PPFM for a fuller description of how your Option 32 Pension Transfer policy works. If this guide is inconsistent with the PPFM, the PPFM overrides this guide.

You can download all of our guides, including the PPFM documents, from our website, **www.royallondon.com** or instead you can contact us for a copy.

If we make a significant change to how we manage your Option 32 Pension Transfer policy in the future, we'll write to tell you.

3. What is an Option 32 Pension Transfer Policy?

An Option 32 Transfer Policy is a 'buyout bond' which enabled individuals, such as yourself, with preserved benefits in an ex-employer's occupational pension scheme (OPS) to transfer them to an insurance policy.

The money (or 'transfer value') from your OPS was paid to us as a lump sum and is invested in the fund.

When you approach your chosen retirement date you will need to make a decision on what to do with the pension fund you have saved with us.

Your pension fund won't automatically pay you income when you retire. You will need to use the fund to buy a retirement product, such as an annuity, that provides you with that income.

To find the best possible income you will need to shop around and consider taking financial advice.

For more details about the options at retirement please see the section entitled

'Taking your pension benefits at retirement' in the Product Guide that is enclosed with your annual statement.

The types of benefit available to you and the tax position of the benefits are subject to change by the Government. As you approach the retirement age that you have selected for your policy, we will inform you of the retirement options available to you.

4. What are the guarantees provided by my policy?

In return for your transfer value we guarantee to pay you a basic pension plus all annual bonuses we may have previously added.

We'll do this on the retirement date that you originally selected for your policy, i.e. your Normal Retirement Date.

These bonuses represent your share of the profits and losses of the fund, which includes life assurance and pensions business.

Unlike simpler stock market investments, your policy contains very high levels of valuable investment guarantees regarding the amount of money you'll receive at your Normal Retirement Date (which is shown in your policy document).

How were my guaranteed benefits calculated?

When you took out your policy we set your policy's basic pension amount by making assumptions regarding:

- the future investment return we would achieve each year on the transfer value that we received from your former pension scheme, and
- the number of years (from your Normal Retirement Date) over which we would subsequently pay you a pension, i.e. life expectancy.

Investment returns

Initially, when you purchased your policy, we invested your money in assets, such as shares and property, which we expected to continue performing in line with the market conditions prevailing at the time. During this period, when investment returns were good, we increased the guaranteed value of your plan each year by adding annual bonuses, to pass on your share of the investment profits.

In recent years, and following the significant stock market falls over the period 2000 to 2003, investment returns have been much lower than the returns we assumed at outset.

Expected future investment returns are also much lower than the returns we assumed at outset.

Life expectancy

Life expectancies have increased over the period since you took out your policy. This means that we now expect to pay you a pension over a longer period of time.

How do these factors affect my future bonuses?

As a consequence of:

- lower than expected investment returns in recent years
- lower expectations of future investment returns, and
- an increase in life expectancies

the underlying value of your policy is significantly less than the value of your guaranteed benefits and is expected to remain so at your Normal Retirement Date.

Following from this, and in order to ensure that all of our with-profits policyholders are treated fairly, **we will not generally be adding any future annual bonuses or a final bonus to your existing guaranteed benefits**. As a result, on your Normal Retirement Date you will receive the 'Total guaranteed pension each year' shown in your annual statement.

The fund is closed to new policies. As such we will be distributing the working capital (see section 6) of the fund over the remaining lifetime of eligible with-profits policies in the fund. The way we will distribute the working capital will be decided by our Board from time to time with the overall aim of being fair.

Any distribution of the working capital will increase the underlying value of the policies to which it is allocated, but is unlikely to increase the guaranteed benefits. Since the guaranteed benefits for Option 32 Pension Transfer policies are significantly greater than the underlying value of these policies at present, such distributions may not lead to additional bonuses being added to your policy. However, we will provide further details of any distributions with your annual statements.

5. What if I decide to transfer the value of my policy to another pension provider?

It may not be in your best interest to transfer the value of your policy to another pension provider, as you will give up the valuable guarantees that you would otherwise receive at your Normal Retirement Date.

Your policy is a long term investment and is designed to be held until its retirement date. If you do decide to transfer your policy, we will adjust your benefits taking into account factors such as our costs and investment returns over the time that the policy was held and allowing for smoothing. In exceptional circumstances we may also make a deduction to protect the interests of policyholders continuing in the fund.

Over the longer term we aim to set transfer and retirement values so that the fund does not make a profit or loss from such payouts and we normally expect that the majority of payouts would be within 20% of the unsmoothed amounts.

Before proceeding to transfer the value of your policy to another pension provider, we would recommend that you seek financial advice.

6. What is the working capital of the fund and what is it used for?

The working capital of the fund is the excess of the value of the fund's assets over the amount needed to meet its liabilities.

We use the working capital for a variety of purposes, for example to ensure as far as possible that the fund is large enough to cover all our liabilities to policyholders at any time and to support smoothing of payouts. As the fund is closed to new policies, we need to balance the requirement to hold a sufficient level of working capital with the need to distribute it over the lifetime of eligible with-profits policies. The way we will distribute the working capital will be decided by our Board from time to time with the overall aim of being fair.

The overriding principle is that the fund is to be managed, so far as it is possible, within the limits of its own working capital. If we are unable to do this, capital from the Royal London Main Fund, if available, would be used to help support the fund until we could take any available actions to address the situation.

A charge would be made to the fund in relation to such support on terms specified in the Transfer Scheme.

How to contact us

If you have any questions about your policy, then please contact us at:

Royal London
Churchgate House
56 Oxford Road
Manchester
M1 6EU

Website: **royallondongroup.co.uk/RLCIS**

In addition, the website includes all of our guides like this one, as well as the more detailed guides called the Principles and Practices of Financial Management.

Royal London
Churchgate House, 56 Oxford Street, Manchester, M1 6EU
royallondon.com

We're happy to provide your documents in a different format, such as Braille, large print or audio, just ask us when you get in touch.

All of our printed products are produced on stock which is from FSC® certified forests.

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