

# Understanding the **RLCIS With-Profits Pension Fund** and the **RLCIS With-Profits Stakeholder Fund**

Please read this guide with your yearly statement



# Your questions answered

## What is a unitised with-profits fund?

The RLCIS With-Profits Pension Fund and RLCIS With-Profits Stakeholder Fund are both unitised with-profits funds. You may also see these funds referred to in your statement, or on the Royal London website, as the Royal London With-Profits Pension Fund and the Royal London With-Profits Stakeholder Fund.

Like our other unit-linked pension funds, these with-profits funds are split into units, with each unit having a price that can go up and down. Each pension contribution you make buys you a certain number of units, depending on the unit price at that time.

The value of your plan at any time is the number of units you have in each fund multiplied by the current unit price.

The value of your plan may rise or fall on a daily basis, and it is possible that you may get back less than you paid in.

## What are the investments in the unitised with-profits funds?

The funds are invested in a wide range of carefully selected assets with the aim of achieving growth. A wide range of assets is held to help reduce the risk to the value of the funds that would arise if most or all of the assets were invested in a single category of assets.

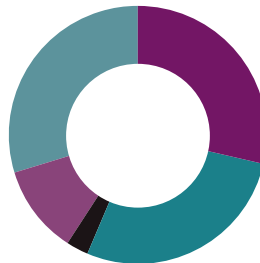
Investments include:

- UK and overseas shares
- government bonds (loans to the government)
- company bonds (loans to companies)
- property
- cash deposits.

We have always aimed to hold between 50% and 70% of the funds in higher-risk assets such as company shares, including a proportion in overseas shares. We do this by investing directly in these assets and/or by investing in them through funds. Higher-risk assets are generally expected to deliver higher returns than other investments over the longer term, although remember that all investments can go down as well as up in value and you may get back less than you paid in. We hold the rest of the assets in the funds in less risky assets such as bonds and cash deposits.

The funds may also invest in other assets in the future.

Asset mix (as at 31 December 2024)



- Overseas Equities 29%
- Fixed Income 28%
- Cash 3%
- Property 11%
- UK Equities 30%

## What is smoothing?

Unitised with-profits funds benefit from a feature known as smoothing. Smoothing is designed to protect with-profits policyholders from the direct impact of some of the sudden movements in the stock market, but it can't get rid of the strong link between the underlying market investment returns and with-profits returns.

This means that we hold back some of the profits made when investment returns are good, so that we can increase returns if the investment returns are lower. We do this so that your investment should provide a steadier return from day to day than if you invest in a fund that fully reflects the rise and fall in stock markets.

There are no investment guarantees. As a result, the value of your plan may rise or fall on a daily basis and it is possible that you may get back less than you paid in. However, because of smoothing, the rise or fall in your plan value will normally be less extreme than the rise or fall in the value of the fund's assets.

We may temporarily stop smoothing if market movements are very extreme. This ensures no-one is disadvantaged by either putting money in or taking it out in these extreme circumstances. It also ensures we keep enough money in the fund to pay those who will exit in the future.

## What is a Market Value Reduction?

In certain circumstances it may be necessary to reduce the plan value available to those who are taking money out of a unitised with-profits fund. We would do this by applying a Market Value Reduction (MVR). We would use an MVR in order to maintain a fair level of return to everyone still invested in the fund. If we didn't apply one, the extra amount given to someone leaving the fund would have to come from other investors who might, therefore, receive less than their fair share. It's most likely that we'll need to apply an MVR when a large amount of money is being taken out of a unitised with-profits fund at a time when investment values have been particularly depressed.

We won't apply a Market Value Reduction to payments made on death or on your chosen retirement date.

## How are the unitised with-profits funds managed?

We manage the unitised with-profits funds in line with technical documents known as the Principles and Practices of Financial Management (PPFM).

We'll notify you of any important changes we make to these documents and the latest versions will always be available on our website. You can view and download these documents, together with the most recent report about how we have complied with the PPFM from our website [royallondon.com/PPFM](http://royallondon.com/PPFM). Alternatively, you can ask us to send you a copy by calling us on 0345 605 7777.

### PPFM changes

There have been a small number of updates to PPFM Practices to refine our bonus setting methods and to improve clarity.

For further information contact us by calling 0345 605 7777.  
Lines open Monday to Friday 8am-6pm (excluding bank holidays).

## Investing responsibly

Driven by our Purpose, we look to act and invest responsibly. Visit [royallondon.com/responsiblebusiness](https://royallondon.com/responsiblebusiness) to find out more about our approach to investing responsibly, as well as our climate commitments, and our stewardship and sustainability reporting.

**We are happy to provide your documents in alternative formats such as braille, large print and audio.**



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