

Your Option 32 Pension Transfer Policy

A reminder of
some important facts



What is an Option 32 Pension Transfer policy?

You transferred benefits from a previous employer's Occupational Pension Scheme (OPS) into this policy. The options available to you are included in the **What choices will I have when I come to take my pension benefits?** section.

In addition, depending on your original OPS benefits, you may also have some life cover.

Where does Royal London invest my policy?

When you transferred pension benefits from a previous employer's pension scheme into this policy we invested the amount received into the RLCIS OB & IB Fund, referred to here as the with-profits fund. Option 32 policies are backed by safer investments that protect the very high level of guaranteed benefits.

We explain how we manage the with-profits fund in the Principles & Practices of Financial Management (PPFM) of the RLCIS OB & IB Fund document available on our website at royallondon.com/PPFM. Go to the RLCIS section and then select RLCIS OB & IB Fund PPFM.

PPFM changes

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

Investing responsibly

Driven by our Purpose, we look to act and invest responsibly. Visit 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.

Does my Option 32 Transfer policy have any guarantees?

Your policy comes with some important guarantees. These are explained below.

When your policy was set up

Your policy will provide you with a guaranteed amount of regular income on your Normal Retirement Date. This is the date that you originally stated you'd like to take your pension benefits and is the date shown on your annual statement (unless subsequently changed).

The regular income is known as your 'Basic Pension'. We set your Basic Pension when you took out your policy by making assumptions on:

1. The future investment returns we'd make by investing the transfer value we received from your previous pension scheme into the with-profits fund and;
2. The number of years we'd pay regular income to you before you died.

In recent years

We added annual bonuses to your policy when investment returns were good and these increased the guaranteed value of your policy.

However, our investment returns in recent years and expected future investment returns are much lower than we assumed when you took out your policy.

Life expectancy rates have also increased significantly since you took out your policy. This means that pension providers, including Royal London, have to pay regular income to people for a longer period.

The combination of these factors means that the underlying value of your policy (i.e. the initial transfer value plus investment returns to date, minus expenses) is significantly less than the value of your guaranteed benefits and will remain so at your Normal Retirement Date. As a result we won't generally be adding any future annual bonuses or a final bonus to your existing guaranteed benefits.

Despite this, we guarantee that your policy will pay out the total Basic Pension, including any annual bonuses already added, at your Normal Retirement Date.

Guaranteed Minimum Pension

If your previous employer's OPS contracted you out of the State Earnings Related Pension Scheme (SERPS), then part of your benefits will provide a Guaranteed Minimum Pension (GMP).

Regulations require that we must pay this amount to you as a minimum (from age 60 if you are female and from age 65 if you are male) and in a certain format.

When can I take my pension benefits?

Pension benefits can normally be taken from age 55 (although from April 2028 the Government is increasing this normal minimum pension age to 57). However, special rules mean that you'll still be able to take pension benefits from your Option 32 Pension Transfer Policy from age 50. We'll write to you in the months leading up to your Normal Retirement Date to inform you of your options, unless you contact us to request an earlier retirement date.

However, early retirement will only be possible if your pension pot is sufficient to pay your GMP at that time.

If you're unable to work because of poor health then you may be able to take your benefits earlier.

What choices will I have when I come to take my pension benefits?

The choices available to you may change between now and when you come to take the benefits from your pension pot. But at the current time you can choose any of the following options.

- You can use your pension pot to provide a guaranteed, regular income for life (also known as a lifetime annuity). You may be able to take part of your pension

pot as a tax-free lump sum. The rest is then used to buy your lifetime annuity. The annuity payments are taxed as earned income.

- You can take all of your pension pot in one go as a single lump sum. A quarter of your pension pot can usually be taken tax-free and the rest will be taxed as earned income.
- You can leave your pension pot invested and take it more flexibly. You could take it as a number of lump sums. A quarter of each lump sum is normally paid tax-free with the rest taxed as earned income. Alternatively, you could take it as a flexible income where a quarter of the whole pot can be taken tax-free with all future payments taxed as earned income in the tax year in which they are taken. At any time you can use any remaining pension pot to provide a guaranteed, regular income for life.
- You don't have to take your pension pot when you reach your Normal Retirement Date. You can choose to keep it where it is and then take it at a time that best suits you. Delaying taking your money may give your pension pot a chance to grow but it could also go down in value too. Your Royal London pension policy allows you to delay taking your pension pot until age 75.

It's important to note that your policy does not offer all these options, and you may need to move your pension pot to another pension product to get the option that you want.

As you approach your Normal Retirement Date we'll send you a pack outlining the options available to you and the action you need to take.

To help you understand your options and make the right choices, the Government provides a free and impartial guidance service – Pension Wise. We strongly recommend that you use this service to help you understand your options and make the right decision. You can access Pension Wise online by visiting [moneyhelper.org.uk/pensionwise](https://www.moneyhelper.org.uk/pensionwise) or by calling them on **0800 138 3944**.

This service won't provide advice or recommend specific products or providers. If you feel you need advice, we recommend you talk to a regulated financial adviser. If you don't have a financial adviser, you can get details of local financial advisers by visiting royallondon.com/find-a-financial-adviser. Advisers may charge for providing such advice and should confirm any cost to you beforehand.

What happens if I die before I take my pension benefits?

Depending on the features of your original Occupational Pension Scheme, your policy value will be used to provide either:

- a pension for your spouse or civil partner, or
- a lump sum payable to your next of kin or a dependant, or
- a mixture of both.

If you die before the age of 75, it will normally be paid tax free (apart from any Widow(er)'s GMP which is taxable as earned income at the recipient's highest tax rate).

If you die after the age of 75, pension benefits paid to an individual will be taxed as income at the recipient's highest tax rate. If the pension benefits are paid to a trust or company, tax at 45% will be deducted before payment is made.

What happens if I am in ill-health?

If you retire early due to ill health, we may be able to make special arrangements for when and how you access your pension benefits.

Can I transfer my policy?

You can transfer your policy to another pension product at any time before you access your pension benefits. We won't charge for doing this.

However, if you do transfer your policy, you will lose the valuable policy guarantees described earlier.

We recommend that you speak to a regulated financial adviser before you transfer your policy.

Tax

Tax treatment depends on individual circumstances and may change in the future.

Additional information

This guide is a short reminder of the main features of your Option 32 Pension Transfer policy. For more detailed information, you should refer to the policy document we sent to you when you took out your policy, together with any policy endorsements. In the event of any conflict between this guide and the policy document, the policy document will prevail.

If you need more information contact our Customer Contact Centre

0345 605 7777

Monday to Friday 8am to 6pm (excluding bank holidays)

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

**Please call us on 0345 605 7777.
Lines open Monday to Friday 8am-6pm
(excluding bank holidays).**



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