

# Understanding your AVC Plan **yearly statement**



Please read this guide with your AVC Plan yearly statement



## Introduction

This guide is designed to help you get the most from your yearly statement. It explains the terminology used in the statement and provides some background on how your pension plan works. However, if you have any questions that aren't covered please let your scheme administrator know. Contact details are provided on the cover page of your yearly statement.

## Questions and answers

### What is an AVC Plan?

An Additional Voluntary Contribution (AVC) Plan is a unit-linked pension plan that helps you save for your retirement in a tax-efficient way. It operates alongside your company pension scheme to provide for your retirement.

### What is a unit-linked plan?

In a unit-linked plan, your contributions are used to buy units in the fund or funds that you've chosen to invest in. This choice was made when you first took out your AVC Plan. However, you may change the funds you want to invest in, or direct future contributions to different funds, at any time.

The number of units you buy in each fund will depend on the amount of your contribution and the unit price of the fund(s) you invest in on the day your contribution is made. The price of the units directly reflects the value of the investments held in the fund(s), such as stocks and shares. The exception to this is the Royal London With-Profits Pension Fund, referred to here as the with-profits fund. For more details of how this fund works see 'The Royal London With-Profits Pension Fund – your questions answered' opposite.

Your AVC Plan value, at any particular time, is determined by multiplying the number of units you hold in each of the funds that you have invested in by the unit price of those funds at that time. This means that the value of your AVC Plan will rise and fall as unit prices rise and fall, and you could get back less than you pay in.

### What fund choices do I have?

When assets have similar characteristics, they are grouped into categories called asset classes. Different funds have different risks depending on the type of asset class they invest in. The Trustees of your company pension scheme have selected a range of different funds for you to invest in. If you want to know more about the various fund choices available to you, please ask your scheme administrator for further details.

## 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.

### What guarantees do I have?

There are no guarantees on the amount that you'll receive on retirement.

### What benefits will my plan provide?

You may be able to take some or all of your plan value as a lump sum on your retirement. Please contact your scheme administrator for details.

### When can I claim my AVCs?

Usually, you can only take a transfer of your AVCs, or retire under your AVC Plan at the same time as you take your company pension scheme benefits. However we'd always suggest that you check this with the administrators of your company pension scheme as their rules may allow otherwise.

### How do I increase my contributions?

Your AVC Plan Yearly Statement contains details of the contributions, including tax relief, that you're currently making to your AVC Plan each month/week. If you would like to increase your contribution rate, please contact your scheme administrator or your employer's payroll department.

### Who do I contact about my plan?

If you'd like further information about your pension scheme or if you have any questions about your AVC Plan, please contact your scheme administrator. Details are provided on the cover page of your yearly statement.

### How do I update my personal details?

If any of your personal details including your name and address are incorrect, then please contact your scheme administrator using the contact details provided on the cover letter of your statement.

## The Royal London With-Profits Pension Fund – your questions answered

### I didn't choose to invest in the with-profits fund – do I need to read this?

No. This section will be of interest if you are invested in the with-profits fund or are thinking of investing in it. As indicated earlier in this guide, the way in which this fund operates differs from the rest of our funds and this section provides more details about this.

### What is the with-profits fund?

The with-profits fund is one of the investment choices for contributions to your AVC Plan. Like our other unit-linked pension funds, the fund is divided into units and each business day we publish unit prices that are used to work out benefits and allocate units when pension contributions are paid into the fund.

Unlike other funds, the with-profits fund investment profits (or losses) made on the underlying funds are 'smoothed' before being credited to investors through changes in the unit price.

By smoothing we mean we hold back some of the profit made when investment returns are good, so that we can increase returns at a later date if investment returns are lower, giving a more stable return. We don't profit from managing this fund in this way – all money in the fund goes back to the policyholders.

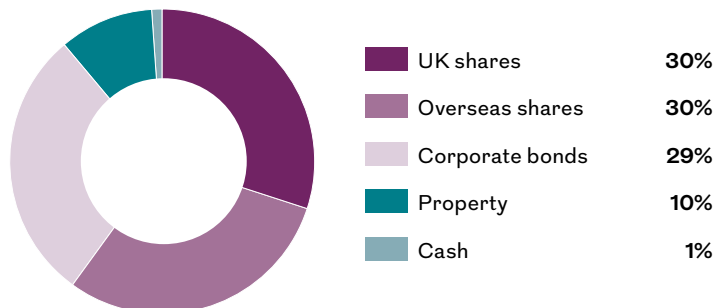
### What are the investments in the with-profits fund?

The fund is 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 fund that would arise if most or all of the assets were invested in a single category of assets.

We manage the investments in the fund in line with our Responsible Shareholding programme.

The chart below shows the different types of assets we held in the with-profits fund as at 31st December 2025.

#### Asset Mix as at 31 December 2025



### What if I decide to move out of the with-profits fund?

In certain circumstances, it may be necessary to reduce the plan value available to those who are taking money out of the with-profits fund. We'd do this by applying a Market Value Reduction (MVR).

It's most likely that we'll need to apply an MVR when a large amount of money is being taken out of the with-profits fund at a time when investment values have been particularly depressed.

We'd only use an MVR in order to maintain a fair level of return to everyone still invested in the with-profits 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.

An MVR won't be applied in the event of a death claim or at retirement.

### More information on the with-profits fund

We manage the fund in line with a technical document known as the Principles and Practices of Financial Management (PPFM) of the RLCIS With-Profits Pension Fund. The PPFM explains in detail how we manage our with-profits business.

We'll notify you of any important changes we make to this document and the latest version will always be available on our website. You can view and download this document, 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.

### PPFM changes

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

## Notes

### Estimated Pension at 65

The figures given in the illustration on the first page of your benefit statement are only examples and aren't guaranteed. We've prepared the figures using standard assumptions required by law.

### Among other things your final pension will depend on:

- when you actually retire and start to take your pension
- the actual contributions paid into your plan
- the way your plan is invested, the investment growth it achieves and fluctuations in exchange rates
- how much it costs to buy a pension when you retire
- the type of pension you buy, whether it increases each year, and whether it provides a spouse's pension when you die.

### The general assumptions we have made about your future:

- that if you're still contributing you'll continue making contributions at the same level until 65
- we've allowed for the actual performance of your plan up to 31 March 2026. We've assumed that in future the value of your investments in:
  - the Royal London Cash Pension Fund will grow by 2.0% every year
  - the Royal London Fixed-Interest Pension Fund will grow by 6.0% every year
  - the Royal London With-Profits Pension Fund will grow by 4.0% every year
  - the Royal London Deposit Pension Fund will grow by 2.0% every year
  - the Royal London Sustainable Leaders Pension Fund will grow by 6.0% every year
  - the Royal London GMAP Adventurous Fund will grow by 4.0% every year
  - the Royal London GMAP Conservative Fund 2 will grow by 4.0% every year
  - the Royal London GMAP Dynamic Fund 2 will grow by 6.0% every year
  - the Royal London European Growth Pension Fund will grow at 6.0% every year
  - the Royal London UK Growth Pension Fund will grow by 6.0% every year
  - the Royal London Global Equity Select Fund 2 will grow at 6.0% every year
  - the Royal London US Growth Pension Fund will grow by 6.0% every year
  - the Royal London UK Broad Equity Tilt Pension Fund will grow by 6.0% every year

- we've assumed that inflation will be 2.5% each year
- in calculating the cost of buying a pension, we've assumed an investment return after your retirement of 4.8%
- you'll buy a pension that won't increase in value each year
- on your death, we won't pay an income to any of your dependants unless you die within 5 years of taking your income. In this case, we'll continue to make payment to your estate for the remainder of the 5 year period
- your pension will be paid monthly from the date of retirement
- you'll take a taxable yearly income for life that won't be paid to your dependants after your death and the income won't increase each year
- you don't take a lump sum at retirement. However, you may be entitled to take some of your benefits as a lump sum at retirement. Consult the Trustees of your pension scheme for advice. This is subject to HMRC (HM Revenue & Customs) restrictions. Any part of the plan value not taken as a lump sum will be used to provide a pension.

Our assumptions reflect the income choices made by the majority of customers, but you'll have other options to take your pension savings.

What actually happens may vary considerably from the assumptions we've made and so your future pension may be significantly different from the amount shown.

**You should consider getting further information from the Trustees of your pension scheme or the Trustees' representative before you review your pension arrangements – see the cover page of your benefit statement for contact details.**

As you approach retirement you'll be able to decide on the exact format of your retirement benefits from the options available.



**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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