Our investment proposition for auto-enrolment pension schemes

A guide for employers

For direct customers with schemes starting from 1st June 2015.

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About this guide

This guide explains the investment option you can use for Aviva's Company Pension and Company Stakeholder Pension schemes. The option is for direct customers with schemes starting from 1st June 2015.

How to find your way around

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Introducing our investment proposition for auto-enrolment pension schemes

For direct customers with schemes starting from 1st June 2015.

Our investment proposition makes it easy for you to set up a good quality investment option, for your auto-enrolment pension scheme.

What our proposition includes:

- **A ready made lifestage approach:** That is ready to use with any auto-enrolment scheme.
- **Governance you can count on:** Our fund governance team handles all the ongoing governance required for auto-enrolment investment approaches, so you don't have to. The team reviews the approach you'll find in this guide to ensure it's performing in line with its objectives. Aviva has also established an Independent Governance Committee. Please see page 13 for details.
- **Plus – literature for employees:** Once you've set up your scheme, we'll produce literature to explain the scheme default and any other investment options to employees. We will also send each member an annual statement explaining, in plain English, how their pension plan has performed.

Designed with auto-enrolment in mind

We've designed our investment proposition based on best practice guidelines issued by The Pensions Regulator[1] and the Department for Work and Pensions[2] (DWP). So with an Aviva pension scheme, you can feel confident you're offering your employees investment options that are in tune with the regulator's recommendations.

Why we're using lifestaging

Our investment approach for auto-enrolment uses lifestaging because we believe it's the best available strategy for auto-enrolment schemes.

Lifestaging is easy to understand, aims to help protect the retirement benefits the member could get and requires little or no input from them, either. All of these factors make it ideal for the majority of employees, who typically aren't sophisticated investors and don't have ready access to financial advice.

What's more, our lifestage approach comes with automatic rebalancing as standard. The fund splits are moved back to their original levels at regular intervals – so employees should rarely (if ever) be exposed to a higher level of investment risk than they're comfortable with.

[1] Selecting a good quality pension scheme for automatic enrolment, The Pensions Regulator, July 2013.
[2] Guidance for offering a default option for defined contribution automatic enrolment pension schemes, DWP, May 2011.

Ready-made investment approach

Future Focus 2 Drawdown Lifestage approach

Our Future Focus 2 Drawdown ready-made lifestage approach gives you a quick, easy way of putting together an investment solution for your scheme.

A fast-track way to build an investment solution

Our Future Focus 2 Drawdown lifestage investment approach is designed to be suitable for the majority of employees most likely to end up in their scheme's default.

Approach name	Risk/return rating
Aviva Future Focus 2 Drawdown Lifestage Approach	Medium

Suitable as an auto-enrolment default

Our Future Focus 2 Drawdown Lifestage approach is designed to be suitable for those employees most likely to end up in their scheme's default. Which means you can use it – right off-the-shelf – as the default option for your auto-enrolment scheme.

No governance

What's more, if you use our Future Focus 2 Drawdown Lifestage approach for your auto-enrolment default, we'll handle all the governance required – right from day one. Please see the governance section on page 13 for full details.

Please note: scheme members will always also have the option to pick their own investment funds from Aviva's full range.

All governance is handled by Aviva. Once the scheme's in place, there's no need for you to do anything more.

Specially designed for auto-enrolment

Our Future Focus 2 Drawdown Lifestage approach is designed to be ideal for use as an auto-enrolment default option. Every aspect of this approach has been designed with this in mind – from the funds used right through to the investment glide path.

Ideal for the typical auto-enrolled employee

This approach is suitable for those people who'll use their scheme's default investment option (which is likely to be the majority). The early years of the approach are designed with the intention of providing investment growth. Then, as the member nears their chosen retirement date, their investment is moved into different funds that are lower risk. All of this happens automatically, meaning they don't have to make any investment decisions along the way.

Low cost

The recent Department for Work and Pensions (DWP) charge cap statement means default fund charges cannot exceed 0.75% from April 2015. Good news then, that our Future Focus 2 Drawdown Lifestage approach is specifically designed to never breach the cap.

Our Future Focus 2 Drawdown Lifestage approach in detail

Read on for details of how our approach works, what its objectives are and what funds it uses.

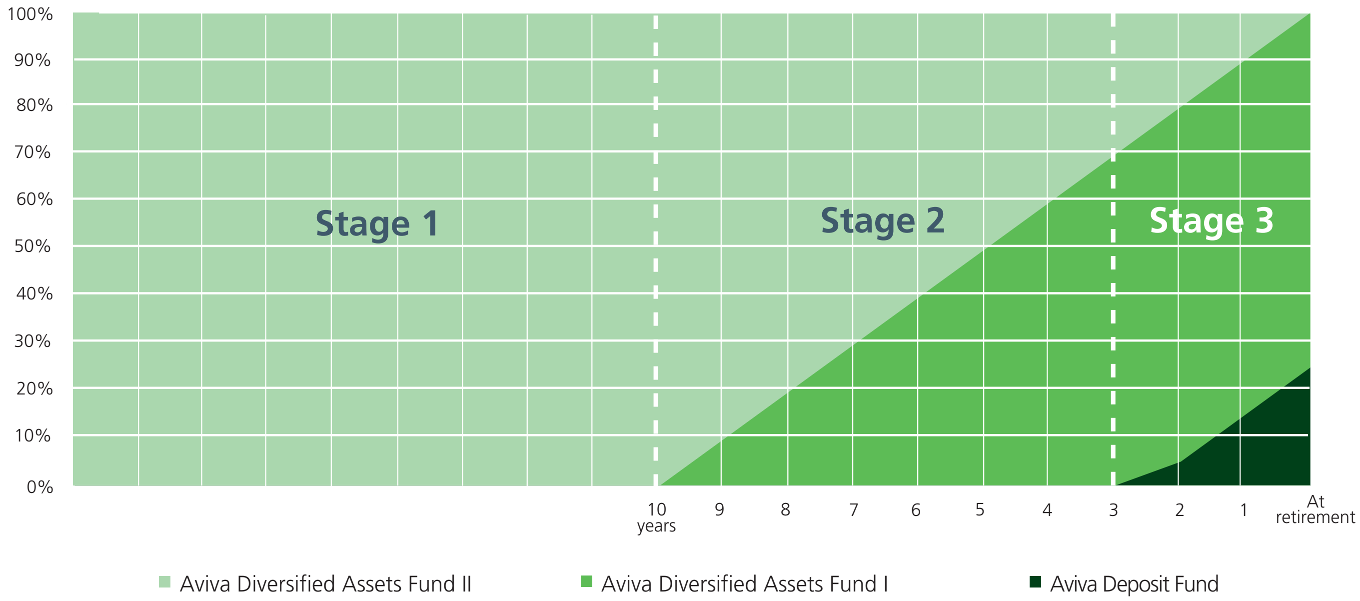
Overview and objectives

Our Future Focus 2 Drawdown Lifestage approach is designed to offer an appropriate balance of risk and return for employees being automatically enrolled into a pension scheme.

Aviva's Future Focus 2 Drawdown Lifestage approach is Aviva's standard default option.

Approach name	Risk/return rating	Objective
Future Focus 2 Drawdown Lifestage Approach	Medium	Offers the potential for better long-term returns than lower risk investments, but with a greater risk that the value of the investment could fall. Automatically moves investments into lower risk funds as the employee approaches their chosen retirement date.

How the approach works



Stage 1 is the growth phase, when all the employee's payments are invested in the Aviva Diversified Assets Fund II. The purpose of this stage is to maximise the growth of the employee's pension pot, while keeping the risk profile consistent.

1

Stage 2 is when consolidation begins. It kicks in when the employee reaches 10 years from their chosen retirement date. During this stage, we gradually (and automatically) move the scheme member's money into the lower volatility Aviva Diversified Assets Fund I.

2

The purpose of this stage is to move the investments into lower risk funds as they near their chosen retirement date.

Stage 3 begins three years from the employee's chosen retirement date. During this stage, we start moving money into the Aviva Deposit Fund, as well as continuing to move it into the Aviva Diversified Assets Fund I.

3

This stage is designed to help protect the value of the cash lump sum the employee can get when they take their benefits – along with continuing to move the client's investments into lower risk funds.

By the time the employee reaches their chosen retirement age, 25% of their pension pot will be invested in the Aviva Deposit Fund, and 75% will be invested in the Aviva Diversified Assets Fund I.

The exact fund split at the start of the investment depends on how far the employee is from their chosen retirement age when they become a scheme member.

Automatic rebalancing

From the start of stage 2 onwards, the funds are automatically rebalanced back to their original weightings at set intervals. By default this will happen every 3 months – but you can alter how regularly this happens if you wish.

The funds used

For the growth stage (stage 1)

Aviva Diversified Assets Fund II

Risk rating: 3 (medium)
Target volatility: 10% (+/- 2%)*
Annual management charge: 0.0%

Fund objective: To provide long-term growth through exposure to a range of asset classes, that can include, but is not limited to equities, fixed interest, cash, property and commodities. The fund may also use derivatives. This fund is part of a range of funds that have been designed to offer different risk options.

Asset allocation: Please see the **fund factsheet** for the most up to date asset allocation and more information on the fund.

Additional information

Our Diversified Assets Fund range is managed by Gavin Counsell and Nick Samouilhan of Aviva Investors.

For the de risking/consolidation stages (stages 2 and 3)

Aviva Diversified Assets Fund I
Risk rating: 2 (low to medium)
Annual management charge: 0.0%
Benchmark: No benchmark applicable

Fund objective: The objective of the fund is to provide long term growth through exposure to a range of asset classes, that can include, but is not limited to equities, fixed interest, cash, property and commodities. The fund may also use derivatives. This fund is part of a range of funds that have been designed to offer different risk options. This fund is designed to provide a lower risk option, with the expectation of less potential for growth, than Diversified Assets Fund II.

Fund manager: Gavin Counsell and Nick Samouilhan: Managers of this fund since December 2013 and September 2014 respectively.

Aviva Deposit Fund
Risk rating: 1 (low)
Annual management charge: 0.0%
Benchmark: LIBID GBP 7 Days

Fund objective: The fund aims to protect capital by investing typically in deposit investments and similar assets with governments, first class banks and major companies. Although the fund aims to provide a lower risk return, the value can fall.

Fund manager: Richard Hallet, Aviva Investors. Richard joined the firm in 1998, and was appointed Cash Fund Manager following the merger of Commercial Union and General Accident.

Get the latest fund information

For the latest performance data, fund factsheets and other information about each of these funds, visit the Fund Centre at aviva.co.uk/pensionfund-info

Governance and review – for auto-enrolment defaults

If you use our Future Focus 2 Drawdown Lifestage approach as a default option for your auto-enrolment scheme, we'll take care of the governance required. So you don't have to. Please see page 13 for more details.

More information

Governance of auto-enrolment defaults

The Department for Work and Pensions (DWP) has issued guidance[3] explaining how auto-enrolment default options ought to be governed. When you choose an Aviva company pension scheme, we handle most of these tasks.

In fact, if you use our Future Focus 2 Drawdown Lifestage approach as your default, we handle 100% of the governance recommended by the DWP.

Who's responsible for what?

	Who handles it?	
Governance task	**Aviva**	**You**
Ensure the approach is suitable for auto-enrolled employees and meets regulatory standards.	✔	
Review the approach at least every three years* to make sure it's still suitable and meets regulatory standards.	✔	
Review the performance of underlying funds to check whether they're performing in line with their objectives.	✔	
Replace any funds that are not performing as they should with more suitable alternatives.	✔	
Communicating information about the default option to scheme members.	✔	

*The DWP recommends reviewing the default option at least once every three years. However, we review our Future Focus 2 Drawdown Lifestage approach, once a year.

Independent Governance Committee

Aviva has established an Independent Governance Committee which helps govern both Aviva and bespoke default investment strategies. For more information on the Independent Governance Committee and the work that they do please visit www.aviva.co.uk/workplace-pensions-and-employee-benefits/IGC

If changes are needed

If we find that the investment approach or a fund isn't performing as it should, we'll make changes. We can replace an underlying fund with a more suitable alternative. We can change the name of the approach. And we can alter the volatility target of a fund.

We'll notify you and scheme members if we make any changes to the default approach used by your scheme. We will also update scheme literature.

[3] Guidance for offering a default option for defined contribution automatic enrolment pension schemes, DWP, May 2011.

Go to our website today

We hope you've found this guide useful.

If you are interested in setting up an investment solution then visit our auto-enrolment site which tells you how you can auto-enrol with Aviva aviva.co.uk/auto-enrolment-sme-support/

You can also visit **http://www.aviva.co.uk/pensions-and-retirement/company-pension/** for more information about our Company Pension and Company Stakeholder Pension schemes.