With-profits annuity guide

| Retirement | Investments | Insurance | Health |

AVIVA

This brochure provides a summary of how we manage the with-profits annuity products invested through either:

- **Aviva Life & Pensions UK Limited With-Profits Sub-Fund** or
- **Aviva Life & Pensions UK Limited Old With-Profits Sub-Fund and New With-Profits Sub-Fund** or
- **Aviva Life & Pensions UK Limited Provident Mutual Sub-Fund**

Your policy document will show the name of the company your policy was taken out with. If you're unsure which with-profits sub-fund you're invested in, you can find further details at **aviva.co.uk/ppfm**

Throughout this document unless otherwise stated references to 'Sub-Fund' relate to the appropriate with-profits sub-fund as detailed above.

Contents

Making sense of it

You may find some of the terms in this guide unfamiliar. To help, we've provided an explanation of the terms in **'What does it mean?'** boxes.

There are three annuity products applicable to this brochure:

The **With Profits Pension Annuity** (invested in the Aviva Life & Pension UK Limited With-Profits Sub-Fund)

The **With Profits Annuity** (invested in the Aviva Life & Pension UK Limited Old and New With-Profits Sub-Fund)

The **Dynamic Annuity** (invested in the Aviva Life & Pension UK Limited Provident Mutual Sub-Fund)

What does it mean?

Annuity
An insurance contract which provides an income throughout life, purchased by a one-off payment from a pension fund. An annuity is often referred to as a pension.

What is an Aviva with-profits investment?

At a glance

An Aviva with-profits investment is a low to medium volatility investment that has the advantage of pooling your money with that of other investors, so you can benefit from investing in a wide spread of **assets**. We explain assets in greater detail on page 6.

- The Sub-Fund is rated as a **low to medium volatility** fund.
- The value of the Sub-Fund can go down as well as up depending on the returns of the underlying mix of assets within the Sub-Fund. We share out the profits and losses of the Sub-Fund through a system of bonuses, with the aim of smoothing the returns on your with-profits investment over the long term.
- We explain smoothing in more detail later, but basically it helps to reduce some of the significant ups and downs of investing in the stock market. We smooth the rises and falls in value by holding back some of the investment returns in good years. We then use them to top up bonuses in poor investment years. Losses made in poor investment years may also reduce returns in good investment years.

What does it mean?

Low to medium volatility - 3

Aviva assesses risk ratings using historical performance.

The historical performance of funds with this risk rating has typically experienced low to medium volatility compared with other funds Aviva has rated. This means that these funds have a low to medium potential for substantial changes in value compared with other Aviva funds.

You can find out more about our risk ratings at: **aviva.co.uk/retirement/fund-centre/investment-funds/risk-ratings**

Assets

An Asset is a type of investment. Different types of assets include equities (company shares), gilts (loans to the UK government), corporate bonds (loans to companies), property or cash and money market. Assets can rise and fall in value.

Things you need to be aware of

Investing in with-profits may not be appropriate if you:

- expect to need your money in the short term
- aren't prepared to accept any risk of losing money
- would prefer the certainty of the interest from a bank or building society savings account, which you're guaranteed to receive once it's earned.

Asset mix

At a glance

We invest your money in the Sub-Fund, which invests in a mix of assets, including:

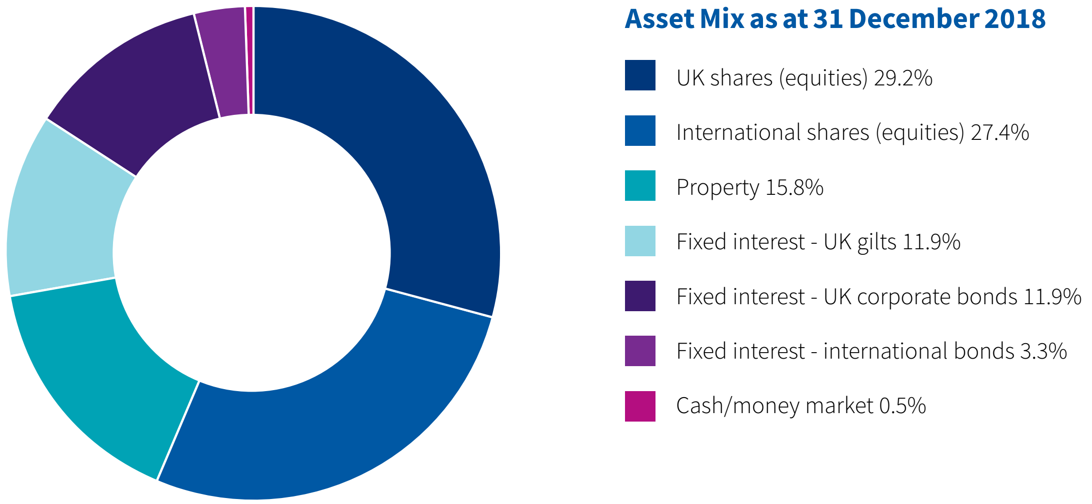
- shares/equities (UK and international)
- property
- fixed interest - corporate bonds (UK & international) and UK gilts
- cash/money market.

How do we invest your money?

We invest your money into a broad mix of assets. The asset diagrams below show the type and percentage of each asset that the Sub-Fund applicable to your annuity invests in.

The Sub-Fund invests in a range of different **assets**, such as **shares/equities, property, gilts, corporate bonds, cash/money market**, and we may vary these over time. We do this with the aim of achieving balanced returns.

Aviva Life & Pensions UK Limited With-Profits Sub-Fund



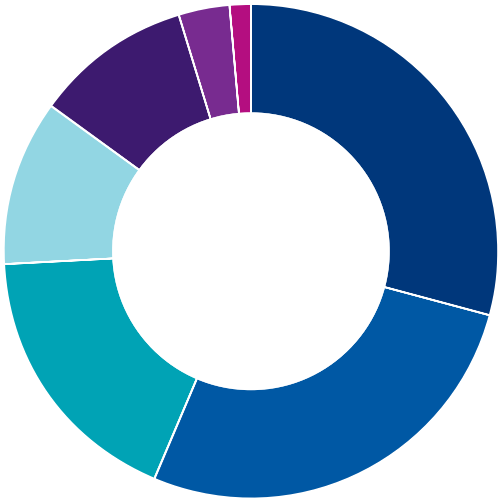
The investment returns achieved in each of the last five years are as follows:

	2018	2017	2016	2015	2014
before tax (pensions)	-3.1%	8.1%	11.4%	5.3%	9.0%

The returns above are on the whole Sub-Fund and are not applicable to any individual policy or plan. This is past performance. Past performance isn't a guide to the future.

Asset mix (continued)

Aviva Life & Pensions UK Limited Old With-Profits Sub-Fund and New With-Profits Sub-Fund



Asset Mix as at 31 December 2018

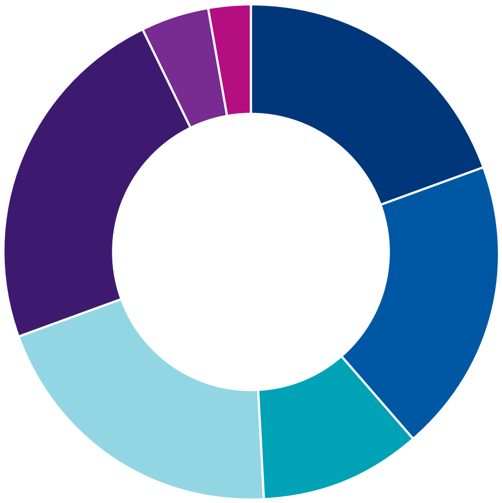
- UK shares (equities) 29.3%
- International shares (equities) 27.2%
- Property 17.9%
- Fixed interest - UK gilts 10.7%
- Fixed interest - UK corporate bonds 10.2%
- Fixed interest - international bonds 3.5%
- Cash/money market 1.2%

The investment returns achieved in each of the last five years are as follows:

	2018	2017	2016	2015	2014
before tax (pensions)	-2.5%	8.9%	12.1%	6.0%	8.0%

The returns above are on the whole Sub-Fund and are not applicable to any individual policy or plan. This is past performance. Past performance isn't a guide to the future.

Provident Mutual Sub-Fund



Asset Mix as at 31 December 2018

- UK shares (equities) 19.6%
- International shares (equities) 19.2%
- Property 10.6%
- Fixed interest - UK gilts 20.2%
- Fixed interest - UK corporate bonds 23.3%
- Fixed interest - international bonds 4.5%
- Cash/money market 2.6%

The investment returns achieved in each of the last five years are as follows:

	2018	2017	2016	2015	2014
before tax (pensions)	-2.8%	7.4%	10.8%	0.4%	9.6%

The returns above are on the whole Sub-Fund and are not applicable to any individual policy or plan. This is past performance. Past performance isn't a guide to the future.

Asset mix (continued)

The performance of the different types of assets varies over time. Our fund managers may change the asset mix to:

- improve the long term performance of the Sub-Fund
- make sure that the Sub-Fund can meet its obligations.

From time to time the Sub-Fund may include investments in other Aviva group companies. However, this will not have a direct effect on the asset mix backing your policy.

What does it mean?

Shares/equities

Shares (or equities) are shares in companies listed on stock exchanges around the world. As shares can rise and fall in value very easily, equities are riskier than most other investments. However, they usually offer the greatest chance of higher returns over the long term. In our Sub-Fund the equity part of the asset mix includes equity-type assets that aren't quoted on stock exchanges, plus alternative investments. We only invest a small proportion in alternative investments, typically less than 5%.

Property

This is investment in commercial property such as shopping centres and business offices. The value of property can go down as well as up, and property may take longer to buy and sell than other types of investment.

Fixed interest

Fixed interest investments include government and corporate bonds. These are loans issued by the government or a company as a way for them to borrow money. The government or company pays interest on the loan and promises to pay back the debt at a certain point in the future. The value of fixed interest investments can go down as well as up. Government bonds issued by the UK government are referred to as UK gilts.

If a government or a company defaults on the loan then the interest will not be paid. UK gilts are regarded as less risky than corporate bonds as the UK government has a good credit rating.

Cash/money market

Cash means a range of short-term deposits – similar to a bank/building society account. Cash also includes money market securities, which are interest generating investments, issued by governments, banks and other major institutions. The value of cash and money market securities can go down as well as up.

Smoothing – how it works

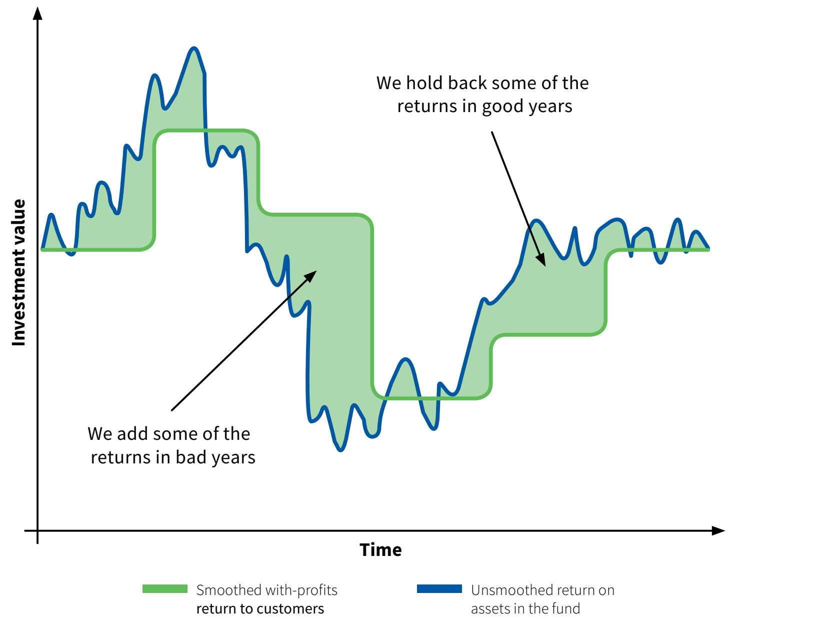
At a glance

One of the main features of a with-profits investment is that it aims to grow in value smoothly from year to year rather than being affected by the significant ups and downs of the stock market.

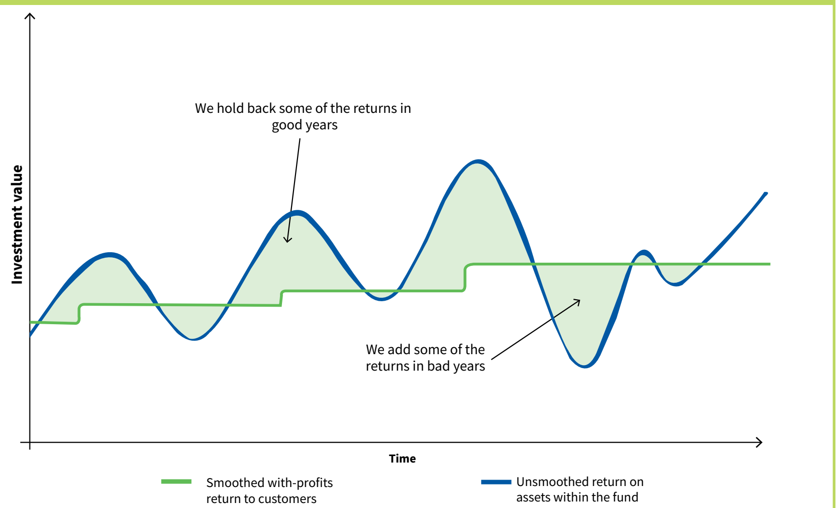
Over time the value of the assets held by the Sub-Fund will rise or fall. We do not change bonus rates as often as the value of the assets changes. Instead we aim to even out some of these variations in performance. This is known as smoothing. We show this with the green lines in the diagrams below. In contrast, the unsmoothed Sub-Fund value changes each day as the value of the assets goes up and down. This is shown by the blue lines in the diagrams.

These diagrams are for illustration purposes only and show a period of positive growth overall, which isn't guaranteed.

With Profits Pension Annuity and With Profits Annuity



Dynamic Annuity



Things you need to be aware of

There may be times in poor market conditions when smoothing can't fully protect your pension income. This can happen following a large or sustained fall in the stock markets or when investment returns are below the level we normally expect. Under these circumstances we won't add bonuses.

The green lines in the diagrams above differ due to the way bonus rates are applied for the different products. Please see the section on **Bonuses – how do you add the bonuses?**

Bonuses – how do you add the bonuses?

We share out the returns the Sub-Fund earns to your pension income through a system of bonuses. There are different types of bonuses depending on the product you have.

Bonuses

You can usually see bonus details in your yearly statement. The rate will vary over the period of your investment.

We decide the bonuses by looking at:

- how the Sub-Fund has performed in the current year
- any returns or losses from earlier years that we have not already shared out through smoothing
- what we expect to earn in future years, and the effect of smoothing.

With Profits Pension Annuity and **With Profits Annuity**

Regular bonus (sometimes referred to as a revisionary bonus)

We work out how much of the available profits to pay out in the form of bonuses and how much to carry forward to future years. Part of the profits is shared out through regular bonus. We decide regular bonus rates once a year. The regular bonus may increase the guaranteed minimum income for your policy. Once a regular bonus has been added to your policy it cannot be reduced or removed. This does not mean that your pension income will always go up each year.

Your new basic income takes into account the new regular bonus, allowing for the level of anticipated bonus (growth) rate you selected.

Additional bonus (also known as top-up bonus)

Depending on the returns earned by the Sub-Fund to date, we may also apply an additional bonus (also referred to as a top-up bonus). Your income throughout each policy year will be based on the additional bonus in force at the start of that policy year. Any additional bonus together with the regular bonus will determine your total income for that particular policy year.

We review the additional bonus at least once a year, but possibly more frequently. When we set the additional bonus rate, we take into account many of the same factors that we do for the regular bonus rate. However, with the additional bonus rate, there's a greater emphasis on the profits actually earned in the policyholders' share of the Sub-Fund over recent years.

The additional bonus rate will be smoothed annually as we expect policyholders to prefer a steady income to one which could go up and down from year to year.

The regular bonus rate is expected to be more stable than the additional bonus rate.

Dynamic Annuity

We share out the returns earned by the Sub-Fund and add them to your investment through a regular bonus. Once the regular bonus has been added to your pension income it is guaranteed and cannot be removed or reduced.

We have wide discretion in deciding bonuses and investment strategy and can't guarantee we will apply a bonus every year. If there is no bonus added then your pension income will be static.

Bonuses (continued)

Things you need to be aware of

With Profits Pension Annuity and With Profits Annuity

- If the new regular bonus rate is more than your anticipated bonus (growth) rate, your basic income may increase. If the new regular bonus is less than your anticipated bonus (growth) rate your basic income may decrease.
- A regular bonus isn't the same as interest from a bank or building society.
- We don't guarantee to add a regular bonus to your policy each year.
- It's likely that bonuses will be smaller in poor investment years than in good years.
- We may pay an additional bonus but it's not guaranteed and may change at any time. Any additional bonus will only apply for that policy year.
- The additional bonus and the regular bonus, together with the level of anticipated bonus rate you selected, will determine your pension income for the year.

Dynamic Annuity

- We confirm regular bonus rates at least once a year.
- Regular bonus rates may vary and aren't guaranteed.
- One of the most important factors is how we think investment returns will fare in the long term. Depending on our expectations, we may adjust the regular bonus up or down.

What affects my level of income?

The amount of regular income you get will depend on a number of factors, including:

- your age
- the amount you invest
- the options and, where applicable, the **anticipated bonus rate** or **anticipated growth rate** you choose
- how the Sub-Fund has performed during the time you've invested with us
- policyholders' **mortality**
- the effect of any guarantees
- our charges
- any tax we pay and future tax changes.

With Profits Pension Annuity and With Profits Annuity

You made a choice from a range of starting incomes by choosing an anticipated bonus (growth) rate on your policy. Your income will depend on the bonuses we add to your policy throughout your retirement. In turn, the bonuses depend on the profits and losses of the Sub-Fund.

If bonuses are higher than your chosen anticipated bonus rate, your income will increase from its starting level. If bonuses are lower than your chosen anticipated bonus rate, your income will decrease from its starting level. The higher the anticipated bonus rate you choose, the greater the risk of your income falling below the initial level.

Whatever anticipated bonus rate you chose, we guarantee that your income will never fall below the initial level you would have received if you had chosen an anticipated bonus rate of 0%.

Dynamic Annuity

Your income will depend on the bonuses we add to your policy throughout your retirement. In turn, the bonuses depend on the profits and losses of the Provident Mutual Sub-Fund.

Bonus rates are reviewed at least once a year. If a bonus rate is declared then your income will rise. Your income will not fall but may remain static if a bonus rate is not declared following a rate review.

What affects your level of income? (continued)

Things you need to be aware of

If you die in the early years, the total pension income you've received may be less than the original payment you made to buy the annuity.

For With Profits Pension Annuity policyholders

Once you have purchased an annuity you can't cash it in even if your circumstances change. However, you can convert to a conventional annuity at any point after the first policy anniversary.

Your income may fluctuate from year to year depending on the level of anticipated bonus rate you've selected and the level of bonuses we add. Your level of income also depends on the annual deduction to cover the guarantees and capital costs that apply to your plan (currently this charge is zero).

For With Profits Annuity policyholders

Once you have purchased an annuity you can't cash it in even if your circumstances change.

Your income may fluctuate from year to year depending on the level of anticipated growth rate you've selected and the level of bonuses we add.

For Dynamic Annuity policyholders

Once you have purchased an annuity you can't cash it in even if your circumstances change.

What does it mean?

Mortality

Mortality refers to the number of deaths within a given period. Some policyholders will die earlier than expected and others will live longer than expected.

Anticipated bonus rate and anticipated growth rate

If you have a **With Profits Pension Annuity** or a **With Profit Annuity**, at the start of your policy you chose an anticipated bonus rate (also referred to as an anticipated growth rate) of between 0% and 5% in 0.25% steps. Along with a number of other factors, this will set your initial pension income and affect future levels of income. A higher anticipated bonus (growth) rate will give you a larger initial income, but increases the risk that your income may go down in future.

What are the guarantees?

Your annuity offers some guarantees, for example on the amount of income that you'll receive. You should refer to your policy document for specific details.

With Profits Pension Annuity and With Profits Annuity

Any regular bonus added will have a permanent effect on your pension income. Once a regular bonus has been added to your policy it can't be reduced or removed. This doesn't mean that your pension income will always go up each year, as the new pension income will also take your anticipated bonus (growth) rate into account.

We guarantee that we won't change your pension income more than once a year.

We guarantee that your pension income will never fall below a minimum amount, which is the pension income you could have bought at the start of the policy based on an anticipated bonus (growth) rate of 0%.

This guaranteed minimum amount of your pension will not change after the pension has started.

Conversion option – for With Profits Pension Annuity policyholders only

At any time after a year, you can choose to convert your With Profits Pension Annuity to a conventional annuity, which provides a fixed amount of income.

This could be more or less than your current With Profits Pension Annuity income and you may get less than your current guaranteed amount. The terms of such a conversion will depend on the value of your investment and the conventional annuity rates available at the time.

If you seek financial advice on whether to convert, we aren't able to pay an adviser charge from the annuity.

Dynamic Annuity

We guarantee your income will never fall. Once bonuses are added to your pension income they become a permanent addition and cannot be removed.

There may be years when bonuses are not added to your income and your income will be unchanged.

Things you need to be aware of

- For a With Profits Pensions Annuity invested in the With-Profits Sub-Fund, we may take an additional yearly charge from asset share towards the cost of guarantees. This charge is reviewed at least annually and is currently zero.

  Asset shares are an assessment of with-profits policyholders' fair share of what's been earned in the fund, allowing for the payments that have been made and actual investment returns.

- As these guarantees are valuable, we recommend you seek financial advice before converting to a conventional annuity in the future.

Questions and answers

What is the With Profits Committee?

Our customers are at the heart of everything we do and we are fully committed to treating them fairly at all times. To support this, we have a With Profits Committee which oversees our work with independent expertise to make sure our decisions relating to with-profits investments are fair.

You can find out more about our With Profits Committee at **aviva.co.uk/wpcommittee**

How are business risks managed?

There are a few factors which could have an impact on the Sub-Fund. We call these factors business risks. These may change over time and may include:

- the amount of new business we sell and the terms we offer
- the cost of any guarantees we offer
- the Sub-Fund's expenses being higher than planned.

As business risks could affect the returns earned by the Sub-Fund, we continually assess the risks to see if they:

- are acceptable to the Sub-Fund
- provide an acceptable return compared with the risk we take.

What is the inherited estate?

The Sub-Fund is supported by more money than we expect to pay out to existing policyholders. The extra money is known as the inherited estate and we use this to support smoothing and guarantees.

The size of the inherited estate is important as it gives us:

- the flexibility to invest in a wider range of assets
- a cushion of extra security to protect investors when investment returns are low; and
- a greater ability to smooth the returns you receive.

The estate also provides **solvency capital** for our with-profits business, and will normally absorb any profits or losses caused by the business risks.

What are the policyholder and shareholder interests?

There are two groups who have an interest in the Sub-Fund – **policyholders** and **shareholders**. We must make sure that any decisions we make about how we run the Sub-Fund are fair to everyone. This means we have to balance the interests of:

- policyholders whose investments start at different times
- policyholders who leave the Sub-Fund and those who keep their money invested in it
- our shareholders.

We take all this into consideration in the way we run the Sub-Fund.

We allocate a proportion of the distributable surplus arising in the Sub-Fund to policyholders, with the remainder allocated to shareholders, as outlined in the relevant Principles and Practices of Financial Management for your annuity. Please see the section **Where can I find out more?**

What does it mean?

- **Policyholders** have invested their money in the Fund.
- **Shareholders** own a stake in our total business.
- **Solvency capital** is capital that allows Aviva to demonstrate that the assets of our Sub-Fund are worth more than the liabilities and that we'll be able to meet our obligations even if we suffer losses.

Where can I find out more?

We hope this guide has helped you understand how our with-profit annuity products work.

This guide is only meant to be a summary. We also have a detailed document for each Sub-Fund, called the **Principles and Practices of Financial Management (PPFM)**, which are produced in line with guidance from our regulator, the Financial Conduct Authority. You can find these and more on our website: **aviva.co.uk/ppfm**

If there are any differences between the information in this guide and the relevant Principles and Practices of Financial Management, you should take the Principles and Practices of Financial Management as the final word.

You can see a summary of any changes to our PPFM on our website together with our yearly compliance statement.

You can also contact us for a copy of these guides or for more information by calling

0800 068 6800

Monday to Friday 8.00 - 20.00, Saturday 8.30 - 17.00, and Sunday 10.00 - 16.00.

Calls may be recorded and/or monitored for training and quality assurance.

Write to us at:
Aviva, PO Box 520
Surrey Street, Norwich
NR1 3WG

You can use the link below to find out more about our Sub-Funds at:
aviva.co.uk/ppfm

If you have any questions about your investment you can talk to your financial adviser. They'll be able to consider your current circumstances and financial goals.

If you don't have a financial adviser, one can be found at **unbiased.co.uk**.

Please note your financial adviser may charge you for any advice provided.

Manage your products online with MyAviva

MyAviva brings together the products that help you protect your health, your loved ones, your future and your possessions, in one safe, secure and simple-to-use place.

It's quick and easy to register – either online or through the app - with a whole host of benefits at your finger tips.

Braille large text, audio material

You can order our literature in Braille, large font or audio. Just call **0800 068 6800** or email **contactus@aviva.com** and tell us:

- the format you want
- your name and address
- the name or code of the document. The code is usually in the bottom left hand corner on the back of most documents.

The Customer Call Centre is open Monday to Friday, 8am to 8pm, Saturday from 8.30am to 5pm and Sunday 10am to 4pm.

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