

Aviva Life & Pensions UK Limited

Old and New With-Profits Sub-Funds



Summary of changes to the Principles and Practices of Financial Management (PPFM)

Introduction and Background

This document summarises changes made to the Old and New With-Profits Sub-Funds PPFM in recent years.

The PPFM was first published on 1 October 2009 and has subsequently been amended on a number of occasions. The Aviva website now displays the latest version of the PPFM.

1. Changes effective from 1 January 2024

(a) Practices 2.6.10

Some extra wording on the final bonus for the Sterling Group Plan has been added. The wording stating that the final bonus rate could be zero has been moved to a new paragraph 2.6.12 and now includes that the Top up bonus referred to in 2.6.11 can also be zero.

(b) Practices 2.6.16

The reference to a webpage used in this section has been updated.

(c) Practices 4.2.4

Wording describing the transfer of new non-profits annuities to the Non-Profit Sub-Fund (as permitted by the Court Scheme) has been added.

(d) Practices 4.2.6

The practices included wording related to capital instruments issued by Friends Life Holdings plc. These instruments have been repaid and so the wording has been deleted. However, it is still a requirement that an annual review of the impact of the Company's plans on the security of policyholders is provided to the With-Profits Committee. This is described in a new section 4.2.7.

2. Changes effective from 1 April 2023

(a) Principles 4.1, 6.2, 7.1, 8.1 and Practices 2.6, 4.2, 6.3, 7.2, 8.2

We have amended the PPFM to reflect that the Sub-Funds were closed to new business from 1 January 2023. Where policy terms and conditions permit, we still accept increments to existing policies and business written following the exercise of options on existing contracts. Changes are required to Principles to reflect the closure and we are permitted to make these changes as we have already written to policyholders communicating the closure of the Sub-Funds.

3. Changes effective from 1 January 2023

The PPFM has been amended from 1 January 2023. A number of practices were amended following an internal review.

(a) General changes

We have made some minor corrections and clarifications to wording. These have not been described here as they make no material change to the PPFM.

4. Changes effective from 1 January 2022

The PPFM has been amended from 1 January 2022. A number of practices were amended following an internal review.

(a) Practices 2.2.3

We have reduced the upper limit of the target payout range for conventional business to achieve a better balance of the cost of smoothing between generations of policyholders as outlined in the Principles.

(b) Practices 2.4 (A)

We have corrected the wording for the tax deducted from asset shares to reflect actual practice.

(c) Practices 3.2.9

We have clarified the upper limit for the benchmark equity backing ratio.

5. Changes effective from 1 January 2021

The PPFM has been amended from 1 January 2021. A number of practices were amended following an internal review.

(a) General changes

We have made some minor corrections and clarifications to wording. These have not been described here as they make no material change to the PPFM.

(b) Practices 2.2.4

We have corrected the wording for the change in payouts to be less than or equal to the smoothing limits following final bonus rates changes.

(c) Practices 4.2.21

Following the introduction of the new MSA, the treatment of the Staff Pension Scheme is no longer a fund risk and the wording has been corrected to reflect this.

6. Changes effective from 1 January 2020

The PPFM has been amended from 1 January 2020. A number of practices were amended following an internal review.

(a) General changes

We have made some minor corrections and clarifications to wording. These have not been described here as they make no material change to the PPFM.

(b) Practices 2.6 & 6.3

We have made some changes to the description of our approach to estate distributions to make it clearer for customers to understand the main risks and rewards of maintaining a with-profits policy in the Sub-Funds.

(c) Practices 5.2

The PPFM referred to a management services agreement which ceased at the end of 2018. We have amended the wording to reflect the revised Management Services Agreement which took effect from 1 January 2019.

(d) Practices 3.2 & 6.3 and Glossary

We have updated the wording to reflect the changes in the Risk Appetite Framework. The aim of the Risk Appetite Framework is to manage the Sub-Funds so that the inherited estate or Reattributed Inherited Estate remain within agreed ranges.

7. Changes effective from 1 January 2019

The PPFM was amended 1 January 2019. A number of practices were amended following an internal review.

(a) General changes

Where possible we have standardised wording and removed any Practices that are no longer applicable. They have not been described here as they make no material change to the PPFM.

(b) Practices 2.2 & 2.6

We have made some changes to the way we apply smoothing of payouts to better achieve the way smoothing is described in the Principles.

(c) Practices 3.2

We have clarified the approach to reviewing investment strategy and how it is described within the PPFM.

8. Changes effective from 1 January 2018

The PPFM was amended 1 January 2018. A number of practices were amended following an internal review.

(a) General changes

We have made some minor corrections and clarifications to wording. These have not been described in detail here as they make no material change to the PPFM.

(b) Practices 2.4 & 3.2

We have clarified the description of investment pools as separate investment pools exist for business denominated in different currencies. The investment strategy for non-sterling denominated business follows that of the sterling denominated business.

(c) Practices 6.3

We have amended the risk appetite framework, including the requirements for mandatory distributions from the estate of the Old WPSF and conditions that permit a release from the Reattributed Inherited Estate External Support Account (RIEESA), to simplify our process and to better achieve our Principles.

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