

Guide to investing in the **Pension Assured Fund**

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This guide explains the main points about investing in the Pension Assured Fund, which is no longer available to new investors.

The guide summarises our current approach to managing the investments made in the Pension Assured Fund.

We've answered some of the questions you might ask including when your investment is guaranteed, and what happens if you choose to move out of the Pension Assured Fund before your chosen retirement date.

If, when you've read this guide, you still feel unclear or unsure about the Pension Assured Fund, you should ask for further advice from your financial adviser. If you don't have a financial adviser you can find one in your area at www.unbiased.co.uk. Where advice is provided, there may be an additional cost to you. For further information you can contact us directly. Our contact details are shown at the end of this guide.

What is the Pension Assured Fund?

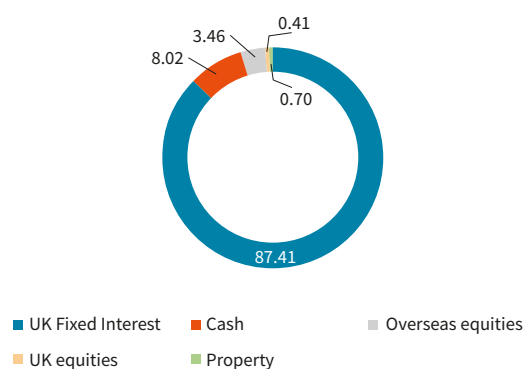
The Pension Assured Fund is a unit linked fund. Your payments buy units in the fund called 'basic' units. All investment profits are shared out as they are earned each month by adding units called 'bonus' units which, once added, cannot be removed, except when units are cancelled to meet charges. All units, basic and bonus, have a guaranteed value of £1 at your chosen retirement date or on your earlier death. This guarantee is not affected by stock market falls. If you choose to move out of the fund earlier you may receive less than £1 for each unit. This is explained in more detail in the section 'What if I decide to move out of the Pension Assured Fund?'

The mix of assets in the fund

Your money is combined with that of our other customers who have chosen to invest in the Pension Assured Fund.

Pension Assured Fund – how it is invested

Our Pension Assured Fund invests in a number of different investments, which include UK government bonds, UK corporate bonds (UK fixed interest), as well as UK and overseas company shares (also called equities). The fund also has a small allocation to cash and UK commercial property. The pie chart below shows how much money in the Pension Assured Fund is invested in each of these investments, in order of size in percentage terms.



Source: Aviva, as at 30 June 2021. Please note that the pie chart might not come to 100% due to the impact of rounding.

Company shares and also property investments are higher risk, but they also have the potential to produce higher returns over the longer term. Because of this, whilst the fund aims to invest a significant proportion of its assets in shares and property, the combination of risk and market conditions may result in the fund investing more in fixed interest investments (such as gilts and corporate bonds).

To support the guarantee, the mix between the different types of investment will change. This will depend mainly on three things:

- the dates we have to pay the guaranteed £1 unit value
- the value of the fund compared with the total number of units there are
- long-term interest rates.

If there are large falls in the stock market, the proportion of fixed interest and deposit investments will increase. In extreme investment conditions, such as those following a very large fall in the stock market, or where most planholders are about to retire, the whole of the fund could be in fixed interest and deposit investments.

Investment Profits

Investment profits are shared out by adding bonus units. The way bonuses are added is explained in more detail in the section 'What are the bonuses?'

The Guarantee

Unlike most stock market investments, the Pension Assured Fund guarantees that all units, basic and bonus, will have a value of £1 at your chosen retirement date. This is explained in more detail in the 'What is the guarantee?' section.

What are the bonuses?

Your payments to the Pension Assured Fund buy basic units. Profits are shared out by adding bonus units. Each month there may be two bonus rates, one applied to basic units and the other to bonus units.

Bonus rate for basic units

We work out the bonus rate for basic units each month by looking at the return on a benchmark fund. The benchmark fund is a calculation of the return that would be received had investments been made into deposit type assets.

If the value of the benchmark fund increases in the month, at the end of the month we will pay a bonus on basic units based on the increase. If the benchmark fund does not change or falls in the month, there will be no bonus on basic units. Because bonus on basic units depends on the growth of the benchmark fund, a bonus can be paid even if the value of the assets in the Pension Assured Fund has not increased.

Bonus rate for bonus units

After the bonus rate for basic units has been calculated we compare the market value of the assets in the Pension Assured Fund with the total number of basic and bonus units.

If the assets in the Pension Assured Fund are worth more than the number of units, there is an investment profit. We share this out by adding more bonus units. If the fund is worth less than the number of units there can be no investment profits and there will be no bonus rate for bonus units.

What is the guarantee?

Your payments buy basic units in the Pension Assured Fund and investment profits are shared out by adding bonus units.

All your units in the Pension Assured Fund are guaranteed to be worth £1 on:

- your chosen retirement date
- your death before your chosen retirement date.

Once bonus units have been added they cannot be taken away, except when units are cancelled to meet charges or you change your chosen retirement date. If you move out of the Pension Assured Fund or if you bring forward your chosen retirement date, the value of the units isn't guaranteed. This is explained in more detail in the sections 'What if I decide to move out of the Pension Assured Fund?' and 'What happens if I change my retirement date?'

The guarantee offered affects other aspects of how we manage the Pension Assured Fund, such as the asset mix and the amount payable if you move your money out before your chosen retirement date. This is described in the sections 'The mix of assets in the fund' and 'Market Depreciation Discount' (MDD).

What if I decide to move out of the Pension Assured Fund?

This section describes what happens if you choose to move some or all of your investments out of the Pension Assured Fund as a result of:

- accessing your pension money before your chosen retirement date
- switching to another investment fund
- transferring your investments to another pension plan.

At the time you choose to move out of the Pension Assured Fund, the value of the assets in the fund may be less than the total number of units. In these circumstances, to protect those who remain invested in the Pension Assured Fund, we will not pay the full £1 for every unit.

The reduction in value is known as the Market Depreciation Discount (MDD). This may be removed or changed on any day to reflect changes in the stock market or value of the fund's assets. However, in practice we change it at the start of each month and only change it during the month if there is a large change in the stock market or value of the fund's assets.

Market Depreciation Discount (MDD)

The size of the MDD depends on:

- the value of the fund compared with the total number of units
- the mix of retirement dates in the fund.

There will normally be two MDDs - one applied to basic units and one applied to bonus units. We are more likely to apply the MDD to bonus units than to basic units.

The rates of discount are chosen so that if all planholders moved out of the Pension Assured Fund at the same time the value of the assets would be just enough to pay everyone their reduced values.

The MDD will be a percentage reduction for each year remaining to your chosen retirement date. The effect of the reduction will be less as you get closer to your chosen retirement date.

The amount your fund is reduced depends on:

- how many years it is to your chosen retirement date
- the mix of basic and bonus units being cashed.

We will never apply a MDD at your chosen retirement date or on earlier death, even if the value of the assets in the fund is less than the total number of units.

What happens if I change my retirement date?

You may want to change your chosen retirement date and so change the date when we guarantee to pay you £1 for each unit. If so, there must be at least two years to your new retirement date.

Bringing forward your chosen retirement date

If there is no MDD at the time you choose to bring forward your retirement date, there will be no change in the number of units held when you switch to the new date.

If a MDD is in place, units will be reduced, based on the period that your chosen retirement date is being brought forward.

Putting back (and therefore postponing) your chosen retirement date

As long as there are more than six months to your chosen retirement date, you can put back your chosen retirement date and remain invested in the Pension Assured Fund. Some or all bonus units are converted to basic units. The earlier the decision is taken, the smaller the number of units converted will be.

If you choose to put back, and therefore postpone your retirement date, with less than six months to go until your chosen retirement date, you cannot remain invested in the Pension Assured Fund. When you reach your original retirement date, all Pension Assured Fund units, which are guaranteed to be worth £1, will be switched to another investment fund of your choice. If you do not choose another fund we will switch them to a deposit fund.

It's important to note that although the deposit fund is a lower risk fund, the value of the fund can still go down as well as up. As a lower risk fund, the returns may be lower and might not cover our charges. Because of this the deposit fund is not normally suitable for longer term investments.

How to contact us

- Remember your financial adviser will normally be your first point of contact. They will have provided you with information that contains their contact details.
- If you have any questions at any time, you can phone, email or write to us.



Call us on **0800 068 6800**

Monday to Friday 8:30am – 5:30pm

Saturday 8.30am to 2pm

Calls may be recorded and/or monitored for our joint protection.



Email: **contactus@aviva.com**



Office address

Aviva
PO Box 520
Surrey Street
Norwich
NR1 3WG