



DEFAULT INVESTMENT OPTIONS FOR AUTO ENROLMENT

HELPING EXISTING CUSTOMERS FIND THE RIGHT SOLUTION

All auto enrolment schemes need to have an appropriate default investment in place. In order to promote good practice when selecting an appropriate default, the Department for Work and Pensions (DWP) has issued a set of guidelines.

THE BACKGROUND

The guidelines set out the responsibilities employers will have for the suitability and design of their default investment. Employers can choose to delegate some or all of these responsibilities to their adviser or provider.

We've prepared this guide to help make the process of finding an appropriate default investment as easy as possible. Our default investment options have also been designed with corporate pensions in mind. So, if your client would prefer to delegate some or all of their ongoing responsibilities, we have several options to choose from.

WHAT DO WE NEED?

If your client is planning to use their Royal London scheme for auto enrolment, we need you to tell us:

1. if the existing default investment is to change, and
2. who will be taking responsibility for its ongoing suitability and design.

HOW WILL WE SUPPORT YOU?

We've sent you a client summary which sets out all the clients you have with us along with details of their existing default investment. By using the information we've provided and working through this guide, you'll be able to find an appropriate investment default for your client and clearly define who'll be responsible for its suitability and design going forward.

OUR DEFAULT INVESTMENT OPTIONS

One of the key principles of the DWP guidelines on default investment options is that roles and responsibilities for ongoing suitability and design must be clearly defined.

To help you with this, our default investment options have been split into three ranges – **Selected**, **Designed** and **Supported**. Not only do they meet all the appropriate default investment requirements, they also make clear who will take ownership of the attaching suitability and design responsibilities.

The table below outlines the ranges we have available and the assumptions we'll make on the ownership of responsibilities. You'll find specific details of what the suitability and design responsibilities are on page 2.

| Range | Responsibility for default suitability | Responsibility for default design |
|------------------------|--|-----------------------------------|
| Royal London Selected | Royal London | Royal London |
| Royal London Designed | Employer/Adviser | Royal London |
| Royal London Supported | Employer/Adviser | Adviser/Employer |

The existing default investment

Your client summary will tell you what the existing default investment is and whether it's suitable for auto enrolment.

THIS IS FOR PROFESSIONAL ADVISER USE ONLY AND SHOULDN'T BE RELIED UPON BY ANY OTHER PERSON.

Permitted default investments

If the existing default investment is suitable, your client summary will tell you whether it belongs to our **Selected, Designed** or **Supported** range. As per the table above, it will also make clear who will need to take responsibility for its ongoing suitability and design.

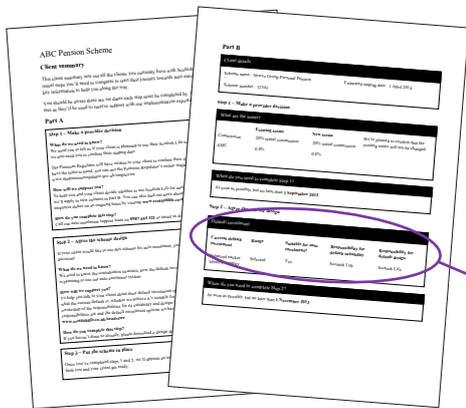
You need to tell us if the existing default is to remain the same and that you're happy with the assumptions we've made on who will own the attaching suitability and design responsibilities.

If you decide you'd like to change the the assumptions we've made, one of our other default investment options may be more suitable. Please use our decision tree on page 3 to help you pick the best option.

Non-permitted default investments

If the existing default investment is unsuitable, your client summary will make clear that it's **not permitted**. If this is the case, it will need to change. At this stage, you only need to tell us who'll be taking ownership of the ongoing responsibilities for suitability and design. The decision tree on page 3 will help you with this.

Please note: if we're not advised of an appropriate default investment, it will automatically become the RLP Balanced Lifestyle Strategy (Annuity) – which forms part of our Royal London Selected range.



You'll find details of the existing default investment in your client summary.

Client summary

UNDERSTANDING THE NEW RESPONSIBILITIES

We've outlined the ongoing responsibilities for suitability and design below.

Default suitability responsibilities

The owner of the default investment suitability will be responsible for:

- selection of the most suitable default option
- reviewing the suitability of the default option
- disclosing the overall charges and the effect on member outcomes
- making information on the roles and responsibilities of decision makers available to members, and
- communicating information on the conclusions of suitability reviews and any actions taken.

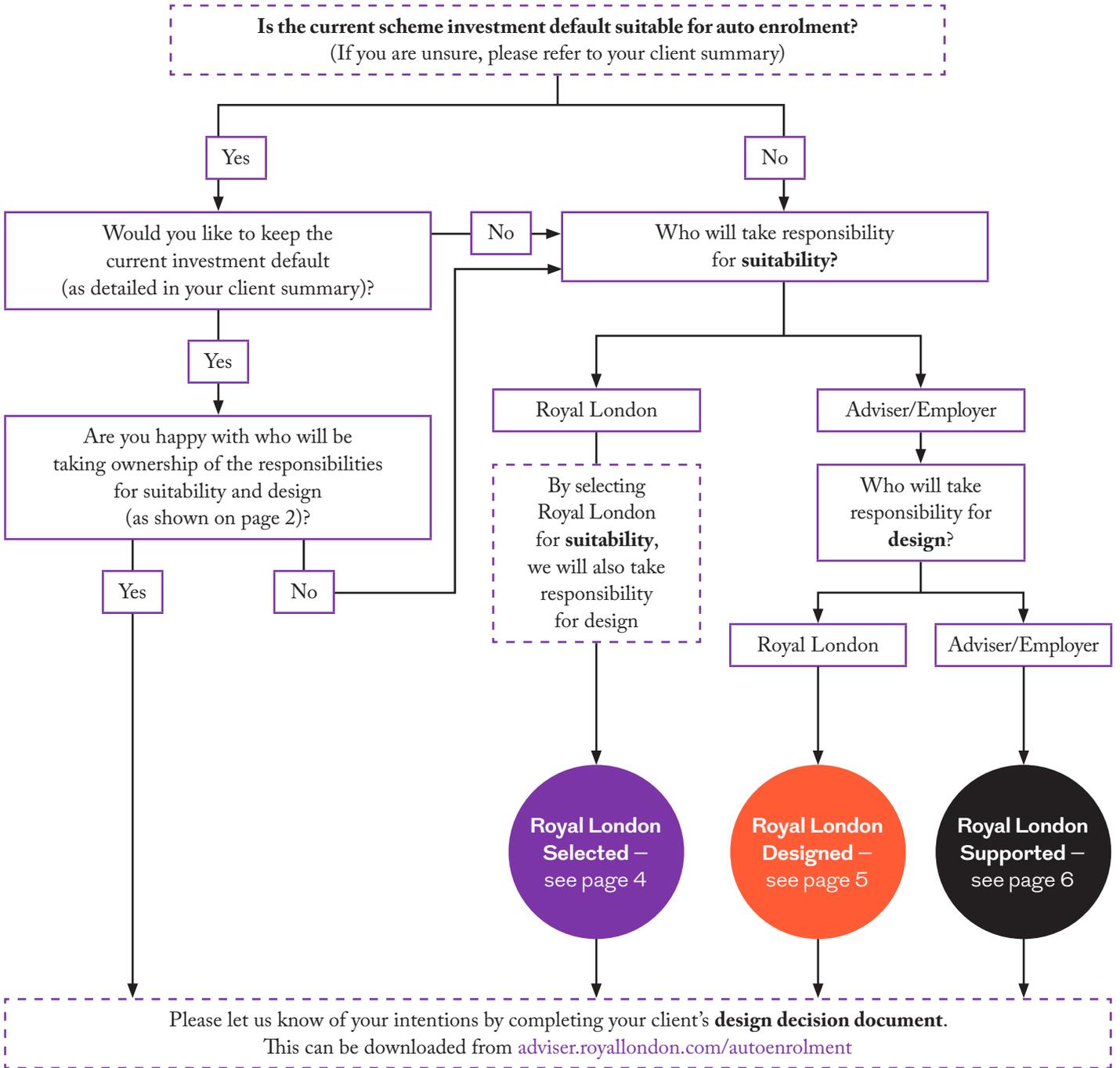
Default design responsibilities

The owner of the default investment design will need to make sure:

- it's appropriately named
- it takes into account the retirement profile of members
- it uses an appropriate and diversified asset allocation
- it's affordable
- it includes a review process to cover design and fund performance
- it includes communications to members about the default option, managing risk as member nears retirement, conclusions of reviews and any actions taken, and
- it provides and signposts additional information.

DECISION TREE

To help find an appropriate default investment and define who will own the responsibilities for its ongoing suitability and design, use our simple decision tree.



ROYAL LONDON SELECTED RANGE

A brief summary of the investment options available under the **Royal London Selected** range is below.

| Default option | Retirement target | Equity style/manager |
|--|--|--------------------------------------|
| RLP Balanced Lifestyle Strategy (Annuity) ¹ | Targets annuity at retirement: <ul style="list-style-type: none"> 100% Annuity fund | Active/Royal London Asset Management |
| RLP Balanced Tracker Lifestyle Strategy (Annuity) | Targets annuity at retirement: <ul style="list-style-type: none"> 100% Annuity fund | Tracker/BlackRock Aquila |
| RLP Balanced Lifestyle Strategy | Targets cash at retirement: <ul style="list-style-type: none"> 100% Cash | Active/Royal London Asset Management |
| RLP Balanced Tracker Lifestyle Strategy | Targets cash at retirement: <ul style="list-style-type: none"> 100% Cash | Tracker/BlackRock Aquila |
| RLP Balanced Lifestyle Strategy (Drawdown) | Targets drawdown at retirement: <ul style="list-style-type: none"> Governed Retirement Income Portfolio (GRIP)² | Active/Royal London Asset Management |
| RLP Balanced Tracker Lifestyle Strategy (Drawdown) | Targets drawdown at retirement: <ul style="list-style-type: none"> Governed Retirement Income Portfolio (GRIP)² | Tracker/BlackRock Aquila |

Who'll be responsible for what?

Under the **Royal London Selected** range, Royal London will take responsibility for both the default **suitability** and **design** (the responsibilities are fully explained on page 2).

¹The RLP Balanced Lifestyle Strategy (Annuity) will apply if no other default option is selected.

² The Governed Retirement Income Portfolio (GRIP) which is chosen will depend on your clients attitude to risk.

ROYAL LONDON DESIGNED RANGE

A brief summary of the investment options available under the **Royal London Designed** range is below.

| Default option | Retirement target | Risk category | Fund manager |
|---|---|--|--|
| Target Lifestyle Strategies <ul style="list-style-type: none"> • Target cash • Target annuity • Target drawdown | A choice of: <ul style="list-style-type: none"> • 100% Cash • 100% Annuity fund • Governed Retirement Income Portfolio (GRIP)² | <ul style="list-style-type: none"> • Cautious • Moderately Cautious • Balanced • Moderately Adventurous • Adventurous | Royal London Asset Management |
| Tracker Target Lifestyle Strategies <ul style="list-style-type: none"> • Target cash • Target annuity • Target drawdown | A choice of: <ul style="list-style-type: none"> • 100% Cash • 100% Annuity fund • Governed Retirement Income Portfolio (GRIP)² | <ul style="list-style-type: none"> • Cautious • Moderately Cautious • Balanced • Moderately Adventurous • Adventurous | Royal London Asset Management and BlackRock Aquila |
| Flexible Lifestyle Strategies ³ <ul style="list-style-type: none"> • Target cash • Target annuity • Target drawdown | A choice of: <ul style="list-style-type: none"> • 100% Cash Or • 5 year portfolio • 100% Annuity fund Or • 5 year portfolio • 5 year portfolio Or • Governed Retirement Income Portfolio (GRIP)² | Flexibility to create your own path through our Governed Portfolios | Royal London Asset Management and BlackRock Aquila |
| DC Retirement Investment Strategies | <ul style="list-style-type: none"> • 100% Annuity fund | <ul style="list-style-type: none"> • Cautious • Moderately Cautious • Balanced • Moderately Adventurous • Adventurous | Royal London Asset Management and BlackRock Aquila |
| Balanced, Opportunity or Cautious Retirement Investment Strategies | <ul style="list-style-type: none"> • 100% Annuity fund | Each Retirement Investment Strategy will have its own allocation and lifestyle path | Royal London Asset Management |
| Managed Lifestyle Strategy | <ul style="list-style-type: none"> • 100% Cash | <ul style="list-style-type: none"> • Balanced | Royal London Asset Management |
| Managed Retirement Investment Strategy | <ul style="list-style-type: none"> • 100% Cash | <ul style="list-style-type: none"> • Balanced | Royal London Asset Management |

³ Default investment strategies may only use our internal funds and BlackRock Aquila funds to ensure that fund TERs will not cause a scheme to breach a charge cap.

Who'll be responsible for what?

Under the **Royal London Designed** range, you'll take responsibility for the default investment **suitability** and Royal London will take responsibility for its **design** (the responsibilities are fully explained on page 2).

ROYAL LONDON SUPPORTED RANGE

A brief summary of the investment options available under the **Royal London Supported** range is below.

| Default option | Retirement target | Risk category | Fund manager |
|---|--|--|--|
| Target Lifestyle Strategies <ul style="list-style-type: none"> • Target cash • Target annuity • Target drawdown | A choice of: <ul style="list-style-type: none"> • 100% Cash • 100% Annuity fund • Governed Retirement Income Portfolio (GRIP)² | <ul style="list-style-type: none"> • Cautious • Moderately Cautious • Balanced • Moderately Adventurous • Adventurous | Royal London Asset Management |
| Tracker Target Lifestyle Strategies <ul style="list-style-type: none"> • Target cash • Target annuity • Target drawdown | A choice of: <ul style="list-style-type: none"> • 100% Cash • 100% Annuity fund • Governed Retirement Income Portfolio (GRIP)² | <ul style="list-style-type: none"> • Cautious • Moderately Cautious • Balanced • Moderately Adventurous • Adventurous | Royal London Asset Management and BlackRock Aquila |
| Flexible Lifestyle Strategies ³ <ul style="list-style-type: none"> • Target cash • Target annuity • Target drawdown | A choice of: <ul style="list-style-type: none"> • 100% Cash Or • 5 year portfolio • 100% Annuity fund Or • 5 year portfolio • 5 year portfolio Or • Governed Retirement Income Portfolio (GRIP)² | Flexibility to create your own path through our Governed Portfolios | Royal London Asset Management and BlackRock Aquila |
| DC Retirement Investment Strategies | <ul style="list-style-type: none"> • 100% Annuity fund | <ul style="list-style-type: none"> • Cautious • Moderately Cautious • Balanced • Moderately Adventurous • Adventurous | Royal London Asset Management and BlackRock Aquila |
| Balanced, Opportunity or Cautious Retirement Investment Strategies | <ul style="list-style-type: none"> • 100% Annuity fund | Each Retirement Investment Strategy will have its own allocation and lifestyle path | Royal London Asset Management |
| Managed Lifestyle Strategy | <ul style="list-style-type: none"> • 100% Cash | <ul style="list-style-type: none"> • Balanced | Royal London Asset Management |
| Managed Retirement Investment Strategy | <ul style="list-style-type: none"> • 100% Cash | <ul style="list-style-type: none"> • Balanced | Royal London Asset Management |
| Custom Lifestyle Strategy ² | You can specify your end allocation | You can design for your chosen level of risk | Royal London Asset Management and BlackRock Aquila |

Who'll be responsible for what?

Under the **Royal London Designed** range, you'll take responsibility for the default investment **suitability** and Royal London will take responsibility for its **design** (the responsibilities are fully explained on page 2).

NEXT STEPS

Once your client has made a decision on whether their existing default is to change and who they'd like to take the responsibilities for its ongoing suitability and design, please complete the relevant section of your client's design decision document.

You can download a design decision document from adviser.royallondon.com/autoenrolment

CONTACT US

If you need help at any point, please get in touch with our Retirement Solutions Staging Team. They're on hand to answer any questions you might have and make sure you're always heading in the right direction.



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