



THE SCOTTISH LIFE FUND

Annual With Profits Bonus Statement 2017 – Frequently Asked Questions

June 2018

Why have I received this statement?

A bonus statement is issued on an annual basis to customers who hold traditional with profits plans.

What is a traditional with profits plan?

A traditional with profits plan is a type of investment with returns indirectly linked to the value of shares and/or bonds. In exchange for making payments when due, we guarantee that the plan will pay out no less than the guaranteed amount at the plan's maturity or on specified other events as set out in your plan conditions. We invest the payments and add regular bonuses to the guaranteed amount from time to time to reflect the profits and losses on those investments. We may also pay a final bonus when you take your benefits.

What does the statement show?

The statement shows the amount of annual bonus added to your plan for 2017 and the increase in the guaranteed minimum benefits payable under your plan at a specified date or event in the future.

Annual bonus depends on the investment performance of the Scottish Life Fund (the fund) and is not guaranteed to be paid in the future.

Why does my statement show a zero declared bonus amount?

Annual bonus rates are currently low. If the actual amount of bonus added is less than one pound then it has been rounded down to zero on your statement. However, the exact amount of bonus is held on our records and will be taken into account when your plan matures.

How much is my plan currently worth?

The statement shows the amount of annual bonus added to your plan for 2017. Please note that this statement isn't a projected maturity value or a current valuation should you wish to cash in or transfer your plan. For information relating to either the likely maturity value or surrender/transfer value or for any information relating to previous bonus amounts or statements please call us on **0345 60 50 050**.

Why has my annual bonus rate not been increased this year?

It's important that we manage the build-up of guaranteed liabilities carefully, which is why we've limited the size of the annual bonus this year. This is particularly important given we now need to hold more capital to protect against the risks within the fund following the introduction of the Solvency II regulatory regime for insurance companies on 1 January 2016.

What about final bonuses?

In simple terms, final bonuses make up the excess of the 'fair value' over the guaranteed benefits. Keeping annual bonuses low means we can limit the size of guaranteed benefits and do all we can to provide higher final bonuses when investment returns are good.

Final bonuses will only be added when justified and we may change them at any time to treat planholders fairly. These bonuses are not guaranteed to be payable in the future.

Is my Endowment plan on track to pay off my mortgage?

We send separate regular updates to mortgage endowment planholders saying whether or not, under certain assumptions, the endowment is likely to repay the mortgage.

Why do the guaranteed annuity options within Pensions plans increase the level of risk within the fund?

Guaranteed annuity options offer planholders the option to convert their pension pot into an annuity (an income provided throughout their retirement) at a rate set when they took their policy out. The value of this option is highly dependent on interest rates and the lifespan of planholders who take the option. This means the fund is exposed to high levels of interest rate risk and the risk that people live for longer.

Where can I find out more about the fund?

You can view and download the following documents together with the most recent report about how we have complied with the PPFM from our website royallondon.com/PPFM or you can ask us to send you copies by calling us on **0345 05 02 020**.

- **Principles and Practices of Financial Management (PPFM)** – a detailed technical document that explains how we manage the with profits fund including how our with profits plans work and what benefits you can expect from them. The Principles are high level statements setting out how we intend to manage the fund over the long term. The Practices are more specific statements that describe how we intend to follow the Principles in managing the fund on a day-to-day basis.
- **A guide to how we manage our with profits fund** – a plain English guide to the key points of the PPFM. The most recent version is available on our website and the version that covers your plan is ‘Guide 5’. We will send you an updated version of the guide with a future statement if we make any significant changes.

- **Investment mix and investment returns for with profits plans** – a leaflet showing the investment mix and investment returns in recent years for with profits plans invested in the fund. This is available on our website royallondon.com/PPFM under the section ‘**Additional PPFM information**’.
- **The Directors’ report to with profits planholders on our compliance with the PPFM.**

How can I find out more?

If you need any more information or have any questions on the Scottish Life Fund or your with profits plan please call us on **0345 60 50 050** between 8.00am and 6.00pm Monday to Friday, except bank holidays or visit our website royallondon.com/SLbonus



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