

Changes to Standard Life's Annuity Purchase Fund and lifestyle profiles

Here we explain more about the changes and what your options are.

1. Background

Until a few years ago, most people used their pension savings to buy an annuity (a guaranteed regular income for life) at retirement. However, in 2015 there were changes to some of the rules around pensions, meaning you now have more choice about how you can take your pension savings.

You can still buy an annuity. Alternatively, you can keep your money invested and take a flexible income from it as you need it (often known as drawdown). You can also take it as one or more cash lump sums, or do a combination of some or all of these things.

Find out more about your choices at www.standardlife.co.uk/c1/retirement.page

Since the introduction of these pension freedoms, we've seen many of our customers take advantage of the increased flexibility. Fewer are now choosing an annuity, with most opting to take a flexible income or to take their money as one or more lump sums.

Many of our customers are currently invested in a lifestyle profile – an investment option that gradually and automatically moves your money between different funds as you approach retirement. Until last year, a lot of these lifestyle profiles used a fund called the Standard Life Annuity Purchase Fund as one of the funds that customers moved into as they got nearer retirement. This fund was specifically designed for people planning to buy an annuity. However, as fewer customers now choose to buy an annuity, last year we made some changes to this fund and the lifestyle profiles which use it.

2. Summary of the changes

1. Investment mix

In December 2017, we changed the investment mix of the Annuity Purchase Fund to include a much wider range of investments.

The Annuity Purchase Fund used to invest in long-term UK government bonds, whose prices are normally expected to rise and fall broadly in line with the cost of buying an annuity, so its value could go up and down, sometimes quite significantly. This could have an impact on the value of your pension savings and your retirement plans if you're not planning on buying an annuity.

The new investment mix includes equities from around the world, different types of bonds and commercial property, making the fund more diversified. This mix is designed to move up and down in value less than the old investment mix at a time when you want to start taking your money, as well as still giving your pension savings the opportunity to grow in value. This is important if you're planning to keep your pension savings invested after your retirement date to help your money last as long as you need it to.

As the new investment mix is designed to do a different thing from the old investment mix, the investment performance will be different. As with all investments, the new investment mix can go down as well as up in value, investment growth isn't guaranteed and you could get back less than you paid in.

2. Names

We changed the name of the Annuity Purchase Fund to the Standard Life At Retirement (Multi Asset Universal) Pension Fund.

We also added 'Universal' to the name of lifestyle profiles which use the fund. The table below has a list of the old and new names of our most popular lifestyle profiles.

Profile code	Old profile name	New profile name
2BAL	Standard Life Balanced Managed Lifestyle Profile	Standard Life Balanced Managed I Universal Lifestyle Profile
3BAL	Standard Life Balanced Managed Lifestyle Profile	Standard Life Balanced Managed Universal Lifestyle Profile
4BAL	Standard Life Balanced Managed II Lifestyle Profile	Standard Life Balanced Managed II Universal Lifestyle Profile
2CAU	Standard Life Cautious Managed Lifestyle Profile	Standard Life Cautious Managed I Universal Lifestyle Profile
3CAU	Standard Life Cautious Managed Lifestyle Profile	Standard Life Cautious Managed Universal Lifestyle Profile
4CAU	Standard Life Cautious Managed II Lifestyle Profile	Standard Life Cautious Managed II Universal Lifestyle Profile
2OPP	Standard Life Opportunity Lifestyle Profile	Standard Life Opportunity I Universal Lifestyle Profile
3OPP	Standard Life Opportunity Lifestyle Profile	Standard Life Opportunity Universal Lifestyle Profile
4OPP	Standard Life Opportunity II Lifestyle Profile	Standard Life Opportunity II Universal Lifestyle Profile
1BGI	Standard Life BlackRock (50:50) Global Equity Lifestyle Profile	Standard Life BlackRock (50:50) Global Equity Universal Lifestyle Profile
7BGI	Standard Life BlackRock (50:50) Global Equity II Lifestyle Profile	Standard Life BlackRock (50:50) Global Equity II Universal Lifestyle Profile
1FTT	Standard Life FTSE Tracker Lifestyle Profile	Standard Life FTSE Tracker Universal Lifestyle Profile
2FTT	Standard Life FTSE Tracker II Lifestyle Profile	Standard Life FTSE Tracker II Universal Lifestyle Profile
1GEA	Standard Life Global Equity (50:50) Active Lifestyle Profile	Standard Life Global Equity (50:50) Active Universal Lifestyle Profile
2GEA	Standard Life Global Equity (50:50) Active II Lifestyle Profile	Standard Life Global Equity (50:50) Active II Universal Lifestyle Profile
1GEP	Standard Life Global Equity (50:50) Passive Lifestyle Profile	Standard Life Global Equity (50:50) Passive Universal Lifestyle Profile
2GEP	Standard Life Global Equity (50:50) Passive II Lifestyle Profile	Standard Life Global Equity (50:50) Passive II Universal Lifestyle Profile
1GLO	Standard Life Global Equity Lifestyle Profile	Standard Life Global Equity Universal Lifestyle Profile
5GLO	Standard Life Global Equity II Lifestyle	Standard Life Global Equity II Universal Lifestyle Profile
MF1L	Standard Life MyFolio Managed I Lifestyle Profile	Standard Life MyFolio Managed I Universal Lifestyle Profile
MF2L	Standard Life MyFolio Managed II Lifestyle Profile	Standard Life MyFolio Managed II Universal Lifestyle Profile
MF3L	Standard Life MyFolio Managed III Lifestyle Profile	Standard Life MyFolio Managed III Universal Lifestyle Profile
MF4L	Standard Life MyFolio Managed IV Lifestyle Profile	Standard Life MyFolio Managed IV Universal Lifestyle Profile
MF5L	Standard Life MyFolio Managed V Lifestyle Profile	Standard Life MyFolio Managed V Universal Lifestyle Profile
1MFM	Standard Life MyFolio Market I Lifestyle Profile	Standard Life MyFolio Market I Universal Lifestyle Profile
2MFM	Standard Life MyFolio Market II Lifestyle Profile	Standard Life MyFolio Market II Universal Lifestyle Profile
3MFM	Standard Life MyFolio Market III Lifestyle Profile	Standard Life MyFolio Market III Universal Lifestyle Profile
4MFM	Standard Life MyFolio Market IV Lifestyle Profile	Standard Life MyFolio Market IV Universal Lifestyle Profile
5MFM	Standard Life MyFolio Market V Lifestyle Profile	Standard Life MyFolio Market V Universal Lifestyle Profile
1FMM	Standard Life MyFolio Multi-Manager I Lifestyle Profile	Standard Life MyFolio Multi-Manager I Universal Lifestyle Profile
2FMM	Standard Life MyFolio Multi-Manager II Lifestyle Profile	Standard Life MyFolio Multi-Manager II Universal Lifestyle Profile
3FMM	Standard Life MyFolio Multi-Manager III Lifestyle Profile	Standard Life MyFolio Multi-Manager III Universal Lifestyle Profile
4FMM	Standard Life MyFolio Multi-Manager IV Lifestyle Profile	Standard Life MyFolio Multi-Manager IV Universal Lifestyle Profile
5FMM	Standard Life MyFolio Multi-Manager V Lifestyle Profile	Standard Life MyFolio Multi-Manager V Universal Lifestyle Profile

Guides reflecting the changes to the lifestyle profiles are available at www.standardlife.co.uk/lifestyling

3. Fund description

We changed the fund description of the Annuity Purchase Fund (now called the Standard Life At Retirement (Multi Asset Universal) Pension Fund) to reflect its new investment mix and aim. Here's the new description:

The goal of this fund is to help make sure that at your retirement date your money is in investments which are considered appropriate if you have yet to decide how you're going to take your retirement income or if you want to take a flexible income (known as drawdown). It's used as part of a lifestyle profile, and isn't suitable as a standalone fund or if you're building your own portfolio from our full fund range.

The fund aims to meet its goal by holding funds that can invest in a range of different investments including, but not limited to, bonds (such as loans to a government or a company), equities (shares), commercial property (such as, but not limited to, offices, shopping centres and shares in property development companies) and cash. These investments can be from around the world, which means that some of them may be in a foreign currency.

All investments are reviewed regularly to make sure they remain suitable for the fund's goal, and may change over time. The fund doesn't provide any guarantee about the level of retirement income you'll receive.

The value of investments within the fund can fall as well as rise and is not guaranteed – you may get back less than you pay in. Some of the underlying funds may routinely use derivatives to reduce risk or cost, or to generate additional capital or income at proportionate risk (Efficient Portfolio Management) or to meet its investment objective. Derivatives may be used to provide market exposures different to those that could be achieved through investments in assets in which the fund is primarily invested. For instance, the manager may use derivatives to express views on the relative attractiveness of different currencies, markets or assets. Positions may be both long and short and may involve gains and losses. The sterling value of overseas assets held in the fund may rise and fall as a result of exchange rate fluctuations.

3. What hasn't changed

- The fund code
- Other funds within the lifestyle profiles
- When and how we move money between funds in the lifestyle profiles

4. Charges and costs

The ongoing fund management charge for the Standard Life At Retirement (Multi Asset Universal) Pension Fund is the same as for the Annuity Purchase Fund - 1.00%. As at April 2018, the fund's additional expenses are 0.04%. As additional expenses relate to expenses incurred during the fund management process, they can regularly increase and decrease, sometimes significantly

Charges are not guaranteed and could change in the future.

5. There are other options

- If you're still thinking about buying an annuity, we have other annuity targeting options, including the Managed Annuity Lifestyle Profile (code: 5BAL)

This is specifically designed for customers who plan to use their pension savings to take their tax-free cash lump sum and buy an annuity with the rest. The charges for this aren't any higher than for your current lifestyle profile

- If you're thinking of using your pension savings in a different way, or aren't sure if the changes are right for you, we have a range of other options. These include:
 - **Strategic lifestyle profiles** – a range of lifestyle profiles offering a choice of investment styles, risk levels and retirement options
 - **Stakeholder strategic lifestyle profiles** – two lifestyle profiles specifically designed for customers who are in stakeholder pensions
- If you're still not sure what's the best option for you, speak to an adviser (you may be charged for any advice you get). You can also get free impartial advice from Pensionwise if you're thinking of retiring soon

6. How to change your investment choices

To change your investment choices, simply log into your online account at www.standardlife.co.uk or call us. If you decide to move to a new option, as with any fund switch, there may be a small one-off transaction cost.