

Guide to your with-profits investments for pensions

An investment that includes some valuable guarantees.

What is a with-profits investment?

A medium to long-term investment that can:

- Help protect your plan value from short-term market movements
- Pay a minimum amount when the guarantee applies.

It can form all or part of your pension.

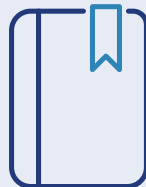
The money you and others invest is used to buy units in a with-profits fund that holds a pool of assets.

The price of the with-profits units allocated to your pension plan will never fall and, depending on how the assets perform, may increase.

This full price of units is the minimum you will receive when guarantees apply.



You can also visit our website www.standardlife.co.uk/withprofits to see more information on with-profits investments and it will always have the most up-to-date version of this guide along with the PPFM.



This guide gives you a simplified explanation of how our UK unitised with-profits investments for pensions work.

Please see Page 5 for a list of the with-profits funds this guide covers.

We set out a fuller, more technical explanation of how we manage our UK with-profits business in a separate document called Principles and Practices of Financial Management for the Heritage With-Profits Fund (Heritage PPFM).



To find out more about your with-profits investments or to get a copy of any of these documents, call us on:

0800 634 7474

Call charges will vary.



Bonuses and Guarantees

valuable features of your with-profits investments

Investment performance and bonuses

The most important factor affecting your plan's value will be the investment performance of the with-profits assets while your plan has been invested in with-profits.

Good investment performance allows bonuses to be added.

There are two types of bonus: Regular and Final - and both are important:

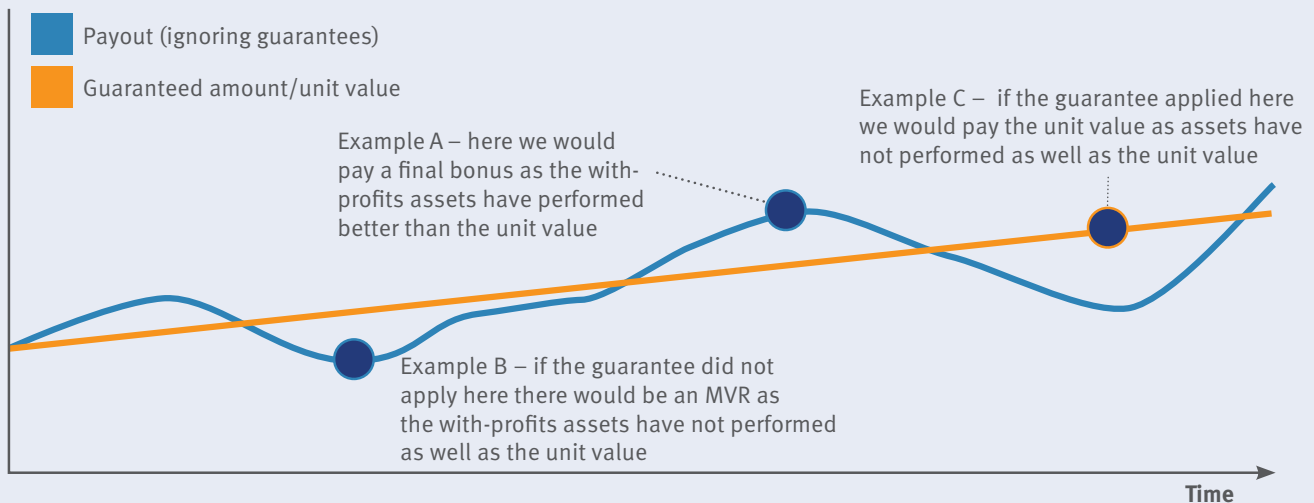
Regular bonuses aim to gradually increase the price of the units that have been allocated to your plan.

A final bonus may be added when you take your payout depending on how the assets have performed. See the graph below for an example (A) when final bonus would be added to your plan.

Guarantees

The with-profits guarantee can vary from one type of plan to another. The guarantee means that even if assets have not performed well your with-profits payout will be based on the full price of units. There could be a market value reduction (MVR) when the guarantee does not apply. See the graph below for examples.

The following graph shows examples of how your payout value can change over time and how this could result in a final bonus (example A) If the payout is at a time when the investments have not performed well there could be a market value reduction (example B) but not if the guarantee applies (example C). This shows how valuable your guarantee can be.



The blue line shows how the payout value could change over time. And the orange line shows how the guaranteed amount (unit value) can grow over time – this is the minimum amount that we'll pay when the guarantee terms are met.

This graph does not show the actual performance of any Standard Life with-profits investment. It is only for illustration purposes to give you some idea how guarantees, final bonuses and MVRs work.

To see further examples of how guarantees and bonuses work please watch our video on our website www.standardlife.co.uk/withprofits



Important:

If you are thinking about leaving your with-profits investment, you may be giving up valuable guarantees. We recommend you seek appropriate guidance or advice before you make any decisions. An adviser is likely to charge a fee for this.



Where do we invest your with-profits monies?

We invest the money you pay us, and the money paid by other with-profits customers, in a pool of assets.

Assets are mainly:

- ✓ Equities (company shares)
- ✓ Property

- ✓ Bonds* (loans to governments or companies)
- ✓ Money market instruments (including cash)

*Bonds are sometimes called “fixed interest assets”

We regularly review the asset mixes, and our aim is to achieve the best returns without taking excessive risk

The asset mix for your with-profits investments will reflect the with-profits guarantee under your plan. The asset mixes can vary over time.

You can find out more details about the asset mix and investment performance for your unitised pension with-profits investments by reading our pensions quarterly investment report.

This report is available from our website www.standardlife.co.uk/withprofits



What other factors make a difference to my plan value?

Smoothing

Smoothing is a feature of with-profits investments which can help to protect you from short-term market movements.

Short-term protection for your assets

When we assess the value of the assets backing your investment we aim to smooth out some of the day-to-day ups and downs of the market and provide some protection and stability to your plan value.

Charges

We allow for charges under your plan for administration expenses, investment management and any commission paid to advisers. There are also deductions for the cost of guarantees.

The level of charges and deductions depends on the type of plan you have. Please see your annual statement or new business quotation.

If your plan is eligible it may benefit from a share of the inherited estate, which will increase any final bonus that can be paid.

For more information please see the document Inherited Estate on our website www.standardlife.co.uk/withprofits

To see how your plan value changes over time look at your annual statement or login via www.standardlife.co.uk



What options do you have when you come to take your retirement benefits?

With the pension freedoms the government announced in 2015 there is more flexibility around how you can access your retirement benefits from us, your options are:

- ✓ take a guaranteed income (an annuity) or
 - ✓ take a flexible income immediately (drawdown)*
- or
- ✓ take your pension savings as a lump sum
 - ✓ or you can take a combination of these options

*You would need to transfer to a suitable pension plan that allowed a flexible income.

The amount we'll pay for the with-profits part of your pension depends on when you move out of with-profits and what you decide to do.

For full details see the document Unitised With-Profits Pension Payouts on our website:

www.standardlife.co.uk/withprofits



Important:

We recommend you seek appropriate guidance or advice before you make any decisions. An adviser is likely to charge a fee for this.



Glossary of terms used in this guide

Guaranteed amount (unit value)

Guarantees are an important feature of your with-profits investments that can be very valuable. The exact terms depend on the type of plan you have. If a guarantee applies to the payout from your with-profits investment, we will pay you at least the guaranteed amount, allowing for any charges, even if investment returns have been poor.

Regular bonus

We aim to increase your plan's guaranteed amount over time and we can do this by adding regular bonuses. We usually decide regular bonus rates once year.

Final bonus

We may pay a final bonus when your with-profits investment ends. The amount of final bonus depends on a number of factors, including the returns on the assets we invest in, and so the final bonus payable on your plan may go down or up over time. We normally declare final bonus rates twice a year.

Market Value Reduction (MVR)

An MVR ensures that customers remaining in with-profits are not unfairly disadvantaged when others leave. If under the term of your plan a guarantee applies to the payout there will be no MVR.

The inherited estate

You will only be entitled to any inherited estate distribution if you have been continually invested in with-profits since before 10 July 2006.

For more information please see the document Inherited Estate on our website:

www.standardlife.co.uk/withprofits



What else might you like to know? how we manage your with-profits investments

With-Profits Committee

We are committed to fair treatment for all our customers and our With-Profits Committee provides independent advice to us on this. They help make sure your interests are protected.

Report to our with-profits policyholders

We publish a report to UK with-profits customers each year. This report sets out Standard Life Board's opinion on fairness in how the with-profits business has been managed.

Unitised pension with-profits funds

The table below shows the pension with-profits funds that this guide applies to:

Fund Name	Fund Name
Pension With Profits	Pension Inflation Plus
Pension Millennium With Profits	Pension Millennium With Profits 2006
Pension With Profits One	Pension With Profits One 2006
Pension 2 With Profits 2	Pension 2 With Profits 2 2006

These are all within the Heritage With-Profits Fund.

The Pension With Profits and Pension Inflation funds are closed to further investment from existing or new customers. The other with-profits funds remain open and can accept new or increased payments or lump sums. You can find out more about these funds by clicking on the links to our investment guides – **GPEN4**, **GPEN4R**. Or you can call us for a copy on 0800 634 7474. Call charges will vary.

Where you can find out more about with-profits

There are separate guides for the other types of with-profits investments, including with-profits investments for Stakeholder with-profits plans.

You can find these guides, more about our With-Profits Committee and read our annual report to our with-profits policyholders by visiting our website www.standardlife.co.uk/withprofits

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