

# Aviva Life & Pensions UK Limited

## Secure Growth Fund



### Summary of changes to the Principles and Practices of Financial Management (PPFM)

#### Introduction and Background

This document summarises changes made to the Secure Growth Fund PPFM from January 2017.

The PPFM was originally published in January 2016. The Aviva website now displays the latest version of the PPFM.

#### 1. Changes effective from 1 January 2020

The PPFM has been amended from 1 January 2020. Two practices were amended following an internal review.

##### (a) General changes

We have made some minor corrections and clarifications to wording. These have not been described here as they make no material change to the PPFM.

##### (b) Practices 5.4

We have corrected the wording which states that most fixed interest securities are UK company securities as this is no longer the case.

##### (c) Practices 7.2

We have agreements with Aviva Investors Global Services Limited and Schroder Investment Management Limited to provide investment management services. Following a review, we have amended the notice periods for termination of these agreements.

##### (d) Practices 8.3

We have introduced a Risk Appetite Framework which supports the decision making in relation to the Fund. It aims to manage the Fund so that the estate is within a preferred range.

#### 2. Changes effective from 1 January 2019

The PPFM was amended 1 January 2019. A number of practices were amended following an internal review.

##### (a) General changes

Where possible we have standardised wording and removed any Practices that are no longer applicable. These have not been described here as they make no material change to the PPFM.

##### (b) Practices 3.5

We have introduced some smoothing wording to reflect the introduction of final bonus to the Fund.

##### (c) Practices 5.4

We have clarified the approach to reviewing investment strategy and how it is described within the PPFM.

##### (d) Practices 5.6

We have clarified how derivatives may be used.

#### 3. Changes effective from 1 January 2018

The PPFM was amended 1 January 2018. A number of practices were amended following an internal review.

##### (a) General changes

We have made some minor corrections and clarifications to wording. These have not been described here as they make no material change to the PPFM.

##### (b) Introduction, Practices 2.2, Practices 3.3, Practices 4.3 and Practices 8.3

We have amended the approach to distributing the estate by introducing final bonus.

##### (c) Practice 7.2

Following the introduction of final bonus we have removed the ability to make a charge for the cost of guarantees.

## 4. Changes effective from 1 October 2017

The PPFM has been amended with effect from 1 October 2017. Most of the changes were as a result of the transfer of the policies of the Secure Growth Fund into a newly established fund in Aviva Life & Pensions UK Limited, also called the Secure Growth Fund.

### (a) General changes

As a result of the transfer, some general changes were made throughout the document, as follows:

- The transfer was made through a Court scheme, and reference in the PPFM is now to the new Scheme under which the fund will be managed rather than to the previous 2013 Scheme, and any references have been updated to refer to the relevant section of the new Scheme
- References to Friends Life and Pensions Limited ('FLP') were replaced by ones to Aviva Life & Pensions UK Limited, which is generally referred to as 'the Company'.

### (b) Introduction and Overview

The previous introduction and overview sections (sections 1 and 2) were replaced by a new introduction (section 1) that is common to all PPFM documents for Aviva Life & Pensions UK Limited. This provides a brief overview of the Company, an explanation of PPFM documents and their governance and some general information on with-profits policies.

### (c) Practices 7.2

Following the transfer, the Company guarantees the repayment of some loan instruments issued by Friends Life Holdings plc. and Aviva plc. The PPFM sets out the actions the Company will take to mitigate this risk.

### (d) Principles 9.1

We had a method of determining the amount of capital FLP needed to hold in addition to the regulatory minimum, known as the FLP Capital Policy. This was previously assessed relative to the risk of FLP not being able to meet its best-estimate liabilities. FLP also had what is known as the Solvency Risk Appetite, which was assessed relative to the risk of FLP not being able to meet the regulatory minimum capital requirements. After 1 October 2017, only the Solvency Risk Appetite will apply and the Principles have been amended to reflect this.

Any future changes to the Solvency Risk Appetite which might materially weaken it will require the Company to take account of appropriate actuarial advice, consult the With-Profits Committee and notify its regulators. This is similar protection as previously applied to the key parts of the FLP Capital Policy, with the With-Profits Committee consultation having been added.

### (e) Practices 9.3

An additional paragraph was added to explain that when the value of the assets attributable to with-profits policies in the Secure Growth Fund become sufficiently small, below £100m, we may declare a cash or regular bonus or other benefit increase considered to be fair at the time in order to use up the surplus in the fund, determine to add no further bonuses, and move the policies to the Non-Profit Sub-Fund.

In addition, we added the information that, at any time after 1 October 2017, we may merge any with-profits or non-profit sub-funds, subject to certain constraints including taking appropriate actuarial advice and consulting the With Profits Committee to ensure that the proposal is fair to policyholders.

### (f) Glossary

The glossary was updated to reflect the changes described above.

### (g) Appendices

We added appendices to show the new sub-fund structure within Aviva Life & Pensions UK Limited and to summarise the company history including that of the Secure Growth Fund. We also updated the appendix of original issuing companies to include those associated with all the with-profits sub-funds in Aviva Life & Pensions UK Limited.

## 5. Changes effective from 1 January 2017

### (a) General changes

References to Friends Provident International Limited ('FPIL') have been removed as it is no longer a subsidiary of Friends Life and Pensions Limited ('FLP').

### (b) Overview section 2.6

The Capital Policy sets out the level of capital that the company aims to hold in all but the most extreme circumstances. As the previous version of the PPFM foreshadowed, we carried out a review of the policy during 2016 and made some minor changes, which are reflected in the current PPFM.