Pension Freedoms Unisure in plan income drawdown options

For advisers and employers only

Important information

This presentation is for information purposes and does not constitute a legally binding agreement, contract or representation between Aviva and the employer, trustee or adviser.

This presentation is based on our interpretation of current law and HMRC practice (within the 2020/21 tax year), which may be subject to change.

Tax and benefits are subject to interpretation, change and individual circumstances.

The value of investments in a member's plan can go down as well as up and is not guaranteed. Members may get back less than the amount paid in.

All information is correct as at February 2020.

Introduction

To meet customer demands for flexible access to cash, we are making continuous improvements to our Unisure UK Company Pension, Company Stakeholder, Personal Pension and Stakeholder Pension:

- Full and partial uncrystallised funds pension lump sum (UFPLS) launched in 2015
- Access to tax-free lump sum(s) through integrated income drawdown launched November 2016
- Access to single income withdrawals from income drawdown launched June 2017
- Ability to keep income drawdown beyond age 75 launched September 2017
- Adviser charging on income drawdown – launched October 2018
- Ongoing Adviser charging on income drawdown – launched March 2020

Key points

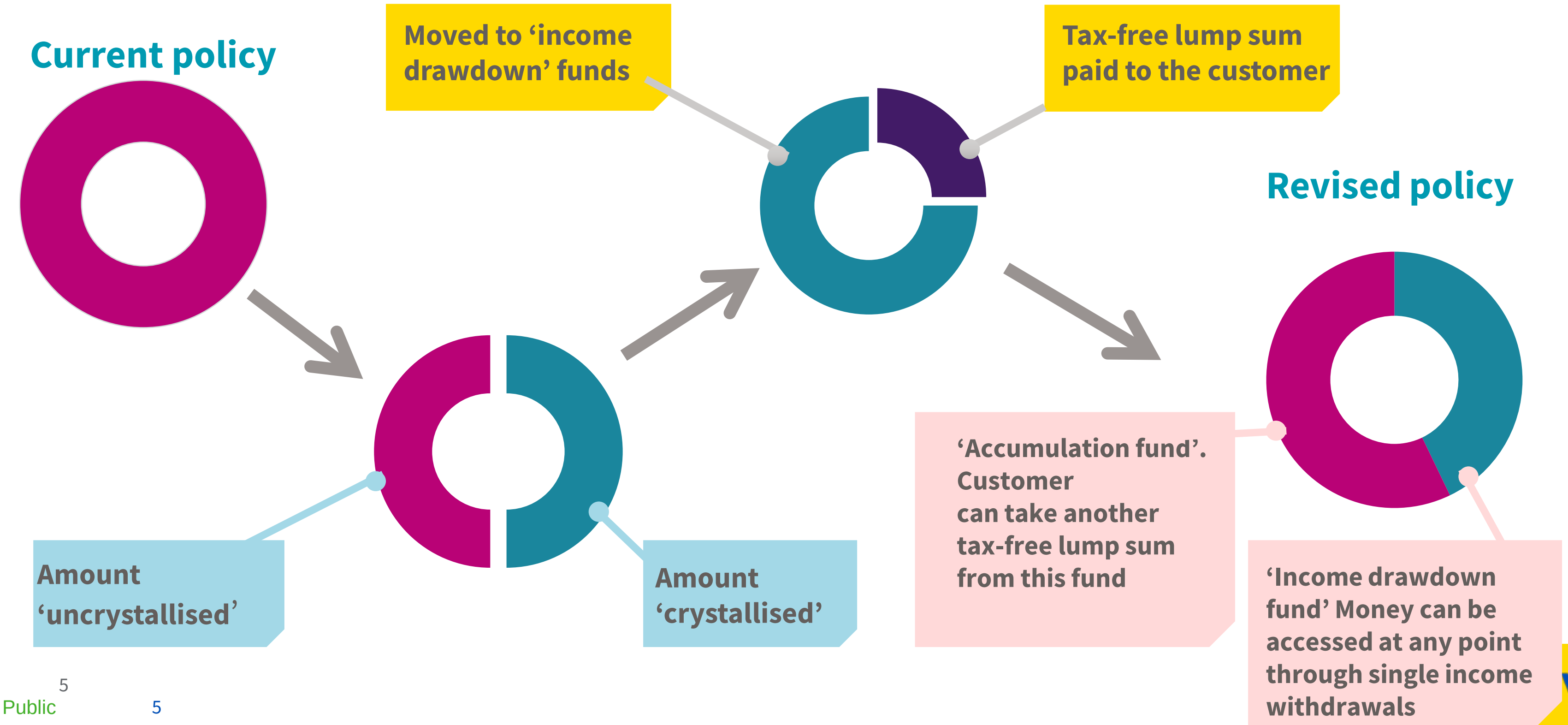
Our in product drawdown offers:

- Fully integrated income drawdown in the existing product – no need to transfer out.
- Simple access to tax-free lump sum(s).
- Ability to take tax-free lump sums and invest the remainder in drawdown, where single income withdrawals can be taken.
- No out of market exposure.
- No need to make new investment decisions.
- No extra cost.
- Same administration team.
- Delivers the solutions our customers want.

How it works

Access to tax-free lump sum(s)

- Our integrated income drawdown product offers access to tax-free lump sum(s) (including protected tax free cash).
- We crystallise some or all of the member's existing pension fund. 25% goes to the member as a tax-free lump sum, and the remaining amount is moved to an income drawdown fund within the same policy.
- The member's policy is now split into two pots– any uncrystallised 'accumulation funds' and the crystallised 'income drawdown funds'.



How it works

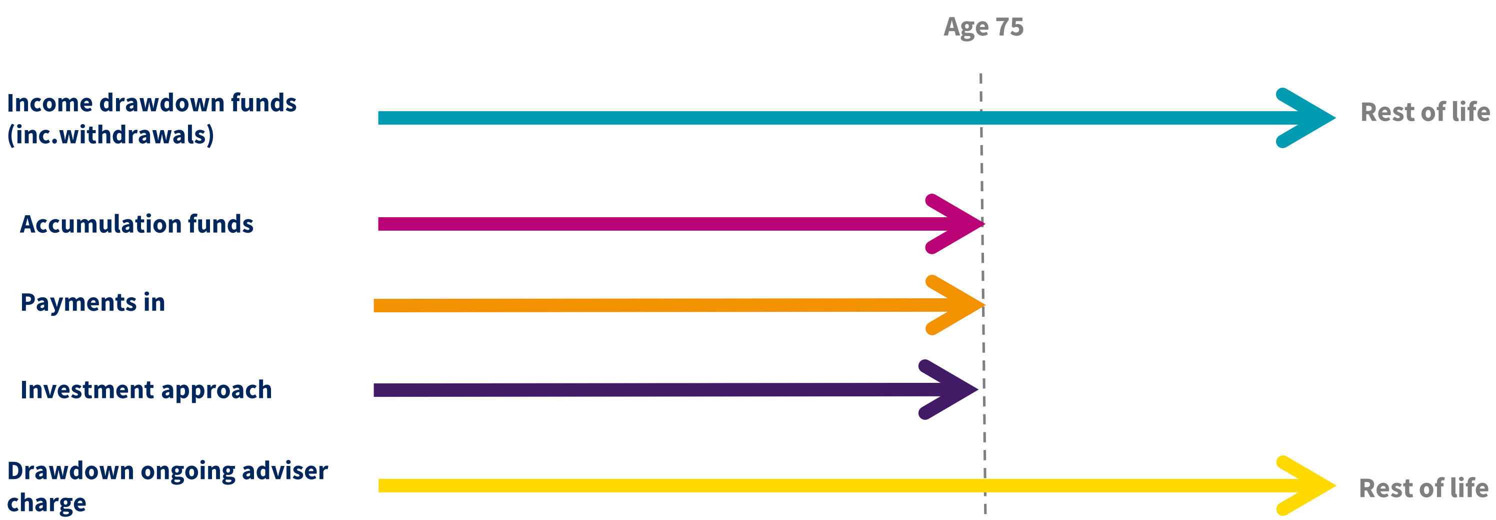
Single income withdrawals

- Up to 6 single income withdrawals in any 12 month period without charge.
- Any further withdrawals may be charged.
- Withdrawals will be taxed as income. The first withdrawal will be taxed at the emergency rate if we do not hold the individuals tax code.
- Subsequent withdrawals will be taxed at their marginal rate.
- The customer will trigger the Money Purchase Annual Allowance (MPAA) of £4000 if this is their first flexible withdrawal. We will issue an MPAA certificate if this happens.

How it works

At age 75

- Customers can now retain their policy beyond the age of 75 and for their rest of their lives, provided they have moved all their pension fund to income drawdown and there are no remaining accumulation funds.
- If a customer holds both accumulation and income drawdown funds, they must have fully crystallised all their funds by the working day before their 75th birthday. They can take the money as they wish (UFPLS/annuity/move to drawdown) but no accumulation funds can remain beyond their 75th birthday.
- This means that we cannot accept any further payments in (regular, single or transfer) beyond age 75.
- Any investment approach (lifestyle/lifestyling, lifestage/lifestaging or phased switching etc) will also stop at age 75. The funds will remain invested as they were at the end of the programme, but all automatic switching will stop.



How it works

At age 75

- If we receive no instructions from the customer before their 75th birthday, we will move any remaining accumulation funds to income drawdown on their behalf on the working day before their 75th birthday.
  - As a consequence, they will not receive a tax-free lump sum as we will not know their lifetime allowance status. We will have to assume they have no remaining lifetime allowance. The customer will be subject to a lifetime allowance charge. The customer may be able to reclaim it from HMRC if eligible.
- We will make every effort to contact the customer in advance of their 75th birthday, and will fully explain the consequences of non-contact.
- Note: this rule only applies if the customer is already in income drawdown before their 75th birthday. The current rules for non-drawdown customers will continue to apply.

How it works

Adviser charges on income drawdown

	Initial adviser charge	Ongoing adviser charge
Products	• Company Pension (PPP00UK, policy prefix TK) inc. leavers • Aviva Personal Pension (CSYPS01, policy prefix TL) • Some policies under Your Pension Select@Aviva (YPSNU00), policy prefix 8 or P)* *Any YPSNU00 policy that historically had a CAFCA charge type applied **CANNOT** have an adviser charge added in income drawdown.	
Charge type/calculation method	£ amount	% per annum against the value of the income drawdown funds
Frequency	One-off	Monthly
Unit cancellation	We will cancel units for an initial adviser charge on the same day as moving funds to income drawdown.	We will cancel units for an ongoing adviser charge starting from the next available monthly charge date (which is the same day each month as the start date of the plan), and monthly thereafter for the agreed term of the charge.
Duration	One-off	Can be specified by number of months or an end date.
THINGS TO NOTE	• Available to select upon accessing tax-free lump sum(s) and moving funds to income drawdown (first or subsequent) • Adviser charges must be taken at the same time as when income drawdown funds are created. • We can NOT backdate an initial charge to drawdown transactions that have already taken place. • We can pay initial adviser charges to different adviser firms e.g. if a regular initial charge is in payment in the accumulation funds, we can still apply an initial charge to drawdown funds without stopping the regular initial charge.	• A specified start date can be set for an ongoing charge. This date can be set in the future. • Percentage charges agreed are calculated on a monthly basis as a percentage of total income drawdown fund value. These values can be agreed in 0.01% steps. • We can apply an ongoing adviser charge from any remaining accumulation funds and income drawdown funds independently so long as they are paid to the same adviser firm. • The charges do NOT automatically replace any existing adviser charges paid on the accumulation funds. It must be set up as a new arrangement between adviser and client. • We can NOT backdate an ongoing adviser charge.

How it works

Retaining existing product features…

Continue to make payments in	The customer can continue to make regular and single payments (up to age 75). Payments in will be applied to the accumulation funds.
Retain the same plan charges	The plan will retain the existing plan charges as far as is possible. Where multiple charges apply, we will move these to the closest available mono-charge. There are no additional charges for taking tax-free lump sums or single income withdrawals. Up to 6 can be taken per year.
Keep the same policy number	The policy remains the same – there are no changes to policy number or the way it is administered.
Continue to invest	The plan will continue with the existing investment funds (with exceptions), incl. any investment approach(up to age 75). The investment applies across the whole policy.

How it works

And continued administration…

Fund switches

Customers can switch their investment funds at any time. Any switches will apply across the whole policy (i.e. across income drawdown funds and any accumulation funds). Only new contributions can be invested in with-profit funds. No existing money can be switched into with-profit funds.

Transfers

Transfers-in will be applied to the accumulation fund. The money must be uncrystallised. We cannot accept transfers-in to the income drawdown fund. Transfers-out will apply to the whole policy (both income drawdown funds and any accumulation funds they may have). Some providers may not accept this type of transfer.

Annuities

A customer can annuitise the value of their plan at any time. They can annuitise either the accumulation fund or income drawdown fund, or both.

No charges, no minimums and no maximums

A very simple approach to pricing

- There are no additional charges for customers using their integrated income drawdown option.
- There is no minimum limit to access income drawdown.
- There will be no minimum or maximum single income withdrawal limit.
- We will simply restrict members to 6 single income payments per year.
- As you would expect we'll be monitoring experience and we could change our offering in the future.

The application process - direct

Retirement pack issued
Triggered every 5 years from age 50 or NRD or
ad-hoc request from member

- At age 50, a letter including a pension summary which confirms policy value, contributions and product related risk warnings, is sent. This letter is also sent in the pack sent every 5 years..
- Aviva brochure for all options

Triage:
Member calls having read pack / sought guidance

- Check if advice / Pension Wise used
- Ensure customer received pack
- General regulatory risk warnings

Outcome
Member calls to discuss options and preferences

- Information-only for relevant outcomes
- Quote requirements identified
- Hand-off for personal advice if necessary
- Specific regulatory risk warnings

Quote pack issued
Based on requirements identified in call

- Personalised quotes for chosen options
- Any relevant supporting literature
- Application forms
- We do not issue unrequested quotes

Transact
Member returns forms after reading quote pack

- Member confirms options
- Request processed on platform or transfer initiated (as applicable)

Aviva.co.uk
Pension Wise
Adviser
Unbiased.co.uk

The application process - advised

1. Adviser agrees client requirements and amount of charge to be paid

2. Adviser calls Aviva adviser contact centre to discuss requirements (IPP: 0800 0686800; GPP: 0800 145 5744 – calls may be monitored) or email contactus@aviva.com

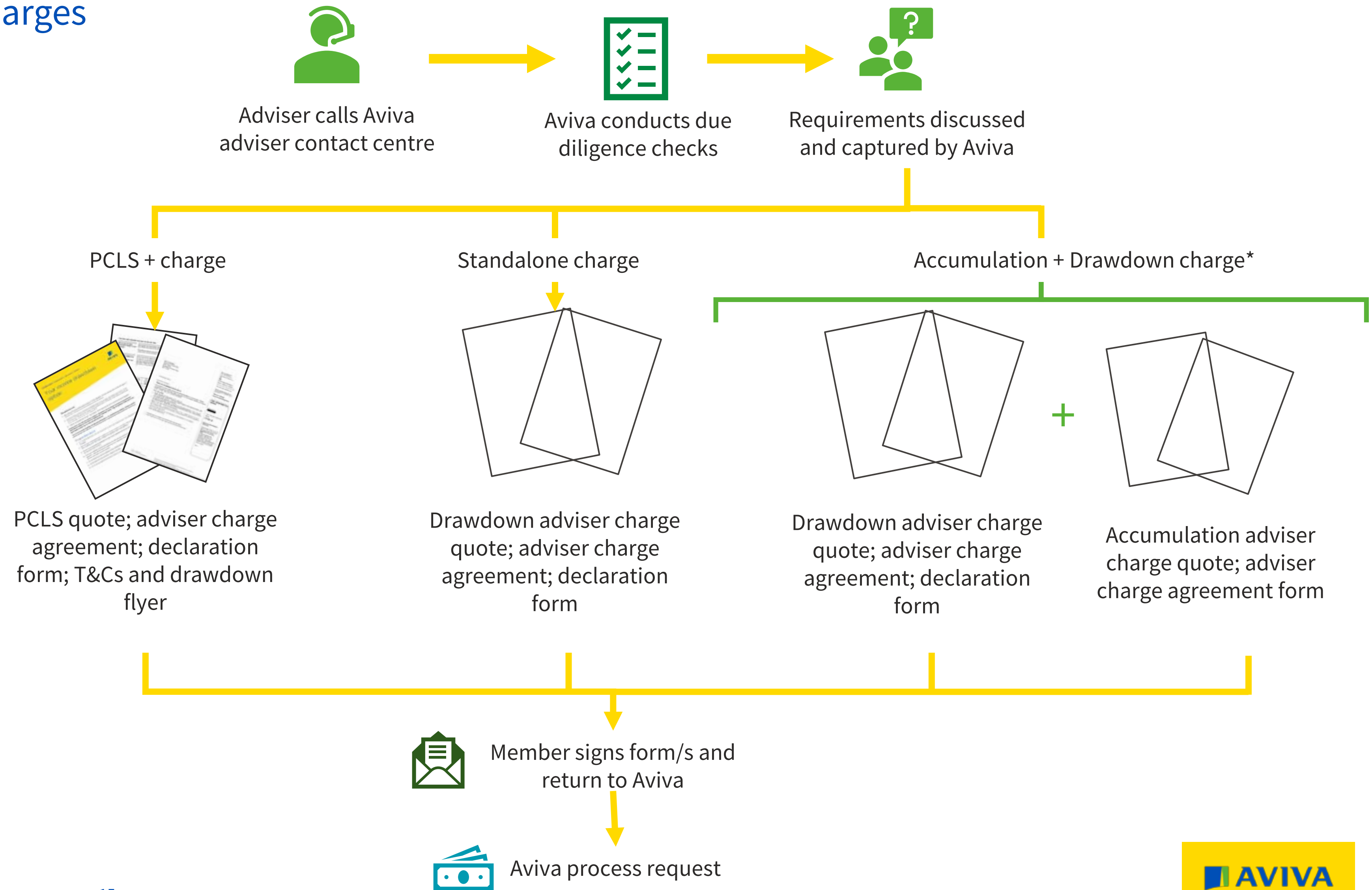
3. Aviva will check the adviser firm relationship with the client, check a few details about the client and prepare a quote based on requested requirements (if all checks are cleared)

4. Adviser and client review quote and client signs declaration form (including adviser charge agreement form) and returns to Aviva

5. Aviva process payment including adviser charge and payments are made. A confirmation letter will be issued.

The application process - advised

For PCLS transactions; Standalone drawdown adviser charge and accumulation adviser charges



Availability and suitability

Before choosing drawdown members should consider all their retirement options and the benefits and risks of those options. They should also shop around for the best deal for them.

Products

The income drawdown option is available on all UK Unisure pension products except;
The Commercial Union Personal Pension Pensions (Optimiser, Lifestyler and Sterling).

Bulk data download and information hosted on third party portals will **not** reflect the split of funds between Drawdown and accumulation.

Eligibility

We will offer this option to; customers aged between 55 and 75. Those aged 75 or over cannot make any further payments into their plan or move any further funds to income drawdown, but they can retain their existing income drawdown fund.

Only new contributions can be invested in with-profit funds. No existing money can be switched into with-profit funds.

Life cover and/or waiver is **not** supported on Drawdown funds.

Suitability

This option is designed for people who want tax-free lump sums and to withdraw income as and when they need it.

This option is available to customers with protected tax free cash too, if they do a full designation.

The Unisure solution is **not** suitable for customers wanting a regular income drawdown. We only offer single income withdrawals

A recap of where we are across all our platforms

Capability	My Money	NGP contract	NGP trust	Unisure
Full UFPLS	✓	✓	✓	✓
Partial UFPLS (first payment)	✓	✓	✓	✓
Partial UFPLS (further payment)	✓	✓	✓	✓
Integrated income drawdown	✓	✓	✓	✓
Small pot encashment	✓	✓	✓	✓
Tax free cash solutions	✓	✓	✓	✓
Annuities	✓	✓	✓	✓
Re-joining after disinvestment	✓	✓	✓	✓

Company information

Aviva Life & Pensions UK Limited

Registered in England No. 3253947. Registered Office: Aviva, Wellington Row, York YO90 1WR. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Member of the Association of British Insurers.
Firm Reference Number 185896.

SP57528 01/2020

Thank you