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A guide to the

# **Royal London Group Pension Scheme**

## Background to the Scheme

The Royal London Group Pension Scheme represents the merger of Royal London's original pension scheme with those relating to the Refuge, Scottish Life and United Friendly businesses.

The Scheme was established in October 1988 as the Refuge Group Pension Scheme and was subsequently renamed the United Assurance Group Pension Scheme. In 2001 the assets and liabilities of the Refuge Assurance Superannuation Fund were transferred into the Scheme. This was followed in December 2002 by transfers of the assets and liabilities from the Scottish Life International Officers' Retirement Benefits Scheme and the Scottish Life Directors (No. 2) Retirement Benefits Scheme.

In December 2003 the Scheme was merged with The Royal London Staff Pension Fund, the Scottish Life Officers' Retirement Benefits Scheme and the United Friendly Group Pension Scheme.

### **Type of Scheme**

The Scheme is a final salary defined pension scheme, which means your pension is based on your length of service and your salary prior to retirement.

### **Life cover only members**

The Scheme was closed to new entrants in September 2005. However, new employees within the Royal London Group are admitted to the Scheme for life cover benefits.

### **Who runs your Scheme and how is it run?**

The Scheme is set up as a Trust and governed by the trustee company, RLGPS Trustee Limited. The Trustee Board of Directors is responsible for safeguarding the interests of the Scheme members and ensuring that the Scheme is run in line with the Trust Deed and Rules.

All assets are held separately from those of the sponsor, Royal London. Watson Wyatt Limited has been appointed to carry out the day-to-day administration.

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# Investments

## Who decides on the investment strategy?

The Trustee Board decides the investment strategy to be adopted for the Pension Scheme assets, acting on advice from its investment consultant Watson Wyatt Limited and after consultation with Royal London. The Statement of Investment Principles (SIP) is a document that the Trustee is required to prepare under the Pensions Act 1995 and outlines the principles of the investment strategy.

Generally, equities are considered higher-risk investments and bonds lower risk. Whilst higher-risk investments may result in a higher investment performance, there is a greater risk that the investment could also lose money. A lower-risk investment will probably provide a lower investment return. Therefore the Trustee Board determines an investment strategy that seeks to maximise investment returns whilst balancing this investment risk. Having a broad range of assets means we are not 'putting all our eggs in one basket' and helps safeguard the fund against the risk of one type of asset falling in value.

## Who manages the Scheme's investments?

The Trustee has appointed Royal London Asset Management (RLAM), which was launched in 1988 as the investment arm of Royal London, to manage the Scheme's investments. The SIP is communicated to RLAM, which takes day-to-day responsibility for the selection of specific investments within the Trustee's guidelines. RLAM provides the skill and expertise needed to manage the assets of the Scheme in accordance with the SIP investment strategy.

## How is the performance of the investments monitored?

RLAM provides the Trustee Board with quarterly investment reports. These reports provide a detailed analysis of how the investments have performed. The Trustee Board monitors the performance of the investments and compares this to the benchmark portfolio.

Watson Wyatt Limited provides the Trustee Directors with an investment advisory service. The investment adviser reviews the performance of the fund and provides an independent assessment of how well the investments and the investment manager have performed. The investment adviser attends the Trustee meetings and advises where necessary.

## What does RLGPS invest in?

The Scheme invests in a broad range of asset types in the UK and overseas markets. The actual assets held are continually changing. RLAM's philosophy is to invest in companies and markets that they believe will be winners in their field. For each type of asset, a wide range of individual investments is held. For example, as at 31 December 2007, the top ten investments held in the UK equities market were in the following well-known companies: Anglo American, BG Group, BP, HSBC, Glaxosmithkline, RBOS, Rio Tinto, Royal Dutch Shell, Tesco and Vodafone.

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**Having a broad range of assets means we are not 'putting all our eggs in one basket'**

## Measuring the health of the scheme

### What is an actuarial valuation

Every three years the Scheme undergoes a formal health check – the ‘actuarial valuation’ – to establish whether the assets held by the Scheme will be sufficient to pay for pensions and other benefit payments as they fall due. As part of this process, the Trustee Board works with Royal London to determine the level of additional contributions the Company needs to pay in order to top-up the Scheme’s finances.

### What does the valuation process involve?

The valuation results communicated to members represent the culmination of several months of discussions and consultation between the Trustee Board, Royal London and professional advisers.

The process begins in advance of the valuation date with a series of training and discussion sessions that focus on the technical elements of the Scheme-Specific Funding framework (see below). Next, shortly after the year end, the Trustee Board meets to agree the principles and preliminary assumptions that should be applied to the valuation calculations.

The Scheme Actuary uses the preliminary assumptions

and individual member data to carry out the detailed calculations underlying the valuation. The method and assumptions are then honed over the course of the next few months in the light of the Scheme Actuary’s advice, and regulatory guidance.

As part of the process, the Trustee also receives a presentation from Royal London on its own financial strength. The support that Royal London provides is factored into the assumption-setting stage and is also taken into account in discussions about possible contribution requirements.

On the basis of the valuation results, the Trustee Board works with Royal London to discuss the future strategy of the Scheme and to establish a plan for maintaining the financial health of the Scheme in the future.

### How does the Scheme-Specific Funding framework affect the Scheme?

The valuation as at 31 December 2007 was the first to be carried out on the Scheme under new legislation introduced in the Pensions Act 2004. This new legislation is a significant departure from the previous “one-size-fits-all” framework to Scheme funding. As the name suggests, under the new “Scheme-Specific”

legislation, trustees and employers are required to ensure that the approach adopted, including the assumptions, is appropriate to the individual circumstances of their scheme.

The dialogue between trustees and employers is overseen by a new regulatory body, the Pensions Regulator, which holds wide-ranging powers to scrutinise and intervene in the operation of pension schemes. The aim of the new legislation is to improve the security of members’ benefits.

Ultimately, the introduction of the new framework has had a relatively minor impact on the Scheme, as many of the new principles reflect the best practice that was already being followed.

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# Keeping in touch

## Nomination forms

By filling in a nomination form you can request that any benefits from the Scheme in the event of your death be paid to specific named individuals (for example your spouse or children) in specific proportions. While the form does not bind the Trustee, it makes your wishes clear. The forms can easily be overlooked or forgotten, but it is particularly important that they are kept up to date, particularly in the event of a change in marital status or the birth of a child.

**Active members** can find forms on the Hub. Please go to: People Zone> Your Royal London> Your Reward> Pension> RLGPS. The nomination forms can be found at the bottom of this page.

Pensioners within the five-year guarantee period who would like to update their form should contact Watson Wyatt Limited for a copy.

## Your details

If you change address, please notify either Employee Services at Royal London (for active members) or Watson Wyatt Limited (deferred and pensioner members). Whilst

every effort is made to trace members who are approaching retirement date, this isn't always successful for deferred members with whom there is no other contact.

## Notification of pensioner deaths

There have been a number of instances where the Scheme's administrators have not been informed of a pensioner's death until some months have passed. In such instances, the Trustee is required to recover any overpayments that may have been made from the date of the pensioner's death. Therefore, to avoid the strain that this can put on the member's family's finances, please ensure that Watson Wyatt Limited are promptly informed of all deaths.

## Joint life pensions

On a similar theme, there are a significant number of historic Refuge and United Friendly pensions that were set up on a joint life basis. In brief, this means that they are paid at the original level until the death of the first life, be it the member or their spouse, and then reduced to a lower level.

In such cases, the death of the first life must be promptly notified to Watson Wyatt Limited so that the amount being paid can be adjusted. When there is a delay in the receipt of this notification, the Trustee is obliged to reclaim the overpayments made.

Please also note that the joint life benefits are only payable to the two lives identified at the date of retirement. In most circumstances, this is the member and their spouse at the date of retirement. This means that a pension cannot be paid on the death of a member to a second spouse should the member have remarried.

If you require clarification as to whether you are affected by this, please contact Watson Wyatt Limited.

## Transfers into the Scheme

In January 2004, the Trustee was advised by Royal London that the Scheme should not accept any such payments in the future. Accordingly, there are to be no further transfers into the Scheme.

# All the support you need

## Your benefits

Watson Wyatt Limited will send active members a benefit statement each year outlining their personal benefit entitlement under the Scheme. Pensioners will receive a letter notifying them of any pension increases awarded.

## Contact details

If you have any queries about your pension, need to change any of your details or would like more information about the Scheme, please contact us as follows:

**Active members:** contact Employee Services, Royal London Group, Royal London House, Alderley Road, Wilmslow, Cheshire SK9 1PF. Telephone 01625 605106.

**Pensioners and deferred members:** contact Watson Wyatt Limited, 1 Wellington Place, Wellington Street, Leeds LS1 4AP. Telephone 0113 234 3222.

## Any problems?

There is an internal disputes procedure in place to try to resolve any disputes between members, prospective members or beneficiaries and the Trustee.

If you have any problems or would like to receive a copy of the procedure, please write to the Secretary of the Trustee at Watson Wyatt Limited at the address given above.

## You can also contact:

The Pensions Advisory Service (TPAS), a body that has been set up to help and advise anyone experiencing difficulty with their pension at:

11 Belgrave Road, London SW1V 1RB.

Telephone 0845 601 2923.

Website [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### Or

The Pensions Ombudsman, an organisation that helps settle complaints connected with pension schemes, at the same address.

Telephone 020 7834 9144.

Website [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

### Or

The Pensions Regulator, the regulatory body set up to supervise occupational pension schemes, can be contacted at: Napier House, Trafalgar Place, Brighton BN1 4DW. Telephone 0870 606 3636.

Website [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Additional information

A pension scheme booklet for current active members and copies of recent reports to members can be found on the Hub.

A copy of the Scheme's formal annual report and accounts and the Statement of Investment Principles is available on request from the contacts shown above and on the internet at [www.royallondongroup.co.uk](http://www.royallondongroup.co.uk).

## Useful links

[www.plainenglish.co.uk/pensionsguide.pdf](http://www.plainenglish.co.uk/pensionsguide.pdf) for a Plain English guide to pension terms

[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk) for the Pensions Service website (part of the Department for Work and Pensions)

[www.moneymadeclear.fsa.gov.uk/products/pensions/pensions.html](http://www.moneymadeclear.fsa.gov.uk/products/pensions/pensions.html) for the Financial Services Authority consumer information on pensions.

# Jargon Buster

**Active member:** Someone who is employed by the Royal London Group and is accruing final salary benefits within the Scheme.

**Deferred member:** Someone who has left service and retains a benefit in the Scheme but is below pensionable age and therefore is not yet receiving a pension.

**Beneficiary:** Someone, other than a member, who is entitled to receive a pension benefit; these are normally the member's relatives, for example children.

**Life cover only member:** Employee of Royal London Group who joined after the final salary section of the Scheme was closed and is not entitled to receive a pension benefit but does receive life cover.

**Total return:** This is a measure of investment return on the fund, taking both income and any change in capital value into account.

**Benchmark performance:** The performance of the Investment Manager is compared to a benchmark standard. This standard is the theoretical return which would have been achieved if the Scheme's assets had been invested in the exact proportions specified by the Trustee in the Statement of Investment Principles in a range of investment

market indices. The indices adopted for the RLGPS benchmark include UK bond indices (government and corporate) and a range of equity indices, including the FTSE100, as well as indices for European, Japanese, Far Eastern and US equities. The manager has discretion to invest within a specified limit in different proportions to the benchmark portfolio in order to provide an opportunity to outperform the benchmark standard.

**Assets:** These are the Scheme's investments comprising equities, bonds, property and cash including AVCs.

**Liabilities:** This is the sum calculated by the Scheme Actuary that has to be held now to meet all future benefit payments due from the Scheme.

**Schedule of Contributions:** This is a document that details the timing and amount of contributions that are required to be paid by members and Royal London into the Scheme.

**Ongoing assessment:** This valuation assumes that the Scheme continues to be supported by Royal London. Liabilities are calculated based on the fund achieving realistic investment returns from its investments. This is the traditional valuation method and is used for most pension scheme purposes.

**Discontinuance assessment:** This assessment considers the position if Royal London becomes insolvent or chooses to discontinue the Scheme (in which case it would be required to meet any funding shortfall).

**Equities:** Commonly called shares, are normally traded on stock markets. The share price (value) can increase or decrease, depending on how much demand there is for the shares. Dividends from these shares may be received, though these vary in value and do not have to be paid. Equities are considered higher-risk investments, but may result in higher investment performance.

**Bonds:** These are loans made to a company or to the government on which interest is paid. Bond prices generally fluctuate less than equity prices and so they are seen as being more secure assets, though the potential for increases in value is also reduced. Bonds are seen as a less risky investment, but the potential rewards are lower.