

How we manage the Phoenix Life Limited SPI With-Profits Fund

A guide for trustees with Simplified Pension
Investment deposit administration policies
invested in this fund

The aims of this guide

The guide explains how we manage this with-profits fund and what it means for your policy.

Why this guide is important

It gives important information about how these with-profits policies work and what you can expect back from them.

Please keep this guide in a safe place with your other policy documents.

Introduction

This guide covers with-profits Simplified Pension Investment deposit administration policies like yours which invest in the Phoenix Life Limited SPI With-Profits Fund ('this fund').

These policies were transferred into Phoenix Life Limited from Scottish Provident Limited on 6 February 2009 as a result of schemes approved by the UK High Court, the Royal Court of Jersey and the Royal Court of Guernsey.

There are separate guides for other types of with-profits policy investing in this fund.

Phoenix Life Limited has a number of other with-profits funds and separate guides are available for with-profits policies which invest in these funds.

We aim to answer some of the questions you might ask about what happens to the money you have paid into policies invested in this fund, and what affects the amount you may get back from your policy. The questions we aim to answer are:

- How does this fund work?
- What are my benefits?
- How do you decide what bonuses to add?
- What if I decide to cancel my policy early?
- How is this fund invested?
- What about the shareholders?
- Who looks after my interests?
- Where can I find out more?

This guide is correct at 6 February 2009. The way we manage this fund may change from time to time. We will write to you if we make changes that may have a major effect on your policy.

In particular, under the terms of the transfer into Phoenix Life Limited, when the value of the liabilities in this fund falls below £50 million, we will convert the remaining with-profits policies into non-profit policies with guaranteed future bonuses. This is not expected to occur before 2025.

If you would like more details about any of the information in this guide, please refer to the section **Where can I find out more?**.

This guide does not form part of, or change, the terms or conditions of your policy.

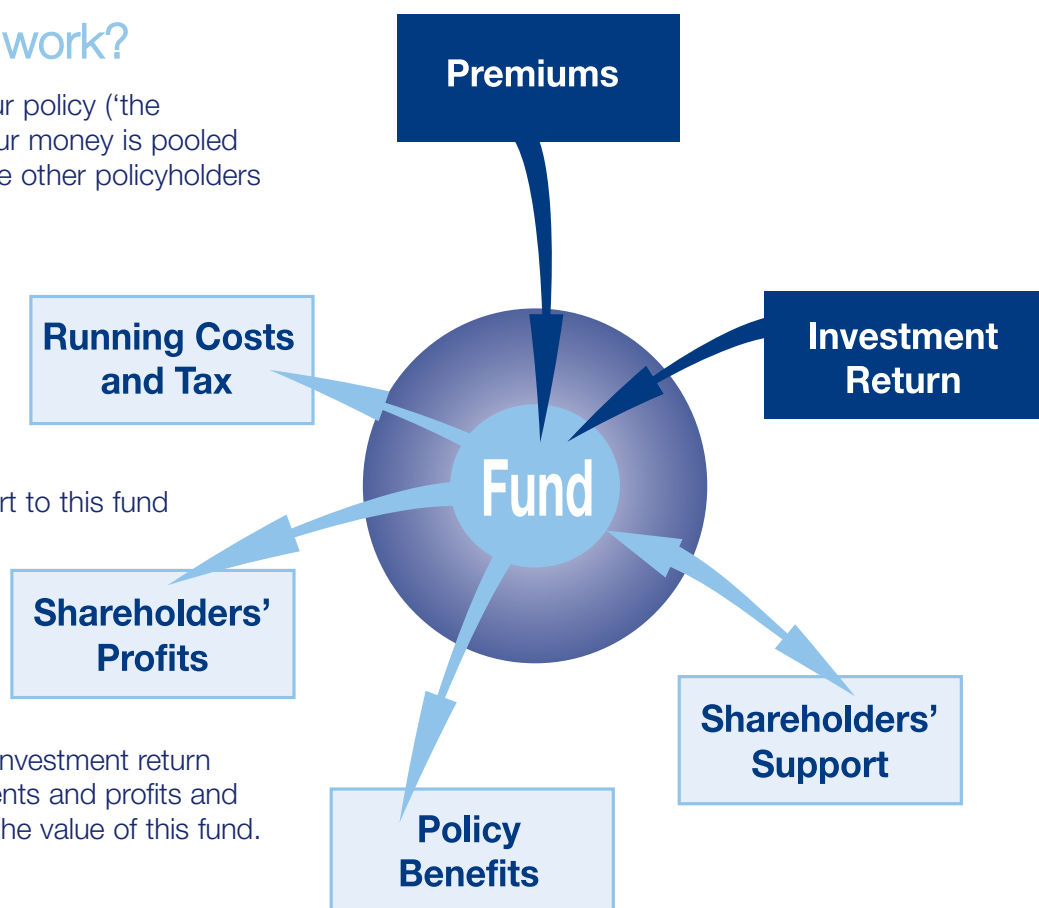
How does this fund work?

The payments you make into your policy ('the premiums') go into this fund. Your money is pooled together with the premiums of the other policyholders who invest in this fund.

We use this fund to pay the policy benefits to policyholders who have paid premiums into this fund. We also pay our running costs and tax from this fund and an amount each year to our shareholders.

Shareholders also provide support to this fund which we describe in the section **What about the shareholders?**.

We invest this fund in a variety of different types of investments which we describe in the section **How is this fund invested?**. The investment return consists of income from investments and profits and losses which increase or reduce the value of this fund.



What are my benefits?

Your policy aims to build up a fund for your scheme to buy benefits for each scheme member at retirement.

The amount invested in this fund is the total premiums payable less the cost of any death in service benefits and charges payable. A guaranteed increment is normally added to your policy each year and we may also pay an annual bonus. Once added we guarantee to pay that amount at the selected retirement date or on earlier death of the life assured.

The cost of providing the retirement benefits, along with any tax free cash sums, will be taken from your policy as, and when, individual scheme members retire. For some policies, these benefits are provided using the policy's guaranteed annuity rates, if these are more favourable than the current rates.

The following sections give more information on guarantees and interest rates.

If you decide to stop paying premiums, this will affect the level of benefit that you receive. There are more details in the section **What if I decide to cancel my policy early?**

If you decide to surrender ('transfer') your policy, this will also affect the level of benefit payable at retirement. It is not possible to surrender your policy. You can normally only transfer it to another pension provider. There are more details in the section **What if I decide to cancel my policy early?**

Your policy document will tell you more about your policy benefits.

Guarantees

The policy does not guarantee to provide the defined incomes promised by a scheme to its members. It does however, guarantee the fund, including interest, which can then be used to buy an income for members at their retirement date. This guarantee only applies when members retire at the scheme's selected retirement date. The policy also guarantees the fund available to buy benefits if members die before the retirement date if the death in service benefit has been chosen.

If you decide to cancel your policy early, we do not guarantee the amount that you will be able to transfer from your policy. There are more details in the section **What if I decide to cancel my policy early?**

Guaranteed increment

Your policy will receive a guaranteed increment, which will be added to the policy each year. The rate of guaranteed increment depends on when the premium was paid. New rates of increment can be added from time to time but the new rate would only apply to premiums paid from that time onwards.

Annual bonuses

Your policy receives its fair share of the profits from this fund in the form of an annual bonus. The rate of annual bonus may be different for each rate of guaranteed increment.

Bonus rates are reviewed once a year.

Any yearly statement that we send to you will include information about the annual bonuses added to your policy.

How we decide the annual bonus rate is described in the section **How do you decide what bonuses to pay?**

How do you decide what bonuses to add?

We aim to pay all policyholders their fair share of the 'profits' this fund has earned over the time they have held their policy. When deciding what a fair share is, we consider the underlying value of specimen policies (sometimes called the 'asset share'), which takes into account the premiums paid and a number of factors including the policies' share of:

- this fund's investment performance (see the section **How is this fund invested?** for more details);
- our running costs, which include our administration costs, investment costs and commission;
- the tax we have to pay;
- charges for death benefits;
- charges for guarantees; and
- other profits and losses in this fund, including any distribution of the estate (these are explained later).

We work out the underlying value of policies to help us decide what bonuses to add.

Annual bonuses

The policies share the profits (or losses) arising from this fund's investment performance and these are reflected in the annual bonus rates.

When deciding whether we should add annual bonuses we look at the current financial position of this fund and estimate how we expect this to change in the future. We compare the guaranteed benefits with the underlying value of policies. We will add annual bonuses only if we are confident that the underlying value of policies will be enough to enable us to pay these bonuses at maturity, even if future investment returns or other factors become unfavourable.

We limit changes in annual bonus to maintain a smooth progression.

Charges for guarantees

We currently do not deduct a charge for guarantees from the underlying policy value when determining bonus rates. However, we can change the charges for guarantees at any time and they are regularly reviewed.

Other profits and losses in this fund

The Simplified Pension Investment policies only share in the profits or losses made from the fund's investment performance.

Paying benefits to with-profits policyholders who leave their policy early and benefits paid on types of policy other than with-profits policies, may give rise to profits or losses in this fund. However, these profits and losses are not taken into account when calculating the underlying value of policies.

There may be other sources of profit or loss, although the costs of paying compensation for inappropriate sales advice is not taken into account when calculating the underlying value of policies.

Some with-profits funds, including this fund, have what is known as an 'estate'. This is a pot of money that provides working capital for this fund and supports the running of this fund. The estate is the excess assets that are not needed to support this fund's current and future liabilities. Profits and losses arising in this fund affect the estate only if they are not allocated to the underlying value of with-profits policies. These include the cost of providing guarantees (offset by any guarantee charges we make) and the cost of smoothing.

As this fund is a closed fund (it no longer actively seeks new business), we aim to ensure a fair and orderly distribution of all of this fund's assets including the estate, over the remaining lifetime of the policies in force. While making sure that we have enough working capital to cover the risks in this fund, we expect the estate to run down to zero over time, broadly in line with the remaining lifetime of the policies in this fund. We will include a fair share of any distribution of the estate in the underlying value of with-profits policies once the estate is large enough to cover the risks.

The underlying policy values may be charged for interest payable on loans made by the shareholders to this fund (see the section **What about the shareholders?** for more details).

The Phoenix Life Limited with-profits funds are each managed separately, as is the company's non-profit fund. In the unlikely event that one of the funds cannot afford the guaranteed benefits payable to its policyholders and there is no further support available from the shareholders, it may be necessary for the Phoenix Life Limited SPI With-Profits Fund to provide financial support. However, support would not be provided if this would cause this fund to be unable to support its own guarantees.

In the similarly unlikely event that this fund was unable to pay the guaranteed benefits payable to its policyholders and there was no further support available from the shareholders, financial support would be provided from the other with-profits funds, provided that they were still able to meet their own guarantees.

What if I decide to cancel my policy early?

If you decide to stop paying premiums to your policy:

- a surrender value will be available;
- the policy will be made 'paid up' (see below for an explanation of this); or
- it may be possible to convert into a non-profit policy.

If you surrender ('transfer') or convert to a non-profit policy, we work out how much to pay you with the aim of being fair to policyholders who are leaving this fund (or converting) and those who are staying. If there is any difference between the interests of policyholders who are leaving and those who are staying, we normally give priority to those who are staying.

For pension policies, the surrender value can either be paid to another pension provider (called a 'transfer value') or it may be used to provide benefits allowed by the pension rules at that time.

For some policies, there is also a withdrawal charge that applies on transfer.

If your policy is made paid up, you will not need to pay any more premiums. For some policies a charge may be applied. Your policy will continue to provide retirement benefits, and we will continue to add guaranteed increments and annual bonuses where appropriate.

How is this fund invested?

We invest this fund in a mix of assets such as company shares, property, bonds (types of loan usually issued by the Government or companies) and cash deposits.

How much we put into each type of investment will change over time. We aim to make sure that this fund can always meet its guarantees. Subject to this, we aim to get the highest possible investment return while balancing this with the degree of risk being taken. We currently hold some higher risk investments which we expect to provide a higher return, such as company shares and property. The rest are lower risk investments such as bonds and cash.

As this fund gets smaller and policies on average get closer to maturity, we expect that we will invest less in higher risk investments and more in lower risk investments.

At the moment, there are different groups of with-profits policies in this fund with different mixes of assets. The mixes of assets and/or the groups may change in the future if we think it would be fairer to with-profits policyholders. We use the relevant investment performance when working out underlying policy values.

Any yearly statement that we send to you will include information about the mix of assets applying to with-profits policies in this fund.

What about the shareholders?

Shareholders can provide financial support to this fund. This, together with any excess assets in the non-profit fund, provides support to all the Phoenix Life Limited with profits funds. In extremely adverse conditions, we would use this support to provide for guaranteed policy benefits, if the Phoenix Life Limited SPI With-Profits Fund is not able to do so. In return for providing this support, the shareholders receive a share of the profits earned in this fund equal to one ninth of the value of any bonuses we add to traditional with-profits policies. Shareholders also receive an annual management charge on unitised with-profits policies.

In certain circumstances, the shareholders will loan money to this fund and they will be entitled to receive interest on any loan that has been provided.

Who looks after my interests?

The Phoenix Life Limited with-profits committee make decisions on the investment strategy and bonus policy related to this fund. The Phoenix Life Limited Board make any other decisions in agreement with our with-profits committee. Our with-profits committee provides an independent view.

Where can I find out more?

You can get a more detailed description of how we manage this fund in our Principles and Practices of Financial Management document (PPFM). You can read our PPFM on our website at www.phoenixlifegroup.co.uk or you can ask us for a copy.

Your policy document will provide more information on the guarantees and options applying to your particular policy. Any yearly statement that we send to you will include information about annual bonuses and changes to our practices.

Phoenix Life Limited is authorised and regulated by the Financial Services Authority.
Phoenix Life Limited is registered in England No. 1016269
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