2025 Annual Report from the Board of
Liverpool Victoria Financial Services Limited
to the With-Profits Policyholders in the Teachers Assurance Fund

You're about to read a summary of how we made decisions affecting the with-profits policyholders in the Teachers Assurance Fund in 2025.

We've gone into a lot of detail here to provide you with reassurance that we're managing your money as we should. We've done our best to keep it easy to read, but you can always get in touch if you have questions. You can find out how by clicking on 'contact us' at **LV.com/teachers**.

1. Summary

This report examines the management of the with-profits business within the Teachers Assurance Fund (the 'Fund') during 2025. It covers the governance arrangements, how we have made decisions (we call this exercising discretion), and how any competing interests between different classes of policyholders were addressed.

We describe the way in which we manage the with-profits business in the Teachers Assurance Fund in a formal document known as the 'Principles and Practices of Financial Management' (or 'PPFM'). Each year we review our compliance with the PPFM. We also provide a summary of the results of the review for 2025 in this report.

The Board of Directors ('the Board') of Liverpool Victoria Financial Services Limited[1] ('LVFS') confirms that, in its opinion, its exercise of discretion and its management of the potentially competing or conflicting rights, interests, or expectations of policyholders in the Teachers Assurance Fund were in accordance with its PPFM during 2025, thereby treating with-profits policyholders fairly. The Board can also confirm that, in its opinion, LVFS complied with the obligations set out in the PPFM during 2025.

The reasons for this opinion are outlined in this report. **The With-Profits Committee agrees with the opinion of the Board.**

2. Governance Arrangements

The Board is ultimately responsible for the operation of the Teachers Assurance Fund and for the management of the with-profits business within it. The With-Profits Committee is a sub-committee of the Board, set up to provide independent advice relating to the exercise of discretion relating to matters affecting the with-profits business within the Fund. It also monitors compliance with the PPFM. At the end of 2025, it comprised a Chair who is independent of LVFS, two

[1] Prior to its conversion to a mutual company limited by guarantee on 2 January 2020, the company was known as Liverpool Victoria Friendly Society Limited.

independent non-Executive Directors, and one independent member who is the Teachers nominee[2].

LVFS also has a With-Profits Actuary, approved by the Prudential Regulation Authority, who provides advice to the Board, the With-Profits Committee, and management on the exercise of discretion relating to matters affecting the with-profits business within the Teachers Assurance Fund. The current With-Profits Actuary is Catherine Gavin and her report is annexed to this report. Catherine Gavin replaced Trevor Fannin who was With-Profits Actuary up to 5 February 2025.

The operation of the Teachers Assurance Fund is governed by a legal document – the Instrument of Transfer of Engagements (the 'Instrument'). Compliance with the PPFM is subject to compliance with the requirements of the Instrument.

3. Overview of the Teachers Assurance Fund

Before we cover each area where we exercised discretion in 2025 in section 4, we thought it would be useful to give you an overview of the Teachers Assurance Fund and how we set payouts for the with-profits policies within it.

You can find the PPFM for the Teachers Assurance Fund at **LV.com/teachers/life-policies/with-profits**. It's a technical document but if you would like a customer friendly overview, 'Your guide to how we manage the Teachers Assurance Fund for with-profits business' can be found at the same link.

And if you'd like more information about where we invest your funds, you can also find details at the same link.

3.1 Here's a reminder of what's included in the Teachers Assurance Fund

The with-profits business of Teachers Provident Society Limited ('TPS') and its 'inherited estate' (described below) were transferred to the Teachers Assurance Fund on 1 June 2016. The policies, assets, and liabilities in the Teachers Assurance Fund are held separately from the rest of LVFS. All profits and losses from the Fund affect the with-profits policies within it.

The assets of the Teachers Assurance Fund are split into two main pools of assets as follows:

- The with-profits fund, which is used to help determine the main policy benefits. It is split into three sub-funds for different products which all have the same target asset mix; and
- A separate fund which includes the 'inherited estate' i.e. the assets that are in excess of the Teachers Assurance Fund's liabilities. This fund also includes previously distributed 'Special Bonus' (which is explained in section 3.5).

First and foremost, we want to give you a fair return on your investment, allowing for any guaranteed benefits. We have different groups of policyholders invested

[2] An independent member of the Committee approved by the LVFS Board following recommendation from the With-Profits Actuary having taken advice from the With-Profits Committee, as required under the Instrument of Transfer of Engagements (the legal document governing the operation of the Teachers Assurance Fund).

in the Teachers Assurance Fund – with different with-profits policies started at different times, and with different terms. We always try to treat policyholders fairly when there are any conflicting interests between them – there's more about this in section 5 below.

3.2 Annual bonuses may be added

Annual bonuses may be added, where applicable, from time to time to increase the guaranteed benefits under a policy.

3.3 Final bonuses may be added or market value reductions may be made to ensure you get a fair return for the main policy benefits

To provide you with a fair return for the main policy benefits we use the individual 'asset share' of the policy. The 'asset share' is the underlying value of a policy and is the accumulation (at the investment return earned on the with-profits fund) of the premiums paid, less charges taken (including for expenses and any death benefits) and less, where relevant, tax and allowing for any partial payouts. For certain products and benefits we may also use smoothing to help protect with-profits policyholders from sudden changes in the value of the investments, as detailed in section 3.4. We also add the current value of any Special Bonus (see section 3.5).

For conventional with-profits policies, a final bonus may be added to your payout when the policy ends or it is cashed in. For most claims the aim of a final bonus is to ensure that the value of your policy is approximately equal to the individual asset share of the policy (subject to any smoothing), plus any accumulated Special Bonus. We first look at the value of the guaranteed benefits on your policy, however for surrender values (also called cash-in values) this amount is not guaranteed so it is reduced to reflect that not all premiums due on the policy have been paid. If this amount is less than the asset share plus any accumulated Special Bonus, we may top up the payout with a final bonus. However, if this is not the case, we may decide that no final bonus is payable. It's important to be aware that a final bonus is not guaranteed.

The exception to the above is for death claims on conventional with-profits endowment policies. For these, the payout is calculated in a similar manner, but an uplift for any life insurance cover we provide is also allowed for when calculating any final bonus.

For Teachers Anniversary Bonds, a final bonus may be added or a market value reduction applied to the value of units. This is to ensure that your total payout is approximately equal to the individual asset share of the policy, with no smoothing applied. Special Bonus is added as a separate amount on claim.

For unitised with-profits products (other than Teachers Anniversary Bond), we use the individual asset share of the policy (subject to any smoothing) to set main policy benefits directly without using final bonuses or market value reductions. Special Bonus is added as a separate amount on claim.

3.4 We use a process called smoothing for some products to help protect with-profits policyholders

Where applied, smoothing helps protect policyholders from sudden changes in the value of the investments in the with-profits fund. Because we use smoothing, it's possible that when you surrender your policy or your policy ends, the amount paid out is higher or lower than the asset share of your policy.

For conventional with-profits policies, smoothing is not intended, over the longer term, to be a source of profit or loss to the Teachers Assurance Fund. For these policies, we reserve the right to remove or reduce smoothing in exceptional circumstances.

For unitised with-profits policies, either the smoothing approach is set out in policy conditions (as detailed in section 4.6) or smoothing is not used.

No smoothing is applied to the accumulated Special Bonus.

3.5 We are distributing the inherited estate of the Teachers Assurance Fund as 'Special Bonus'

The inherited estate of the Teachers Assurance Fund is being distributed over the remaining lifetime of the Teachers Assurance Fund with-profits policies as 'Special Bonus'. The accumulated Special Bonus is paid on claim, in addition to the main policy benefits. It is not guaranteed; future distributions may vary from past levels, and accumulated Special Bonus may be reduced or removed in extreme circumstances.

For conventional with-profits policies, the accumulated Special Bonus is included at claim by increasing the final bonus that otherwise would be paid or, if only guaranteed benefits would otherwise be payable, by adding a final bonus.

For unitised with-profits policies, distributed Special Bonus is allocated to a separate series of units for each policy and the current value of these units is added at claim.

4. How we used discretion to manage the Teachers Assurance Fund in 2025

The areas where we exercised our discretion in relation to the with-profits business in the Teachers Assurance Fund during 2025 are covered in detail below, together with how our decisions comply with the PPFM of the Fund. We've also included information on other areas of interest, namely rectification of errors and PPFM changes.

4.1 The claim amounts we paid were fair

During the year, conventional whole-of-life and endowment with-profits policy claim payouts were based on the results of monthly final bonus calculations that used individual policy asset shares (defined in section 3.3) and the accumulated Special Bonus as a means of assessing a fair payout value, subject to a minimum payout of any guaranteed policy benefits.

For these policies during the year 100% of maturity claims, 100% of surrender claims and 100% of death claim[3] payouts were within the target payout range stated in the current PPFM of 85% to 115% of asset share plus the accumulated Special Bonus.

Financial Conduct Authority regulation states that we may make payouts outside the target range if we have a good reason to believe 90% of payouts fall within the target range. However, no payouts were outside the target range during the year.

The target range of 85% to 115% of the asset share plus the accumulated Special Bonus used for maturities, surrenders, and (for whole-of-life policies) death claims for conventional policies is considered to be appropriate, taking into account the investment strategy and the way payouts are set (including the frequency of reviews and the smoothing approach).

The main policy benefits on all claims on unitised with-profits policies pay out 100% of asset share (or a higher amount if a guarantee is applied, or where a contractual smoothing method applies) plus the accumulated Special Bonus.

Amounts paid on all policy types are subject to a minimum payout of any guaranteed policy benefits.

4.2 Our annual bonus rates were reviewed during the year

Annual (or regular) bonus rates were reviewed during the year, in accordance with the PPFM. Discretion was exercised in maintaining different series of regular bonus rates for different policy types.

Annual bonus rates for calendar year 2024 for conventional with-profits policies were declared on 1 April 2025, with bonus rates being maintained at the rates declared the previous year (0.75% p.a.). Interim bonus[4] rates for 2025 were set to the same levels as the rates declared for 2024.

For the unitised with-profits policies where annual bonus rates are applied, the rates declared on 1 January 2025 which applied throughout 2025 (together with those applying in 2024) were:

Product	Annual Bonus Rates p.a. 2025	Annual Bonus Rates p.a. 2024
Tax Exempt Savings Plan	1.0%	1.0%
Regular Savings Plan	0.8%	0.8%
Teachers Anniversary Bond	2.0%	2.0%

Annual bonus rates are not applied to other unitised policies by design.

[3] For whole-of-life policies only. Endowment death claim payouts are designed to pay above asset share and hence are not subject to the target range.
[4] The interim bonus rate is a further regular bonus made in respect of claims in the current calendar year.

4.3 We added final bonuses to most claim payments, with no market value reductions

The final bonus rates for conventional whole-of-life and endowment with-profits policies were updated monthly throughout 2025. Final bonus rates declared include the accumulated Special Bonus for these policies. The declarations were made in accordance with the PPFM. Discretion was exercised with regards to the method used to set payouts, frequency of review, smoothing, the level of charges allocated to asset share, the investment return used to project asset shares in the final month(s) up to the point of claim and tax (where applicable)

Final bonus rates for unitised Teachers Anniversary Bond payouts are set on an individual policy basis to approximately target 100% of asset share in accordance with the PPFM. No market value reductions were applied or were necessary during this period. Final bonus rates are not applied to other unitised policies by design. For Teachers Anniversary Bond and all other unitised policies, the accumulated Special Bonus is added separately at claim.

For all policies discretion was exercised in setting the rate of new Special Bonus added to payouts (see next section).

4.4 We also reviewed and continued to add Special Bonus to all eligible policies

Under the terms of the transfer of the business to LVFS, the first distribution of the inherited estate of the Teachers Assurance Fund was made by an initial Special Bonus on 1 June 2016. Subsequent distributions are expected to be reviewed at least annually, and were reviewed quarterly in 2025.

The distribution of the Fund's inherited estate was reviewed, in accordance with the PPFM, with the following rates being declared:

Quarterly bonus declared on	Special Bonus Rate
1 January 2025	0.4%
1 April 2025	0.4%
1 July 2025	0.4%
1 October 2025	0.4%

These rates were applied as additional Special Bonus as a percentage of the total of the asset share and the current value of accumulated Special Bonus.

4.5 Our surrender payouts for conventional with-profits policies were fair

In accordance with the PPFM, in 2025 surrender payouts for conventional with-profits policies were set at a level designed to pay individual asset share of the policy, normally subject to smoothing.

4.6 We continued smoothing payouts to give policyholders a fair outcome

As set out in the PPFM, for conventional with-profits policies, the current smoothing approach uses investment returns in the individual policy asset shares which are averaged over the previous 24 months, though smoothing can be removed or reduced on payouts in exceptional circumstances so that we treat remaining with-profits policyholders fairly. The current approach was used throughout 2025.

This approach gives an appropriate level of smoothing to those with-profits policyholders leaving the Teachers Assurance Fund, so as to avoid excessive differences in payouts on similar policies over short periods of time, given the mix of the assets backing asset shares.

LVFS reserves the right to or reduce smoothing on all conventional with-profits policies in the Teachers Assurance Fund in exceptional circumstances. This right was not exercised in 2025.

For regular premium unitised with-profits products, smoothed asset share (as defined in policy conditions) is paid on maturity[5]. No smoothing is applied on other unitised products by design.

No smoothing is applied to the accumulated Special Bonus.

4.7 We monitored and reviewed the investment strategy during 2025

In accordance with the PPFM, the investment strategy was monitored during 2025 to ensure that it remained appropriate. Over 2025 the investment strategy of the with-profits fund was reviewed twice. Minor changes were approved in the second review. The current target mix of assets is shown at **LV.com/teachers/life-policies/with-profits**.

The inherited estate of the Teachers Assurance Fund has a different mix of assets to the with-profits fund. It invests in a mix of fixed-interest investments and cash with the aim of reduced volatility in the investment returns.

BlackRock is responsible for the day-to day management of the majority of assets in the Teachers Assurance Fund during 2025, operating within our agreed guidelines. This was also the case for 2025.

For both the with-profits fund and the inherited estate, discretion was exercised with respect to the types of investment held and the proportions invested in different types of assets.

During 2025, discretion was also exercised with respect to the use of various techniques to help reduce investment related risk including to protect the inherited estate of the Teachers Assurance Fund from undue volatility. While these practices do not affect current customer payouts, profits and losses resulting from them are credited to or are borne by the Fund's inherited estate.

4.8 Charges and expenses taken were in accordance with the PPFM

The level of administration expenses that can be charged to the Teachers Assurance Fund by LVFS until 31 May 2027 is set in accordance with the Instrument.

[5] Subject to a minimum of the asset share calculated using unsmoothed investment returns and the amount guaranteed.

Actual investment management fees and some investment service costs (inclusive of any Value Added Tax) are charged to the Fund.

In accordance with the PPFM, the charges taken from asset shares for conventional with-profits policies and the Teachers Anniversary Bond to cover administration and investment expenses are the amounts actually charged to the Teachers Assurance Fund, subject to specified limits. Tax relief was deducted from expenses charged to asset shares where appropriate.

Mortality charges were applied for conventional with-profits endowment policies.

For unitised with-profits policies (except the Teachers Anniversary Bond), the charges taken to cover expenses are those which are set out in the key features documents and policy conditions. The charges include any deductions from premiums paid as well as fund-based charges, which may also include the cost of providing the guarantees and any smoothing under these policies. LVFS has the right to change some of these charges but did not do so in the period under review.

LVFS uses an internal fair value framework to help assess fairness of charges for expenses applied to policies in the Teachers Assurance Fund. Where the level of a charge is not guaranteed, it may be varied by LVFS, subject to the requirement to treat our policyholders fairly.

Any difference between the charges applied to asset shares and the actual expenses charged to the Teachers Assurance Fund is borne by the Fund's inherited estate.

The expenses charged to the Fund, and the charges applied to asset shares, were in accordance with the PPFM during 2025.

4.9 How the Teachers Assurance Fund is exposed to business risk

The Teachers Assurance Fund is exposed to business risks in the normal course of events. The key business risks are those arising from variations in the following:

- compensation to policyholders and associated costs resulting from any historical mis-selling and maladministration;
- demographic experience and assumptions;
- exceptional costs charged to the Fund and differences between the expenses charged to the Fund and the expense charges made to asset shares;
- the value of the investments of the Fund's inherited estate;
- costs resulting from guarantees attaching to policies; and
- costs resulting from smoothing of policy payouts (after allowing for any hedging).

The Teachers Assurance Fund has in place insurance protection of a portion of the risk resulting from customers who make claims for compensation for historical mis-selling by TPS.

Profits or losses from all business risks within the Teachers Assurance Fund are credited to, or borne by, its inherited estate and hence, as the inherited estate is being distributed, will directly influence the amount payable to with-profits policies.

The Teachers Assurance Fund is not permitted to write any new business, other than in extremely limited circumstances, and did not do so in 2025.

4.11 Rectification of errors

Where payouts are made incorrectly, they are rectified in accordance with LV's Risk Management framework. Where such issues are outstanding at the end of a calendar year and are not due to be rectified within a reasonable period, they are considered to lead to non-compliance with the PPFM for that year. At the end of 2025 there were no issues which were deemed to lead to non-compliance with the PPFM.

4.12 Compliance with the Instrument of Transfer

Compliance with the PPFM is subject to the requirements of the Instrument, hence any non-compliance with the Instrument in 2025 should be declared. Following advice from the With-Profits Committee and the With-Profits Actuary, the Board confirmed that LVFS was compliant with the Instrument in 2025

4.13 A summary of changes to the PPFM are on our website

The current version of the PPFM and a full list of changes are on our website at **LV.com/teachers/life-policies/with-profits**. A number of changes to the PPFM were made during 2025. The more material changes were to reflect:

- that account is now taken of our approach to responsible investment in determining the mix of assets; and
- removal of a restriction on how derivatives are used for efficient portfolio management purposes.

The following important clarifications were also made to the Practices:

- the factors considered when setting the target range for payouts; and
- that no Guaranteed Growth Bond or Guaranteed Growth ISA policies remain in-force.

5. When competing or conflicting rights, interests or expectations of policyholders occur

The Teachers Assurance Fund is run as a mutual fund, which therefore avoids having any competing or conflicting interests with shareholders.

Potential conflicts can occur between the Teachers Assurance Fund and the main fund of LVFS (for example in respect of charges made to the Teachers Assurance Fund). Where these occur, the With-Profits Committee and With-Profits Actuary provide advice to the Board to ensure that with-profits policyholders in both funds are fairly treated. If a material potential conflict were to arise, consideration would be given to the need for independent external advice.

Potentially competing or conflicting rights, interests or expectations of with-profits policyholders within the Fund may come about, for example, between:

- different types of policy;
- policies with varying benefits and policy conditions;
- policies with different sizes;
- policies with different entry dates or different durations in force; and/or
- different types of claim on a policy (for example, on maturity, death or surrender).

To ensure that the Teachers Assurance Fund with-profits policyholders are treated fairly in balancing their respective interests, throughout 2025 LVFS exercised discretion between these groups of policyholders through:

- the choice as to how policy benefits are smoothed (where not contractual);
- maintaining different series of annual bonus rates for different policy types;
- the method used to set payouts (including final bonus rates), including how investment returns, charges and tax (where applicable) are allocated to asset shares; and
- the method used to set Special Bonus rates.

6. Conclusion

The Board can confirm that, in its opinion, the exercise of discretion (as detailed in section 4), and its management of the potentially competing or conflicting rights, interests, or expectations of policyholders in the Teachers Assurance Fund (as detailed in section 5) were in accordance with its PPFM during 2025, thereby treating with-profits policyholders fairly.

The Board can also confirm that, in its opinion, LVFS complied with the obligations set out in the PPFM of the Teachers Assurance Fund during 2025. The reasons for this opinion are detailed in section 4.

The With-Profits Committee and the With-Profits Actuary agree with these opinions.

The Board of Directors
Liverpool Victoria Financial Services Limited
29 May 2026

Annex

Report from the With-Profits Actuary to the With-Profits Policyholders of the Teachers Assurance Fund of Liverpool Victoria Financial Services Limited

It is my responsibility as With-Profits Actuary ('WPA') of Liverpool Victoria Financial Services Limited ('LVFS') to advise the Board of Directors on the management of its with-profits business, and to report annually to with-profits policyholders on the exercise of discretion in relation to that business.

This report covers the period from 1 January 2025 to 31 December 2025 inclusive. I was formally engaged by LVFS as WPA on 6 February 2025 following confirmation by the Prudential Regulation Authority and the Financial Conduct Authority. My predecessor Trevor Fannin was involved in consideration of the matters referred to in the attached report up to 5 February 2025.

In my opinion the discretion exercised by the LVFS Board of Directors in relation to the Teachers Assurance Fund in 2025 may be regarded as having taken the interests of with-profits policyholders into account in a reasonable and proportionate manner. It was also consistent with disclosures to customers and with the Principles and Practices of Financial Management of the Teachers Assurance Fund.

In reaching this opinion I have relied on reports and information provided to me by the company and my predecessor, and I have taken into account the relevant rules and guidance issued by the Prudential Regulation Authority and the Financial Conduct Authority and applicable standards and guidance issued by the Financial Reporting Council[6].

Catherine Gavin
With-Profits Actuary for LVFS
29 May 2026

[6] TAS 100 and TAS 200

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