

Your guide to how we manage the
**RNPFN Fund for
with-profits business**



Introduction

This guide explains how we look after the with-profits business within the RNPFN Fund.

You'll find important information about how the life insurance, savings, investment and pension policies invested in the **RNPFN Fund** work – and how we manage them.

At the end of this guide there's a helpful glossary of some of the financial and insurance terms we've used. The terms in **bold font** are those that you'll find in the glossary.

The three main types of with-profits policies in the **RNPFN Fund** are:

- **conventional with-profits** policies
- **unitised with-profits** – the With Profits Bond and the OnelSA
- **interest bearing** pensions

To put this guide into context, it might help to read it with your:

- Key Features
- Policy Conditions
- Personal Illustration showing what you might get back in the future.

Please keep this guide safe along with your other policy documents.

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1. Background information about RNPFN

The Liverpool Victoria (LV=) group bought the business of the Royal National Pension Fund for Nurses (RNPFN) on 31 December 2001. This happened after a strategic review by the Council of RNPFN to see how they could continue to provide high quality and low-cost life, pensions, savings and protection products to the nursing and healthcare community.

The Council chose the LV= group as it felt our proposal offered the greatest benefit to existing policyholders as well as to the wider healthcare community. As part of the deal, the **RNPFN Fund** was closed to new business and the investments within the **RNPFN Fund** were **ring-fenced** within Liverpool Victoria Life Company Limited (**LVLC**), a company within the LV= group.

On 31 December 2008 the **RNPFN Fund** and its policies were transferred to Liverpool Victoria Friendly Society Limited which became Liverpool Victoria Financial Services Limited (**LVFS**) in 2020.

During 2021, in order to continue to manage the **RNPFN Fund** fairly for its with-profits policyholders, the RNPFN annuity and unit-linked policies were transferred from the **RNPFN Fund** to the main fund of **LVFS**. Since then, when a policyholder with an RNPFN deferred annuity policy decides to take the maturity proceeds as an annuity with us, the annuity is provided by **LVFS** rather than the **RNPFN Fund**.

Most RNPFN with-profits policyholders can benefit from the distribution of the **RNPFN inherited estate** (you can find out more about this in section 14). However, RNPFN with-profits policyholders are not eligible to participate in **LVFS's** own Mutual Bonus or Exit Bonus distributions.

When the LV= group bought the business of the Royal National Pension Fund for Nurses, the deal included details of when and how the **RNPFN Fund** may no longer be maintained as a **ring-fenced** sub-fund of **LVFS**, including potential merger with the main fund of **LVFS**.

2. What is the RNPFN Fund and how is it invested?

The **RNPFN Fund** is an investment fund where we combine your money with other investors' money and manage it on your behalf.

There aren't any shareholders in the **RNPFN Fund** – which means that we use all the profits to benefit RNPFN with-profits policyholders.

The key aim of our investment strategy for the **RNPFN Fund** is to optimise the return to RNPFN with-profits policyholders. This needs to be achieved while recognising:

- the need to safeguard the financial security of the **RNPFN Fund**,
- the interests and expectations of its policyholders,
- the capital support facility (see section 4 below).

In deciding the mix of **assets** our investment strategy will also consider the following:

- our assessment of with-profits policyholders' expectations regarding a level of risk to the return,
- developments in investment practice,
- our approach to **responsible investment**,
- the long-term expected returns available from the type of **assets** and their volatility,
- the benefits to be obtained from investing in a range of different types of **asset**,
- past communications to policyholders.

The general asset management of the **RNPFN Fund** is undertaken on our behalf by BlackRock. BlackRock are responsible for the day-to-day management of the **assets** in the **RNPFN Fund**, operating within our agreed guidelines.

The investment performance of the **RNPFN Fund** and the outlook for different types of **asset** are regularly monitored. We also review our investment strategy in detail each year.

The **RNPFN with-profits fund** is the pool of **assets** in the **RNPFN Fund** that is used to set the main benefits under RNPFN with-profits policies.

Typical investments made by the **RNPFN with-profits fund** include:

- **shares** of UK and overseas companies
- **fixed-interest investments** like **government bonds** and **corporate bonds**
- cash

The proportions held in each type of **asset** can vary over time. For example, the proportion held in **shares** can be reduced due to adverse market conditions.

The current and target mix of investments in the **RNPFN with-profits fund** can be found online at [LV.com/RNPFN/asset_allocation](https://www.lv.com/RNPFN/asset_allocation). You'll see the type of **assets** the fund invests in and the share of the fund that is invested in each **asset** type. On the **RNPFN with-profits fund** page linked to from [LV.com/RNPFN](https://www.lv.com/RNPFN) you'll also find fund performance and unit price information. If you prefer, you can just get in touch with us, and we'll send you the information. See section 15 for ways to contact us.

Eligible RNPFN with-profits policyholders are also entitled to distributions of the **RNPFN inherited estate**. The **RNPFN inherited estate** represents the **assets** that are in excess of the **RNPFN Fund's liabilities** and is invested in similar **assets** as the **RNPFN with-profits fund**. See section 14 for more information about the **RNPFN inherited estate**.

Sustainability reporting

We're focused on building an inclusive, sustainable and forward-looking business for the benefit of our current and future generations of **members**. Our Sustainability Report and specific product reports are available on our website. These reports aim to share our approach and provide information on greenhouse gas emissions and potential climate related risk factors related to our products. They have been published in line with the Task Force on Climate-related Financial Disclosures. Please visit [LV.com/product-reporting](https://lv.com/product-reporting) to view the reports.

3. What's the aim of the RNPFN Fund?

We want to give you a fair return on your investment, allowing for any guaranteed benefits. We have different groups of with-profits policyholders invested in the RNPFN Fund – with different policies started at different times, and with different terms. We always try to treat policyholders fairly when there are any conflicting interests between them.

4. What's the capital support facility provided by LVFS?

If the **RNPFN Fund** doesn't have enough assets to meet its **liabilities** and regulatory capital requirements, **LVFS** would have to add assets from its own funds up to a defined level into the **RNPFN Fund**.

The capital support facility provides enhanced security for RNPFN policyholders and greater investment freedom for the **RNPFN Fund**. Payouts to RNPFN policyholders are set at a level that recognises there is no intention to distribute the capital support to them. Any capital support added to the **RNPFN Fund** would be repaid as soon as practical. **LVFS** receives a fee from the **RNPFN Fund** for providing this facility, subject to it not giving rise to a deficit in the **RNPFN Fund**, with the fee increasing for any capital actually added to the **RNPFN Fund**.

5. What's a conventional with-profits policy?

Conventional with-profits means that we give you a guaranteed minimum return, as long as you pay the premiums you agreed when the policy started. This will be increased by any **regular bonuses** we add.

For savings (endowment) policies you'll receive a guaranteed minimum lump sum at the end of the agreed savings period. For example, after 25 years, or earlier if you die before then. For Moneybuilder policies, there's also an alternative, where you'd receive a guaranteed income at the end of the period.

For pension policies you'll receive a guaranteed minimum pension fund or income at your chosen retirement date, for example when you reach age 65.

However, it's important to understand that if you stop paying into your policy, or decide to cash it in, we may reduce the guaranteed minimum lump sum or income.

The guarantees that **conventional with-profits** policies have can be valuable, as they're generally more difficult to come by in other policies currently available.

We may add a **final bonus** when your policy ends.

6. What's a unitised with-profits policy?

Unitised with-profits means that we use units and unit prices to measure your policy's value. Every time you pay into your policy we'll add units to it. The number we add depends on the price of the units at the time. Your return will depend on the number and value of your policy's units when your policy ends. Depending on the type of policy you have, we cancel units if you take withdrawals.

Example 1

Robert invested a one-off lump sum of £10,000.

The unit price at the time he invested was £1.25.

We divided the £10,000 by £1.25, giving Robert 8,000 units.

We aim to increase your policy's value over time by adding **regular bonuses** which increases the price of the units. We may also add a **final bonus** when your policy ends. There's always a chance that we might need to reduce the amount we pay out by applying a **market value reduction**, as explained in section 10 – please read your Policy Conditions carefully to find out when this could happen.

Example 2

Robert invested £10,000 into his policy, giving him 8,000 units.

Since Robert's policy started, the unit price has increased from £1.25 to £2.00.

The current value of the units in Robert's policy is 8,000 x £2.00 which is £16,000.

The actual value of Robert's policy will be £16,000 plus any **final bonus** or less any **market value reduction**.

- If the **final bonus** amount was £3,500 the current value of Robert's policy would be £16,000 + £3,500 which is £19,500.
- If there was no **final bonus** and there was a **market value reduction** of £1,500 the current value of Roberts policy would be £16,000 - £1,500 which is £14,500.

7. What's an interest bearing pension policy?

Interest bearing means that your policy has an interest account which:

- goes up as contributions are paid
- goes up as we add interest over the year

The interest account is guaranteed to be paid whenever your policy ends. We may also add a **final bonus** when your policy ends.

These types of policies are also known as accumulating with-profits policies.

8. How do we cushion you from the ups and downs of the stock market?

The **RNPFN with-profits fund** invests in different types of **assets**, including in the **shares** of UK and overseas companies and **fixed-interest investments**. **Shares** are bought and sold on stock markets throughout the world.

We believe it's important for us also to invest in **shares**, as over the long term they tend to give a higher return than other investments, like **government bonds** and cash.

The downside to **shares** is that they can be volatile, going up and down in value more than other investments. Their values can rise and drop sharply, sometimes quickly and in response to world events. We aim to smooth out the effects of some of the rises and drops in the following ways:

- We invest in different types of investment and limit the amount in any one type.
- We use various techniques to help reduce volatility. For example, for overseas investments, we might use 'currency hedging' which reduces the risk of foreign currency fluctuations.
- We try to smooth out the ups and downs of the profits and losses made by the fund to make sure we treat policyholders fairly. This is what we mean by a **smoothed return**.

As an example of a **smoothed return**, if your policy ended on a day when the market fell drastically, the smoothing can help protect you from the sudden drop in value. If the opposite happens and the market rises sharply, the smoothing effect would mean that you wouldn't get the full amount of the rise. So investors in a fund that doesn't use smoothing might see their investments rise and fall more quickly than that of a fund with **smoothed returns**.

For RNPFN with-profits policies we smooth investment returns over a two-year period. We reserve the right to remove or reduce this smoothing in exceptional circumstances so that we treat remaining with-profits policyholders fairly. It's possible that the amount we pay you at the end of your policy will be higher or lower than the **underlying value of the investments**, though in the long term the effect of smoothing is expected to be neutral.

9. How do we decide the return on your policy?

We want to make sure that every investor gets a fair return. To increase the value of your policy, we may add **regular bonuses** (or interest for **interest bearing** policies) from time to time. We may also add a **final bonus** or apply a **market value reduction** when your policy ends. You can find out more about these in the next section.

To calculate your overall return we'll consider:

- what you've paid in,
- any money you've taken out (where applicable),
- the charges we've made for our expenses,
- any charges for providing benefits like life cover (where applicable),
- the investment returns from the **RNPFN with-profits fund**,
- any tax paid by LV= in respect of your policy,
- how we group policies together when we set **final bonus** rates (where grouping is used).

We may also add an amount to reflect the distribution of the **RNPFN inherited estate** (you can find out more about this in section 14).

As we've said in section 8 we try to smooth out the ups and downs of the stock market, and this also affects your return.

Once your policy ends, we generally aim to pay out between 80% and 120% of the **underlying value of the investments**. Our long term aim is to generally pay out on average 100% of the **underlying value of the investments**. Where there are guaranteed benefits, we'll always pay the guaranteed amount if that's higher.

10. What bonuses do we pay?

We might add **regular bonuses** to your policy during your policy's life (this is known as interest for **interest bearing** policies), and a **final bonus** (or apply a **market value reduction**) at the end.

Regular bonuses and interest rates

When setting **regular bonus** rates for **conventional with-profits** policies the general aim is for **regular bonus** rates to be added at a modest stable level, taking into account:

- the guaranteed benefits and the **underlying value of the investments** for similar policies,
- the current and projected **financial strength** of the **RNPFN Fund**.

Changes in **regular bonuses** for **conventional with-profits** policies should be expected to be relatively infrequent. Once we've added a **regular bonus** we won't take it away, provided you continue to pay the premiums under your policy. We add **regular bonuses** in respect of a particular calendar year during the following calendar year. No interim bonus rates apply between **regular bonus** rate declarations.

When setting **regular bonus** rates for **unitised with-profits** policies the general aim is for **regular bonus** rates to be added at a modest stable level, taking into account:

- the value of units and the **underlying value of the investments** for similar policies,
- the current and projected **financial strength** of the **RNPFN Fund**.

Changes in **regular bonuses** for **unitised with-profits** policies should be expected to be relatively infrequent. We add **regular bonuses** by increasing the price of units at least monthly. Once the **regular bonus** has increased the price of units, there are only two ways that the units allocated to your policy can fall below the value given by this price:

- if you take money out of your policy,
- if a **market value reduction** is applied – this is covered later in this section.

When setting interest rates for **interest bearing** policies the general aim is for interest rates to be added at a modest stable level, taking into account:

- the value of interest accounts and the **underlying value of the investments** for similar policies,
- the current and projected **financial strength** of the **RNPFN Fund**.

Changes in interest rates for **interest bearing** policies should be expected to be relatively infrequent. Once we've added interest to your policy we'll not take it away.

For **conventional with-profits**, **unitised with-profits** and **interest bearing** policies we review the size of the **regular bonuses** or interest rates we add once a year. We don't set a maximum amount that these rates can be altered by each year.

If there could be unfair treatment between groups of policyholders, we may introduce a new series of **regular bonus** rates or interest rates.

Final bonuses

We want to make sure that you get a fair return on your policy. If the **regular bonuses** you've had during your policy term are not a fair return, we'll add a **final bonus** to increase your payout when your policy ends. **Final bonuses** are not guaranteed and can be reduced (including to zero).

For **unitised with-profits** policies, a **final bonus** can be added when a withdrawal is taken and this reduces the number of units we cancel.

For **conventional with-profits** endowment and Moneybuilder policies, we expect to set payouts on a monthly basis. Any **final bonus** is calculated on an individual policy basis by comparing the guaranteed benefits for each policy with the **underlying value of the investments**. For endowment policies, the **final bonus** paid on death will include an uplift for any life insurance cover we provide.

For **conventional with-profits** whole of life policies we expect to set payouts four times a year. Any **final bonus** is calculated on an individual policy basis by comparing the guaranteed benefits for each policy with the **underlying value of the investments**.

For other policies, rather than work out the value of each individual policy, generally we decide what level of **final bonuses** to pay by using a representative policy, set by grouping similar policies together. We normally do this four times a year as follows:

- For **conventional with-profits** pension policies – we compare the guaranteed benefits with the **underlying value of the investments**. However, policies that have reduced guaranteed benefits (for example they ceased paying premiums early) receive the same **final bonus** rate as a standard premium-paying policy of the same duration, though payouts are monitored and adjusted if this would otherwise produce an unfair outcome.
- For **unitised with-profits** policies – we compare the value of your units with the **underlying value of the investments**.
- For **interest bearing** policies – we compare the value of your interest account with the **underlying value of the investments**.

When we set **final bonus** we also consider smoothing and the current and projected **financial strength** of the **RNPFN Fund**. **Final bonus** may also include an amount to distribute the **RNPFN inherited estate** of the **RNPFN Fund** – see section 14 for more information.

What is a market value reduction?

For **unitised with-profits** OnelSA policies, in the same way that we might add a **final bonus** if our investments are doing well, if they're not doing so well we might need to apply a **market value reduction**. This means that we'll reduce the amount we pay you.

We'll only apply a **market value reduction** to make sure that:

- when you cash-in your policy, your payout isn't unfairly higher than the **underlying value of the investments** within the **RNPFN Fund**,
- the remaining policyholders in the **RNPFN Fund** will also get a fair share.

A **market value reduction** cannot be applied in certain circumstances – you can check your policy documents to find out more.

11. How do we decide how much you get if you end your policy early?

If you end your policy early, this is called 'cashing-in' or 'surrendering' your policy. We'll work out how much to pay you, being fair to both you and the policyholders staying in the **RNPFN Fund** using a similar approach to how we decide the level of **final bonuses**.

- For **conventional with-profits** policies the amount may be less than the guaranteed benefits.
- For **unitised with-profits** policies, to make sure you get a fair value we may add a **final bonus**, or apply a **market value reduction** as explained in section 10.
- For **interest bearing** policies, to make sure you get a fair value we may add a **final bonus** as explained in section 10.

We generally aim to pay out between 80% and 120% of the **underlying value of the investments**.

12. What expenses are charged to your policy?

As with any investment, there are costs involved in looking after a with-profits policy – including administration costs, investment management fees and other expenses. **LVFS** charges the **RNPFN Fund** with the relevant expenses for looking after your policy each year. The charges taken from your policy then cover these expenses.

- For **conventional with-profits** endowment and Moneybuilder policies, we let you know the current charge in annual statements.
- For **conventional with-profits** pension policies information on charges is included in annual statements.
- For **unitised with-profits** policies you can find out more about the charges in your Key Features document, Policy Conditions and your yearly statement.
- For **interest bearing** policies, we let you know the current charge in yearly statements.

13. What business risks can affect with-profits policies in the RNPFN Fund?

Profits and losses from business risks within the **RNPFN Fund** are applied to the **RNPFN inherited estate**. The main business risks that can affect the **RNPFN Fund** are summarised below:

- Changes in our experience and assumptions, including in particular the number of policyholders taking up cash or guaranteed annuity benefit options under certain types of policies.
- Costs related to guarantees and options attaching to policies.
- The value of the investments of the **RNPFN inherited estate** of the **RNPFN Fund**.
- Expenses and exceptional costs charged to the **RNPFN Fund**.
- Compensation paid to policyholders and associated costs resulting from any mis-selling and maladministration.
- Costs resulting from the smoothing of policy payouts and bonuses.

It was agreed as part of the deal when **LVFS** bought **RNPFN** that we won't take on any new business in the **RNPFN Fund**.

14. What's the 'RNPFN inherited estate' and how do we use it?

The **RNPFN inherited estate** is the money in the **RNPFN Fund** not needed to pay the **RNPFN Fund's liabilities**. This has built up from profits made by the **RNPFN Fund** (and previously the Royal National Pension Fund for Nurses). The **RNPFN inherited estate** allows the **RNPFN Fund**:

- To meet regulatory requirements to hold additional capital to demonstrate that it's able to make payouts to policyholders even if the **RNPFN Fund** were to suffer losses.
- To support its business risks (see section 13 above).
- To invest in **assets** delivering higher returns to policyholders while maintaining guaranteed benefits, and the smoothing of benefits paid to policyholders.

As part of the deal when the LV= group bought the business of **RNPFN**, we're distributing the **RNPFN inherited estate** over the remaining lifetime of the eligible with-profits policies in the **RNPFN Fund**, where appropriate, by increasing the **final bonus** paid when policies are cashed-in or they end. We review the amount of distributions at least once a year.

RNPFN with-profits policies taken out on or before 10 July 2001 are eligible to share in this distribution. Policy applications made on or before 10 July which were received by 19 July 2001 are also eligible. Top-ups to **RNPFN OneISA** policies made after these dates are not eligible to share in this distribution even if the original investment in the **OneISA** policy is.

15. How to find out more

We hope you've found this guide useful. To find out more about the technical details of the **RNPFN Fund**, please read our **RNPFN Principles and Practices of Financial Management (PPFM)** booklet.

Visit LV.com/rnpfn-ppfm to find the latest version of this guide, the more technical PPFM and annual reports on how we've managed the **RNPFN Fund** compared to our PPFM. If you'd like us to send you a copy of any of these documents, please let us know.

You can email us at LifeServicing@LV.com, call us on **0800 681 6294** (we will record and/or monitor your calls for training and audit purposes) or write to us at:

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If you have any questions about what we've said in this document, please contact us or your financial adviser.

16. Glossary

Word/Phrase	Definition
Asset	An investment purchased with the prospect that it will increase in value and/or generate income. Examples of various types of asset are shares in companies, fixed-interest investments and cash. Depending on the type of asset, the value can go up and down and any income produced by it may change from one year to the next.
Conventional with-profits	Information on conventional with-profits policies can be found in section 5 of this guide.
Corporate bonds	Loans made to companies for a set period, usually for a fixed rate of interest. The interest is paid regularly, with the face value of the loan being returned at the end of the period.
Final bonus	Information on final bonus can be found in section 10 of this guide.
Financial strength	Financial strength is measured by how much the value of an insurer's assets are greater than the value of its liabilities . It's an indicator of the insurer's ability to withstand adverse economic conditions.
Fixed-interest investments	Loans made to governments or companies for a set period, in return for a fixed rate of interest. The interest is paid regularly, with the face value of the loan being returned at the end of the period.
Government bonds	Loans made to governments for a set period, usually in return for a fixed rate of interest. The interest is paid regularly, with the face value of the loan being returned at the end of the period. UK Government Bonds are known as gilts. US government bonds are known as US Treasuries.
Insurer	A company or mutual organisation that provides insurance products to the general public.
Interest bearing	Information on interest bearing policies can be found in section 7 of this guide.
Liabilities	An insurer's debts or obligations. This includes the promises it makes to its policyholders to pay their claims.
LVFS	Liverpool Victoria Financial Services Limited.
LVLC	Liverpool Victoria Life Company Limited.
Market value reduction	Information on market value reduction can be found in section 10 of this guide.
Members	As a RNPFN with-profits policyholder, you're also a member of LVFS . LVFS is owned by its members, who can have their say in the running of LVFS through its Annual General Meeting. Members can also receive other benefits. For full details, please see our website at LV.com/members . RNPFN with-profits policyholders are not eligible to participate in LVFS's Mutual Bonus or Exit Bonus distributions.
Mutual	An organisation owned by, and run for the benefit of, its members – it has no external shareholders to pay in the form of dividends.
Regular bonus	Information on regular bonus can be found in section 10 of this guide.
Responsible investing	The practice of including Environmental, Social and Governance (ESG) factors in investment decisions. For more information visit LV.com/about-us/lv-cares and click on Safeguarding our Environment and follow the link to our Responsible Investing Approach.
Ring-fenced	Ring-fencing keeps the RNPFN Fund , including its profits and losses, separate from the other funds in LVFS except in the most extreme financial situations.
RNPFN Fund	Information on the RNPFN Fund can be found in sections 2 and 3 of this guide.
RNPFN inherited estate	This is the money that's been built up from profits made by the RNPFN Fund (previously the Royal National Pension Fund for Nurses) that's not needed to pay the RNPFN Fund's liabilities . Further information can be found in section 14 of this guide.
RNPFN with-profits fund	Information on the RNPFN with-profits fund can be found in sections 2 and 3 of this guide.
Shares	A share represents a part ownership of a company and carries with it the right to a share of the company's profits, paid as dividends. The value of shares can go up or down quickly, as they are influenced by national and world events. Shares are also known as equities.
Smoothed return	We aim to pay customers a smoothed return. This cushions the up and down movements of the investments in the RNPFN Fund . We do this by holding back some of the profits we earn in good years and use them to supplement the returns we earn when times are tough. Further information can be found in section 8 of this guide.
Underlying value of the investments	This is the actual value of the investments in the RNPFN Fund for your policy or for the representative policy we use to set your policy payouts.
Unitised with-profits	Information on unitised with-profits policies can be found in section 6 of this guide.

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

Liverpool Victoria Financial Services Limited: County Gates, Bournemouth BH1 2NF.

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