Your guide to how we manage the

Teachers Assurance Fund for with-profits business

Introduction

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

If you have a Teachers conventional with-profits endowment or whole-of life policy, or one of the following Teachers unitised with-profits products, this guide applies to you:

- Teachers Anniversary Bond
- Tax Exempt Savings Plan
- Tax Free Savings Plan
- Regular Savings Plan
- Guaranteed Savings Plan
- Guaranteed ISA (also known as Guaranteed NISA)

You'll find important information in this guide about how these products work and how we manage them.

At the end of this guide there is 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.

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

- Key Features document
- Policy Conditions
- Personal Illustration showing what you might get back in the future
- Annual statement or bonus notice

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

Contents

1 Background information about the Teachers Assurance Fund

The **Teachers Assurance Fund** holds the Teachers with-profits policies and the **Teachers inherited estate**, which were transferred from Teachers Provident Society Limited (**TPS**) to Liverpool Victoria Friendly Society Limited on 1 June 2016. Teachers Provident Society Limited was also known as Teachers Assurance. In 2020, Liverpool Victoria Friendly Society Limited became Liverpool Victoria Financial Services Limited **(LVFS)**. The policies in the **Teachers Assurance Fund** and its assets are held separately from the rest of **LVFS**.

The transfer of **TPS** followed a strategic review by the **TPS** Board to decide how best to position **TPS** in the future to deliver the greatest value to its **members** and policyholders. As part of the deal, **TPS** was closed to new business and its existing business was transferred to Liverpool Victoria Friendly Society Limited. The deal included details of when the **Teachers Assurance Fund** can be merged with the main fund of **LVFS**.

There aren't any shareholders in the **Teachers Assurance Fund** – which means that we use all the profits to benefit **Teachers Assurance Fund** with-profits policyholders. **Teachers Assurance Fund** with-profits policyholders are also **members** of **LVFS** and are entitled to **member** benefits. Visit **LV.com/members** for details of all **member** benefits.

Teachers Assurance Fund with-profits policyholders are not eligible to participate in **LVFS's** member bonuses such as the Mutual Bonus, though they are eligible for any **special bonus** payments from the **Teachers Assurance Fund**.

2 What is the Teachers Assurance Fund and how is it invested?

The **Teachers Assurance Fund** is a **ring-fenced** investment fund, within **LVFS**, where we combine your money with other investors' money, and manage it on your behalf.

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

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

The **assets** of the **Teachers Assurance Fund** are put into two pools as follows:

- The **Teachers with-profits fund**, which invests in a wide range of **assets**. We use this to set the **main benefits** under your with-profits policy.
- A separate fund which includes the **Teachers inherited estate** and your and other with-profits policyholders' allocation of accumulated **special bonus**. This fund has a long-term investment strategy of investing in a mix of **fixed-interest investments** and cash with the aim of reduced volatility in the investment returns of this fund.

The investment strategies for the two pools of **assets** consider:

- past communications to policyholders,
- the **liabilities** of the **Teachers Assurance Fund**,
- the aim of maintaining a level of **capital** in the **Teachers Assurance Fund** in line with its risk appetite.

The **Teachers with-profits fund** is the continuation of the pool of **assets TPS** used to help decide policy benefits before the transfer to **LVFS**. It is split into three sub-funds for different products which all currently have the same target mix of investments. The three sub-funds are:

- Conventional with-profits (covering all conventional with-profits policies)
- Unitised with-profits taxable (covering Teachers Anniversary Bond, Regular Savings Plan, Guaranteed Savings Plan)
- Unitised with-profits tax exempt (covering Tax Exempt/Tax Free Savings Plan, Guaranteed ISA).

The key aim of our investment strategy for the **Teachers with-profits fund** is to maximise long-term returns for Teachers with-profits policyholders. This needs to be achieved whilst keeping a level of risk to the return which is consistent with our assessment of Teachers with-profits policyholders' expectations.

In deciding the mix of **assets** for the **Teachers with-profits fund**, the investment strategy will also consider the following:

- the long-term expected returns available from the different types of **assets** and their volatility,
- the benefits to be obtained from investing in a range of different types of **asset**,
- our approach to **responsible investment**,
- developments in investment practice,
- the need to safeguard the solvency of the **Teachers Assurance Fund**.

Typical investments made by the **Teachers 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.

You can see the current and target mix of investments in the **Teachers with-profits fund** on our website at **LV.com/teachers**. You can also see investment information including the performance of the fund at **LV.com/teachers/investment-performance-info/with-profits**.

We use various techniques to help reduce the volatility of investment returns. For example, for overseas investments, to reduce the risk of foreign currency fluctuations we can use currency hedging.

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** to view the reports.

3 What's the aim of the Teachers Assurance Fund?

We want to give you a fair return on your investment in the **Teachers with-profits fund**, allowing for any **guaranteed benefits** and (if applicable) the **smoothing** process. To do this we use something called **asset shares** (which are explained in the next section) to help decide what amount to pay as your **main benefits** under your policy.

The current value of any previously declared **special bonus** is added when you claim. The **special bonus** is explained in section 8.

We have different groups of policyholders invested in the 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 How do we set the main benefits under your policy?

This differs by the type of with-profits policy in the **Teachers Assurance Fund**. Different policy types also have different guarantees. For some policies, if affordable, we add **annual bonuses** which increase the guarantees under your policies.

For some policies we may add a **final bonus** (or apply a **market value reduction**) to make sure you receive a fair payout.

For some policies we use a process called **smoothing** to help protect those with-profits policyholders from sudden changes in the value of the investments in the **Teachers with-profits fund**. However, **smoothing** cannot protect with-profits policyholders against long-term poor investment returns.

Further details of these for each policy type are in the sections below. **You only need to read the section(s) applicable to your policy or policies**.

4.1 Conventional with-profits policies

How do we decide the return on your policy?

Each Teachers conventional with-profits policy has a sum assured which was set when you took your policy out, and depended on:

- the premium you agreed to pay,
- the term of your policy,
- your age and your sex.

Providing you continue to pay premiums for the agreed period or until your death, the sum assured is guaranteed. We aim to increase the sum assured each year by adding **annual bonuses** (sometimes called 'reversionary bonuses'), which, once added, also cannot be taken away provided you continue to pay premiums. On your death, or at maturity if you have a savings (endowment) policy, the **guaranteed benefits** (the sum assured and **annual bonuses**), and possibly a **final bonus**, are paid.

For conventional with-profits policies, the **asset share** is the amount of the premiums paid less the expenses incurred for your policy, accumulated with the actual investment return achieved by the **Teachers with-profits fund**, adjusted for tax where relevant. The **asset share** for your policy can also share in any profits or losses from death benefits we pay out on similar policies to yours. Various adjustments are made to the **asset share** for previous one-off distributions made by **TPS**. We use the **asset share** to set the **main benefits** under your policy.

Generally, we aim to pay out between 85% and 115% of the total of **asset share** plus accumulated **special bonus** under your policy. Our long-term aim is for payouts to average 100% of **asset share** plus accumulated **special bonus**. The current accumulated value of any previously declared **special bonus** is added on claim, as described in section 8.

How do we decide what annual bonuses should be?

For conventional with-profits policies we aim to review **annual bonus** rates once a year. When setting **annual bonus** rates for these policies the general aim is for **annual bonus** rates to be added at a modest stable level. Changes in **annual bonus** rates should be expected to be relatively infrequent.

In helping us to decide what level of **annual bonus** can be declared, our aim is that the **guaranteed benefits** do not form an unduly large proportion of **asset shares** of policies. This helps us maintain the **financial strength** of the **Teachers Assurance Fund**.

We currently declare two **annual bonus** rates each year, one as a percentage of your sum assured, and the other as a percentage of your previous **annual bonuses**. Once added, **annual bonuses** are guaranteed to be paid on maturity or death providing you continue to pay premiums for the agreed period or until your death.

We don't set a maximum amount that **annual bonus** rates can be changed by each year. **Annual bonus** rates may be reduced to zero.

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

You will receive a bonus certificate or statement each year which will show the **annual bonuses** that have been added to your policy.

Interim bonus rates apply between **annual bonus** declarations and can be changed at any time.

How do we decide what final bonuses should be?

A **final bonus**, sometimes called 'terminal bonus', may be paid when your policy ends. The aim of a **final bonus** is to make sure that the value of your policy is approximately equal to the **asset share** plus accumulated **special bonus**. This doesn't apply for death benefits on endowment policies where a higher amount is normally paid.

For all claims we first look at the **guaranteed benefits** on your policy, however for surrenders 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 corresponding **asset share** plus 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. In deciding the level of **final bonuses**, we also consider:

- **smoothing**,
- solvency of the **Teachers Assurance Fund**,
- the expectations of policyholders and the requirement to treat customers fairly.

We normally set the level of **final bonus** monthly for each individual policy.

The **asset share** and accumulated **special bonus** used to set **final bonus** rates for certain policies reflect adjustments made on 31 August 2018 to increase their values where this was necessary to treat these policies fairly when the current payout methodology was introduced.

How do we use smoothing?

We use **smoothing** to help protect our with-profits policyholders from sudden changes in the value of the investments in the **Teachers with-profits fund**. We do this by averaging investment returns used to set the **main benefits** under your policy over a two-year period, though we reserve the right to remove or reduce **smoothing** on claims in exceptional circumstances so that we treat remaining policyholders fairly.

The amount we pay out may be higher or lower than the corresponding **asset share** but in the long term the effect of **smoothing** is expected to be neutral.

We do not set a period over which **smoothing** of payouts is to be neutral and similarly we don't set an overall limit to the accumulated profits or losses from **smoothing**. Any profits or losses from **smoothing** are applied to the **Teachers inherited estate** (which is described in section 7).

4.2 Teachers Anniversary Bond

How do we decide the return on your policy?

This is a unitised whole-of-life single premium with-profits policy. A percentage of the premium you paid bought units in the unitised sub-section of the **Teachers with-profits fund**. These units increase in value in line with the **annual bonus** rate declared by us.

For Teachers Anniversary Bonds, the value of your investment in the **Teachers with-profits fund** is called the **asset share**. The **asset share** is the amount of premium you have invested, less the cost of providing benefits (for example, the additional amount payable on death), withdrawals and the expenses incurred in running your policy, accumulated with the actual return achieved by the **Teachers with-profits fund**, adjusted for tax. Various adjustments are made to the **asset share**, and to your units, for previous one-off distributions made by **TPS**.

We use the **asset share** to set the **main benefits** under your policy. If the **asset share** is greater than the value of your units then a **final bonus** will usually be added on surrender or your death. If there's a significant fall in the value of our investments and the **asset share** is less than the value of units, then a **market value reduction** may be applied to decrease your surrender payout. There's an example of how this works below.

On death we guarantee no **market value reduction** will apply and we'll pay the higher of:

a) 101% of the value of your units plus any **final bonus**; and

b) the premium paid less any withdrawals taken.

The current accumulated value of any previously declared **special bonus** is added to the **main benefits** when a claim is paid, as described in section 8.

How do we decide what annual bonuses should be?

The **annual bonus** rate is reviewed at least once each year but rates may be changed at any time. When setting **annual bonus** rates for the Teachers Anniversary Bond the general aim is for **annual bonus** rates to be added at a modest stable level. The rate increases the value of your units steadily over the year and so increases the **guaranteed benefits** payable on death. Changes in **annual bonus** rates should be expected to be relatively infrequent.

In helping us to decide what level of **annual bonus** can be declared, our aim is that the value of your units do not form an unduly large proportion of **asset shares** of policies. This helps us maintain the **financial strength** of the **Teachers Assurance Fund**.

We don't set a maximum amount that **annual bonus** rates can be changed by each year. **Annual bonus** rates may be reduced to zero.

You will receive a yearly statement that will show the current value of your units which includes the effect of **annual bonuses** that may have been added to your policy.

How do we decide what final bonuses and market value reductions should be?

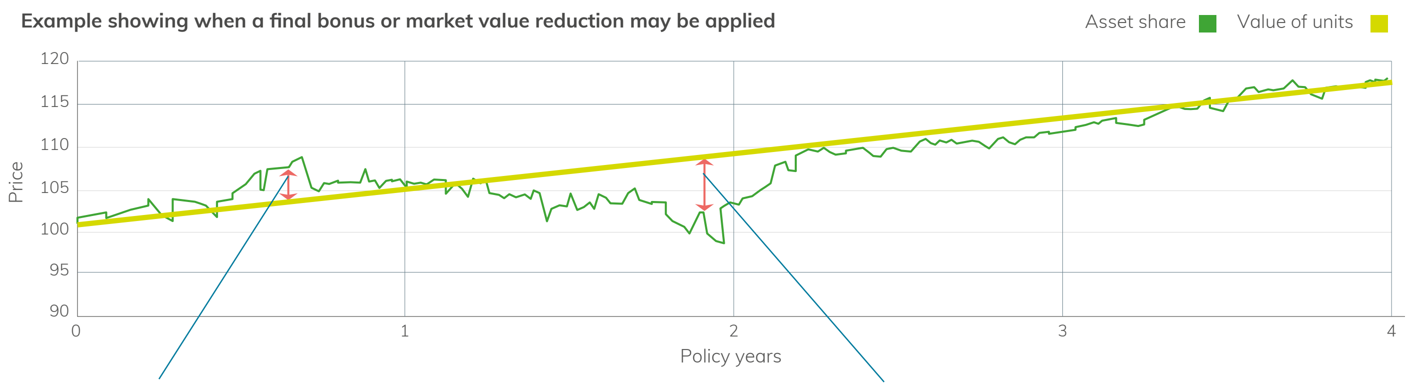
If the **asset share** is greater than the current value of your units at the time of a claim, a **final bonus** is usually added to it. This is to make sure that the **main benefits** under your policy are approximately equal to the **asset share**. It's important to be aware that a **final bonus** is not guaranteed. When you make a withdrawal, any **final bonus** paid reduces the number of units that otherwise would be cancelled.

Similarly, when the **asset share** is less than the current value of your units, a **market value reduction** can be applied. This would mean that the **main benefits** under your policy are approximately equal to the **asset share**. We would apply a **market value reduction** if it's needed to protect the policyholders who remain invested in the **Teachers Assurance Fund**. This makes sure that claim amounts are not higher than the value of a fair share of the investments. When you make a withdrawal, any **market value reduction** applied increases the number of units that otherwise would be cancelled. We promise not to apply a **market value reduction** on:

- death,
- regular withdrawal payments up to 5% of the original single premium, unless a **market value reduction** was being applied at the time the regular withdrawals commenced.

On surrender we pay out 100% of **asset share**, except when a **market value reduction** is calculated but not applied.

Example showing when a final bonus or market value reduction may be applied



If the **asset share** is greater than the value of your units then a **final bonus** will usually be added on surrender or your death.

If there's a significant fall in the value of our investments and the **asset share** is less than the value of units, then a **market value reduction** may be applied to decrease your surrender payout.

Please note: this graph is for illustrative purposes only

How do we use smoothing?

Smoothing is not used for this policy.

4.3 Tax Exempt/Tax Free Savings Plans sold during 2005-6 and Regular Savings Plans

How do we decide the return on your policy?

These are regular premium unitised with-profits policies with fixed terms. A percentage of each premium you pay is used to buy units in the unitised sub-section of the **Teachers with-profits fund**.

The value of the units then grows or reduces in line with the investment return (net of fund charges) on the **assets** in the **Teachers with-profits fund**, adjusted for tax where relevant. The value of your units is designed to represent the **asset share** of your policy and is used to set the **main benefits** under your policy. Where eligible, extra units have been added to reflect previous one-off distributions made by **TPS**, which also increased the guaranteed amount.

On surrender we pay the value of your units. You will receive a yearly statement that will show the current value of your units and the current guaranteed amount.

Higher benefits may be paid on maturity or death provided you have paid all your premiums.

At maturity we pay the highest of:

a) the value of your units,

b) the smoothed value of your units (as defined below), and

c) the guaranteed amount (total premiums paid with **annual bonuses** added).

On death we pay the highest of:

a) the value of your units,

b) the guaranteed cash sum (total premiums payable over the term of your policy), and

c) the guaranteed amount (total premiums paid to date with **annual bonuses** added).

The current accumulated value of any previously declared **special bonus** is added to your **main benefits** on claim, as described in section 8.

How do we decide what annual bonuses should be?

The **annual bonus** rate is reviewed at least once each year but rates may be changed at any time. When setting **annual bonus** rates for regular premium unitised with-profits policies the general aim is for **annual bonus** rates to be added at a modest stable level. The rate increases the value of your units steadily over the year and so increases the guaranteed amount payable on death or maturity. Changes in **annual bonus** rates should be expected to be relatively infrequent.

In helping us to decide what level of **annual bonus** can be declared, our aim is that the guaranteed amount does not form an unduly large proportion of **asset shares** of policies. This helps us maintain the **financial strength** of the **Teachers Assurance Fund**.

We don't set a maximum amount that **annual bonus** rates can be changed by each year. **Annual bonus** rates may be reduced to zero.

How do we decide what final bonuses should be?

These policies do not have a **final bonus** added at claim as the current value of your units in the **Teachers with-profits fund** already represents your **asset share**.

How do we use smoothing?

When these policies mature, we calculate a smoothed version of the value of your units by averaging the unit price over the previous two years. If this turns out to be higher than the current value of your units, then we pay you the higher amount instead. This has the effect of protecting you from sudden falls in the value of the investments in the **Teachers with-profits fund** just before maturity. A charge for **smoothing** payouts and providing the guaranteed amount is included in the fund charges we take. **Smoothing** is not used on death and surrender claims.

4.4 Tax Exempt/Tax Free Savings Plans sold from 2007 and Guaranteed Savings Plans

How do we decide the return on your policy?

These are regular premium unitised with-profits policies with fixed terms. A percentage of each premium you pay is used to buy units in the unitised sub-section of the **Teachers with-profits fund**.

The value of the units then grows or reduces in line with the investment return (net of fund charges) on the **assets** in the fund, adjusted for tax where relevant. The value of your units is designed to represent the **asset share** of your policy and is used to set the **main benefits** under your policy. Where eligible, extra units have been added to reflect previous one-off distributions made by **TPS**.

On surrender we pay the value of your units. You will receive a yearly statement that will show the current value of your units and the current guaranteed amount.

Higher benefits may be paid on maturity or death provided you have paid all your premiums.

At maturity we pay the highest of:

a) the value of your units,

b) the smoothed value of your units (as defined below), and

c) the guaranteed amount (total premiums paid).

For Tax Exempt/Tax Free Savings Plans, on death we pay the higher of:

a) the value of your units, and

b) the guaranteed amount (total premiums payable over the term of your policy).

For Guaranteed Savings Plans, on death we pay the higher of:

a) the value of your units, and

b) the guaranteed amount (total premiums paid).

The current accumulated value of any previously declared **special bonus** is added to your **main benefits** on claim, as described in section 8.

How do we decide what annual bonuses should be?

These policies do not have **annual bonuses**.

How do we decide what final bonuses should be?

These policies do not have a **final bonus** added at claim as the current value of your units in the **Teachers with-profits fund** already represents your **asset share**.

How do we use smoothing?

When these policies mature, we calculate a smoothed version of the value of your units by averaging the unit price over the previous two years. If this turns out to be higher than the current value of your units, then we pay you the higher amount instead. This has the effect of protecting you from sudden falls in the value of the investments in the **Teachers with-profits fund** just before maturity. For policies sold from September 2012 a charge for **smoothing** payouts (and providing the guaranteed amount) is included in the fund charges we take. **Smoothing** is not used on death and surrender claims.

4.5 Guaranteed ISA

How do we decide the return on your policy?

This is a unitised whole-of-life with-profits policy. A percentage of your premium(s) you paid bought units in the unitised subsection of the **Teachers with-profits fund**. The value of the units grows or reduces in line with:

- the investment return (net of fund charges) on the assets in the **Teachers with-profits fund**
- units deducted for any withdrawals taken.

The value of your units is designed to represent the **asset share** of your policy and is used to set the **main benefits** under your policy. Where eligible, extra units have been added (and **guaranteed benefits** were increased) to reflect previous one-off distributions made by **TPS**.

On surrender we pay the value of your units except on the sixth policy anniversary and then every subsequent fifth anniversary where, if higher, we would pay the premium(s) paid adjusted for any withdrawals taken. You will receive a yearly statement that will show the current value of your units.

On death we pay the higher of:

a) 101% the value of your units, and

b) the premium(s) paid adjusted for any withdrawals taken.

The current accumulated value of any previously declared **special bonus** is added to your **main benefits** on claim, as described in section 8.

How do we decide what annual bonuses should be?

These policies do not have **annual bonuses**.

How do we decide what final bonuses should be?

These policies do not have a **final bonus** added at claim as the current value of your units in the **Teachers with-profits fund** already represents your **asset share**.

How do we use smoothing?

Smoothing is not used for this policy.

5 What expenses are charged to the Teachers Assurance Fund?

As with any investment, there are costs involved in looking after a with-profits policy - including administration costs and investment management fees. The charges taken from your policy cover these expenses.

The amount of administration expenses **LVFS** can charge the **Teachers Assurance Fund** for each policy was set as part of the deal when **Teachers Assurance Fund** was transferred to **LVFS**. This runs until 31 May 2027. After that date, **LVFS** is allowed to charge the **Teachers Assurance Fund** the actual costs for administration expenses.

There is also a further limit on the expenses charged to **asset shares** for conventional with-profits policies and the Teachers Anniversary Bond which follows the practices set by **TPS**.

For unitised with-profits policies (except the Teachers Anniversary Bond) the charges taken to cover expenses are those which are set out in your Key Features document and Policy Conditions. The charges include any deductions from premiums paid as well as fund-based charges which may also include deductions for the cost of providing the guarantees and any **smoothing** under these policies. We have the right to vary charges on unitised with-profits policies in some circumstances.

6 How do we decide what business risks to take?

As a condition of the transfer to **LVFS**, the **Teachers Assurance Fund** won't take on any new business or have exposure to profits and losses arising from any other part of the LV= Group.

However, the **Teachers Assurance Fund** still encounters many risks through its day-to-day activities and the decisions it makes. It is our responsibility to ensure that these risks are well managed, and do not endanger the financial position of the **Teachers Assurance Fund**. Profits or losses may arise from business risks within the **Teachers Assurance Fund**, which include:

- compensation paid to policyholders and associated costs resulting from mis-selling and maladministration associated with **TPS**.
- changes in experience and our assumptions, such as the level of surrenders,
- expenses and exceptional costs charged to the **Teachers inherited estate**,
- the value of the investments of the **Teachers inherited estate**,
- variations in costs resulting from guarantees, policy options and **smoothing**.

These profits or losses are applied to the **Teachers inherited estate** of the **Teachers Assurance Fund** and hence affect its size.

7 What is the 'Teachers inherited estate' and how do we use it?

The **Teachers inherited estate** is the money in the **Teachers Assurance Fund** not needed to pay the **Teachers Assurance Fund's liabilities**. This has built up from profits made by the **Teachers Assurance Fund** (and previously **TPS**).

The **Teachers inherited estate** allows the **Teachers Assurance Fund**:

- To meet regulatory requirements to hold **capital** to show it's able to make payouts to policyholders even if the **Teachers Assurance Fund** were to suffer losses.
- To support its business risks (see section 6 above).
- To invest in **assets** expected to deliver higher returns to policyholders while maintaining **guaranteed benefits**, and the **smoothing** of benefits paid to policyholders.

As part of the deal when **Teachers Assurance Fund** was transferred to **LVFS** we're distributing the **Teachers inherited estate** over the remaining lifetime of the eligible with-profits policies as **special bonus**.

If the **Teachers inherited estate** fell to a level below which it would be difficult to manage the **Teachers Assurance Fund** effectively, then we might:

- change the way we invest the **Teachers Assurance Fund**,
- reduce or remove **special bonus**,
- where permitted under Policy Conditions, the **main benefits** may be reduced below the target of 100% of **asset share**.

8 What's special bonus?

An initial distribution of the **Teachers inherited estate** to Teachers with-profits policyholders was declared as **special bonus** following the completion of the transfer. The amount was calculated as a percentage of the **asset share** on 1 June 2016.

Each year the **LVFS Board of Directors** consider whether it's appropriate to make any additional distributions of the **Teachers inherited estate**. If one is made it would be calculated as a percentage of the **asset share** and the value of the accumulated **special bonus** at that time and would increase the accumulated **special bonus**. Any additional **special bonus** is normally added on a quarterly basis.

The accumulated **special bonus** is invested in a separate part of the **Teachers Assurance Fund** which also includes the **Teachers inherited estate**. It will increase or decrease in line with the investment returns earned on the **assets** in that part of the **Teachers Assurance Fund**. The investment return also reflects a deduction for investment management fees and, if appropriate, for taxes incurred. No **smoothing** is applied to its value.

The current value of accumulated **special bonus** added to the **main benefits** payable at claim is determined in the following manner:

- For conventional with-profits policies, the accumulated **special bonus** is added to the amount payable at claim by increasing the **final bonus** that otherwise would be paid or, if only **guaranteed benefits** are paid, by adding a **final bonus**.
- For unitised with-profits policies, the accumulated declared **special bonus** is allocated to a separate series of 'estate' units for each policy and the current value of these units is added to the amount payable at claim.

Accumulated **special bonus** cannot be paid out prior to the claim that terminates the policy.

It's important to be aware that **special bonus** is not guaranteed. If the **Teachers inherited estate** is excessively reduced or in adverse market conditions, future distributions of **special bonus** may be reduced, and it is also possible that the current value of accumulated **special bonus** may be reduced or withdrawn at any time. However, in normal circumstances, it is expected that accumulated **special bonus** would increase over time as the **Teachers inherited estate** is gradually distributed.

9 How to find out more

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

Visit **LV.com/teachers** to find the latest version of this guide, the more technical PPFM and annual reports on how we've managed the **Teachers Assurance 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.

10 Glossary

Word/Phrase	Definition
Annual bonus	For some policies, if affordable, we add annual bonuses which increase the guarantees under policies. More information on annual bonuses can be found in the product specific sections of this guide – see sections 4.1 to 4.5.
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.
Asset share	The accumulated value of premiums less expenses, any withdrawals taken, costs of benefits and tax at the investment return earned on the **Teachers with-profits fund**. It may also include prior distributions made by **TPS**. See sections 4.1 to 4.5.
Board of Directors	The individuals elected by **LVFS's members** to oversee the management of **LVFS** on their behalf.
Capital	Capital is an amount of assets held by a company or fund in excess of its liabilities. The **Teachers inherited estate** provides capital to the **Teachers Assurance Fund** as described in section 7.
Corporate bonds	Loans made to companies 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.
Final bonus	A final bonus (sometimes called 'terminal bonus') may be paid when a policy ends or, where the policy type allows, money is withdrawn. More information on final bonus can be found in the product specific sections of this guide – see sections 4.1 to 4.5.
Financial strength	Financial strength is measured by how much the value of an **insurers** 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 also known as gilts. US government bonds are known as US Treasuries.

Word/Phrase	Definition
Guaranteed benefits	For a conventional with-profits policy, this is the minimum amount payable on maturity and/or death. It is the sum assured which was set when the policy started, unless you have exercised an option to alter some aspect of your policy, plus the **annual bonuses** added to date. For the Teachers Anniversary Bond, this is the value of units guaranteed to be payable on a death claim (though this is reduced if withdrawals are taken). For other uniitised with-profits policies, this is the guaranteed amount which is defined in sections 4.3-4.5 (though the amount is reduced if withdrawals are taken).
Insurer	A company or **mutual** organisation that provides insurance products to the general public.
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.
Main benefits	The value of the policy excluding any accumulated **special bonus** and any future distributions of the **Teachers inherited estate** as **special bonus**.
Market value reduction	Market value reductions only apply to Teachers Anniversary Bonds. For more information, please see section 4.2.
Member	As a **Teachers Assurance Fund** with-profits policyholder, you are 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. Teachers with-profits policyholders are not eligible to participate in **LVFS's** member bonuses such as the Mutual Bonus, though they are eligible for any **special bonus** payments from the **Teachers Assurance Fund**.
Mutual	An organisation owned by, and run for the benefit of, its **members** – it has no shareholders to pay in the form of dividends.
Responsible investment	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 **Teachers Assurance Fund**, including its profits and losses, separate from the other funds in **LVFS** except in the most extreme financial situations.
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.
Smoothing	Smoothing may be applied to the amount payable under certain with-profits policies meaning an amount other than 100% of **asset share** is paid as the **main benefits** on claim. Its aim is to protect with-profits policyholders from sudden changes in the value of our investments. More information on smoothing can be found in the product specific sections of this guide – see sections 4.1 to 4.5.
Special bonus	Distribution of the **Teachers inherited estate** paid in addition to the **main benefits** of a policy at claim. See section 8 for more information.
Teachers Assurance Fund	Information on the Teachers Assurance Fund can be found in sections 1 to 3 of this guide.
Teachers inherited estate	This is the money that's been built up from profits made by the **Teachers Assurance Fund** (and previously **TPS**) not needed to pay the **Teachers Assurance Fund's liabilities**. The aim is that this money is distributed over time as **special bonus**. Further information can be found in section 7 of this guide.
Teachers with-profits fund	The **assets** we use to set the **main benefits** under your with-profits policy.
TPS	Information on Teachers Provident Society (TPS) can be found in section 1 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.

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