

Important information

Guaranteed ISA

Key features of the Guaranteed ISA.

Investing in the Police Mutual Life Fund Guaranteed ISA.

Key Features of the Guaranteed ISA

Call us on:
0845 88 22 999
(Monday–Friday,
8.30am–5.30pm)

Visit our website:
policemutual.co.uk

Write to us at:
**Police Mutual
Alexandra House
Queen Street
Lichfield
Staffordshire
WS13 6QS**

Fax us on:
01543 305 349

This Key Features document provides you with important information to help you decide whether the Police Mutual Guaranteed ISA is right for you. You should carefully read this document so that you are comfortable you understand what you are buying and then keep it safe for future reference.

Is the Guaranteed ISA suitable for you?

The Guaranteed ISA, from Police Mutual, may be suitable for you if:

- You're a UK resident aged 18 to 85. (You cannot have an ISA if you live in the Channel Islands or the Isle of Man.)
- You'd like to invest a lump sum of £1,000 or more or at least £40 each month
- You're looking for higher growth potential than is available from a bank or building society account and you're willing to take more risk with your money to try to achieve this goal; having said that you'd still like the comfort of a guarantee that ensures that on specific dates you can get back all of the money you have invested
- You're prepared to invest for at least five years, but want to know you can access your money at any time should your circumstances change
- You understand that unless you cash in your plan on guarantee dates you could get back less than you've invested
- You want to protect your investment from personal tax by using all or part of your annual Individual Savings Account (ISA) allowance. (The Guaranteed ISA is a Stocks and Shares ISA.)

It is not suitable if:

- You do not want to take any risk with your money
- You have already subscribed to a Stocks and Shares ISA for this tax-year and you do not want to transfer it to the Guaranteed ISA. (If you're unsure see '*What is an ISA?*')
- You want to invest jointly with someone else – an ISA can only be set up in one person's name

Questions and Answers

Its aims

- To give you investment growth over a medium to long-term period
- To guarantee at least the money you have paid in (taking into account any money taken out) on guaranteed dates

Your commitment

- To invest a lump sum (or you can also invest regularly each month)
- To aim to keep your money invested for at least five years (although you can access your money at any time)

Risk factors

- The Guaranteed ISA invests in Stocks and Shares so the value of your plan can go down as well as up. Unless you cash the plan in on a guarantee date you may get back less than you put in (see '*What is the guarantee?*')
- If you take money out of your plan its value will reduce (see '*What might you get back?*')
- If you take money out of your plan your guarantee will be reduced (see '*What happens to your guarantee if you take money out?*')
- Tax rules may change - this could reduce the amount you get back (see '*What about tax?*')
- Our charges may turn out to be higher than expected - this could reduce the amount you get back (see '*What are the charges?*')

Type of plan

What is an ISA?

- ISA stands for Individual Savings Account. An ISA is simply a set of tax rules around an investment that makes it more tax-efficient (see '*What about tax?*')
- Investing in an ISA allows you to shelter your money from the taxman, as you can keep all the proceeds that you receive from the investment
- There is a limit to how much you can put into an ISA each tax-year. This is called your ISA allowance (see '*How much can you pay into the Guaranteed ISA each tax-year?*')
- You can use your allowance to invest in one or both of the two ISA components:
 - Cash ISA
 - Stocks and Shares ISA
- You can only have one Cash ISA and one Stocks and Shares ISA each tax-year. If you want to invest in both in the same tax-year you can choose two different providers or invest with a provider who offers both

What is the Guaranteed ISA?

- It's an investment plan designed to give capital growth over a period of five years or more. It includes a guarantee and a small amount of life cover (see '*What is the guarantee?*' and '*What happens if you die?*')
- It's a Stocks and Shares ISA (see '*What is an ISA?*')

How flexible is the Guaranteed ISA?

- You can invest lump sums, make regular payments or both (see '*How much can you pay into the Guaranteed ISA each tax-year?*')
- You can stop your regular contributions or change the amount you pay at any time
- You can invest over several tax-years without having to set up a new plan
- You can cash in or make withdrawals at any time

Where is your money invested?

- Your money is invested in the Police Mutual Life Fund. The fund holds a wide range of investments both in the UK and overseas. These investments are mainly in a mix of company shares, bonds (which are a type of loan to governments or to companies), property, commodities and cash. (See '*Investing in the Police Mutual Life Fund Guaranteed ISA*')

Questions and Answers continued

- As a mutual organisation, Police Mutual's Life Fund investors share in the performance of the fund plus also the results of all the Society's business activities

How does the investment work?

- Your money is pooled together with other investors in the Guaranteed ISA. By pooling your investment with others, this offers you an efficient way to experience returns based upon a wide variety of different types of asset
- Your plan will receive a share of the profits made by the Police Mutual Life Fund. The Life Fund will include investments in a mix of company shares, bonds (which are a type of loan to governments or companies), property, commodities and cash
- We calculate your share of the fund on a weekly basis and in doing this we operate a policy of smoothing the investment returns in all but exceptional circumstances. Smoothing aims to reduce the risk of your fund value varying wildly from week to week. It works by allocating you an investment value which represents an average share of the fund performance over the previous twenty six weeks
- Smoothing may not apply if you make an investment or withdrawal during a period of unusual market conditions. This might happen for example if the actual value of the fund varies from the smoothed value of the fund by 5% or more
- More details on how we operate the fund can be found in the '*Investing in the Police Mutual Life Fund Guaranteed ISA*' section of this document

On 5 April every year we'll add up how much you've paid in during that tax-year (6 April to 5 April). This total is the amount that is guaranteed on 6 April five years later, so even if the value of your plan has fallen, your money will be protected and will be worth at least the amount invested during the tax-year (provided you don't take any money out). You do not have to do anything since, if the value of your plan has fallen, it will be increased automatically.

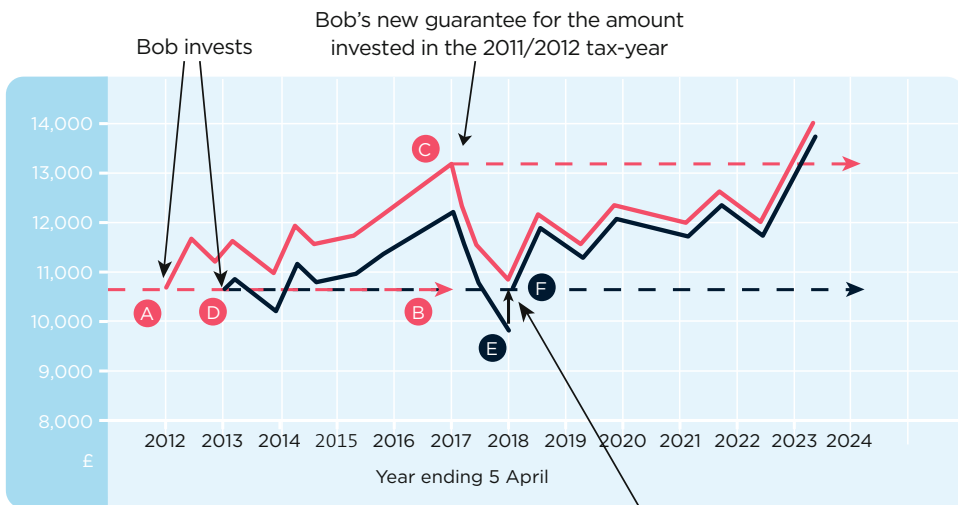
This guarantee will be repeated every five years. Again your money will be protected so that it will be worth at least as much as it was five years previously, plus at each guarantee we'll lock in any gains it has made up to that point for the next anniversary.

The guarantee explained

On specific dates we promise to protect your investment so that money you have paid in during a tax-year is guaranteed to be worth at least the same (after taking into account any money you withdraw).

When does the guarantee apply and how does it work?

If you make payments into your Guaranteed ISA in more than one tax-year, for each tax-year you get a new guarantee and policy – so within the ISA you may have more than one guarantee running at the same time.



Bob's new guarantee and increased value for the amount invested in the 2012/2013 tax-year

- A** — Bob invests £10,680 in tax-year ending 5 April 2012
- B** — He doesn't take any money out so the guarantee on this part of the investment is £10,680 on 6 April 2017
- C** — The actual value rises to £13,100 by 2017. Since his investment has risen in value, the guarantee changes so that on 6 April 2022 it will be worth at least £13,100 (provided he does not take any money out)
- D** — Bob also invests £10,680 in tax-year ending 5 April 2013
- E** — He doesn't take any money out so the guarantee on this part of the investment is £10,680 on 6 April 2018
- F** — The markets have fallen, so the actual value is £9,300. However, because of the guarantee, the value is increased back to £10,680. The guarantee is then also £10,680, which applies on 6 April 2023 to this part of the investment (provided he does not take any money out)

What happens to your guarantee if you take money out?

- If you take out some money from your plan your guarantee will reduce
- If you take some money out when your investment is worth less than your guaranteed value then your guaranteed value will reduce by more than the amount you withdraw. If your plan's value is higher than its guaranteed value, the guarantee will reduce by less than the amount you withdraw

Example – Anna, invests £6,000 between 6 April 2011 and 5 April 2012, (and no more in following years). The guarantee on her plan is that its value will be at least £6,000 on 6 April 2017. However, she decides to take some money out on 1 October 2015, when her plan is worth £8,000. She takes out £2,000 – which is a quarter of her plan value. Her guarantee will also reduce by a quarter, so her new guaranteed value changes to £4,500. The guarantee has only reduced by £1,500.

Questions and Answers continued

Example – Peter, invests £6,000 between 6 April 2011 and 5 April 2012, (and no more in following years). The guarantee on his plan is that the value will be at least £6,000 on 6 April 2017. On 1 November 2013, he decides to take some money out of his plan when it is worth £5,000. He takes £2,000 – which is two fifths of his plan value. Therefore his guarantee also reduces by two fifths, so his new guarantee value is £3,600. The guarantee has reduced by £2,400.

- If you have invested over more than one tax-year you will have more than one guarantee and more than one policy running at the same time. Where possible, unless you tell us otherwise, we'll make sure that any withdrawal you make will be taken from a tax-year's investment that leaves you with the highest value guarantee remaining within your Guaranteed ISA

- If you invest money and then withdraw it in the same tax-year you can still make further investments in the same tax-year provided that you don't invest more than your ISA allowance (payments made, which are withdrawn in the same tax-year, still count towards your annual ISA allowance)
- Investments in the Guaranteed ISA paid in different tax-years are treated separately for guarantee and policy purposes, but are held under the same plan number
- There is no requirement to maintain regular payments; however, we reserve the right to close the plan if a minimum of £1,000 is not reached within three years. The amount returned would be its value at the time (see also *'How does the investment work?'*)

Paying into the Guaranteed ISA

How much can you pay into the Guaranteed ISA each tax-year?

Minimum Initial Payment	Maximum Payment
£1,000 (£40 if starting regular payments)	Your Stocks and Shares ISA allowance (see opposite)

Minimum Additional Payment	
Lump Sum	£1,000 <i>or your remaining ISA allowance</i>
Regular	£40 per month

2011/2012 ISA Allowance		
Overall ISA allowance	Maximum that can be invested in a Cash ISA	Maximum that can be invested in a Stocks and Shares ISA (like the Guaranteed ISA)
£10,680	£5,340	The difference between £10,680 and the amount (if any) invested in a Cash ISA in the same tax-year

- Even if you've already taken out a Cash ISA this tax-year the ISA rules allow you to invest in the Guaranteed ISA since you can only use up to half of your overall ISA allowance for a Cash ISA

Transfers in

- At any time you can transfer in a Stocks and Shares ISA or Cash ISA held elsewhere to the Guaranteed ISA with no loss of tax benefits. You can transfer:
 - all of the current year's payments
 - all or part of the previous years' payments
- To transfer your ISA to us please complete and return a transfer form

Points to consider:

- When you transfer from another provider, they will cash in your current ISA holding and transfer the proceeds to us. It is possible that you may lose income or growth if the markets rise during the time it takes your transfer to be completed
- Your existing provider may charge you to transfer your investment
- If you are considering transferring a Cash ISA to us please remember that, unlike cash accounts which provide security because they are very low risk, with the Guaranteed ISA your money is only guaranteed on the guarantee dates (see '*What is the guarantee?*')
- If you transfer savings from a Cash ISA taken out in the current tax-year to a Stocks and Shares ISA, the transfer will be treated as if you had only invested in the Stocks and Shares ISA. This enables you to choose to save up to the remaining balance of your ISA allowance in the Stocks and Shares ISA or alternatively take out a new Cash ISA later in the same tax-year

- If you cash in part of your investment, £500 must remain invested. We reserve the right to close an investment if less than £500 remains invested after a withdrawal. The amount returned would be its value at the time (see also '*How does the investment work?*')
- We will pay the money into your bank account

Can you transfer to another provider?

- You can transfer your Guaranteed ISA to another provider. We won't charge you to transfer to another provider (see '*What are the charges?*')
- To transfer your plan you should contact your new provider, who'll arrange the transfer on your behalf. Your investment will be transferred to your new provider within 30 days of receiving all the relevant paperwork

What happens if you die?

- If you die we'll pay the value of your plan to your estate
- The amount paid will be the greater of 101% of the guarantees or 101% of the current value. Due to ISA regulations, the current value will be adjusted for tax to reflect net of tax growth following the date of death

What might you get back?

- The amount you get back will depend on how long you invest for, the withdrawals you make, the performance of the fund, our charges and the outcome of our other business areas where the Life Fund shares the risks and rewards

Accessing your money

When can you take your money out?

- You can cash in part or all of your investment at any time. However, you should remember that the plan is designed to run for at least five years. If you cash in between guarantee dates you may get back less than you invested
- If you are making regular payments, a partial withdrawal can only be made if a minimum of £1,000 has been paid in
- If you take some money out, your guarantee will be reduced (see '*What happens to your guarantee if you take money out?*')

Questions and Answers continued

- What you might get back after 10 years if our investments grow each year by:



- These figures are only examples and are not guaranteed – they are not maximum or minimum amounts
- Lower than standard projection rates have been used due to market conditions
- We pay external fund managers to actively manage parts of the Life Fund. We expect that this cost will be more than covered by the increased investment growth potential provided by active management. The growth rates used for your plan are prudently based by making no allowance for this additional performance. For consistency we do not allow for the extra cost of active management
- Remember, our charges may vary (see ‘*What are the charges?*’) and inflation will reduce what you can buy in the future
- You could get back more or less than the amounts shown
- An annual charge of 0.5% of your fund value which is spread across each month throughout the year
- To cover the costs of providing the guarantee we also make a deduction of 0.75% a year from the investment return we achieve. For example, if the underlying investment performance of the Society’s fund is 6%, your investment grows by 5.25%. This charge is reviewed regularly, usually once a year
- The charges do not reduce the guaranteed value of the plan
- We will tell you the most recent annual and guarantee charges in your yearly statement
- Any changes to our charges will be made in accordance with the ‘*When can the charges be varied?*’ section

When can the charges be varied?

- We can vary our charges at any time if it is to your advantage, for example if we reduce or abolish any charge
- Where we make a change to our charges that is to your disadvantage or we add new charges, it will be for any one or more of the following reasons:
 - To take account of changes in our costs in running the service for which the charge is made
 - To take account of variations in costs for any changes or improvements we make to the services we already provide to our Guaranteed ISA holders, including making technological changes

Charges and tax

What are the charges?

- The initial charge varies according to the amount invested

Investment Amount	Initial Charge
£1,000 – £4,999	3.5%
£5,000 – £9,999	3%
£10,000 – £24,999	2.5%
£25,000 – £49,999	2%
£50,000 plus	1.5%
Regular Premiums	3.5%

The initial charge is taken from each regular premium or lump sum invested.

- To take account of any changes we may reasonably make in activities we carry out or new activities
 - To take account of any changes in the law or the interpretation of the law, codes of practice or regulations
 - To take account of any decision, requirement or recommendation by a court, ombudsman or regulator with which we intend to comply
 - To correct an error, if it is reasonable to do so
 - To enable us to maintain our financial strength in the interests of all our customers
 - To take account of increases in inflation
 - By agreement with you
 - To enable us to harmonise the charges concerned following any acquisition or transfer of Stocks and Shares ISA business or any takeover of, or merger with, another Stocks and Shares ISA provider
- These reasons may relate to circumstances existing at the time or those that we reasonably expect to apply in the near future
 - Where we change our charges for one or more of these reasons, we will do so in a reasonable and proportionate manner
 - We will tell you in your yearly statement about any changes to existing charges or about the introduction of a new charge for any reason mentioned above

How will charges affect your investment?

- The example shows what you might get back from your Guaranteed ISA after charges
- The table below assumes you have invested £10,680 and our investments grow at 6% a year. If you cash in during the early years you could get back less than you have paid in

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£10,680	£417	£10,900
2	£10,680	£581	£11,400
3	£10,680	£761	£11,900
4	£10,680	£959	£12,500
5	£10,680	£1,177	£13,100
10	£10,680	£2,606	£16,500

- The deductions include expenses, charges and other adjustments
- Over ten years the deductions will have the same effect as bringing investment growth from 6% a year down to 4.5% a year

What about tax?

- The Guaranteed ISA is a Stocks and Shares ISA and therefore you don't have to pay income tax or capital gains tax on the proceeds of your plan
- This represents a summary of our current understanding of the position on taxation. This does not represent advice. Tax legislation may change in the future

General Questions

Do we provide advice on the Guaranteed ISA?

- You can discuss the general features of the product with us, but we will not assess your personal and financial circumstances. We will be unable to advise you whether the product is suitable for you. If you are in any doubt about the suitability of the product you should contact a financial advisor. Police Mutual does not pay any commission to intermediaries in respect of this transaction

Can you change your mind?

- It's your legal right to change your mind within 30 days. We will give you your money back if you sign and return the cancellation notice, or confirm your wishes in writing. Send it to our contact address (see 'How to contact us') within 30 days of receiving your documentation. If you do not do this within 30 days and wish to cancel your plan, you will be entitled to a value, which may be less than your initial investment

How will you know how your Guaranteed ISA is doing?

- We will send you a statement every year to let you know how it is doing
- You can also call us on 0845 88 22 999 if you want a current value at any other time

Other information

How to contact us

- If you have any questions, wish to make an additional investment or a withdrawal at any time, you can contact us at the address on the reverse of this brochure

How to complain

- If you wish to complain about any aspect of the service you receive, please contact us
- A copy of our complaint handling procedure is available on request

- If you're still not satisfied you can complain to:

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR

- Complaining to the ombudsman will not affect your legal rights

ISA Terms and Conditions

The Plan

- This Key Features document which incorporates these ISA Terms and Conditions and the Application Form which you complete for the Guaranteed ISA, together with the Police Mutual Certificate of Membership which we will issue if we accept your application, will comprise the legally binding terms and conditions for your Contract which governs your Police Mutual Guaranteed ISA
- The manager of the Guaranteed ISA is Police Mutual Assurance Society Limited who will manage the ISA (the plan) in accordance with these terms and conditions, your own instructions stated in the application form and the ISA Regulations. Police Mutual may delegate any functions or responsibilities under these terms and conditions to another person, but will satisfy itself that any such person is competent to carry out those functions and responsibilities

Subscriptions and Investments

- A policy may be owned or held only as a qualifying investment for an ISA. A policy shall terminate automatically if it is ceased to be owned or held in the ISA

- A policy or rights conferred by the policy or any share or interest in the policy or rights respectively, other than the cash proceeds from termination or part surrender of the rights conferred, cannot be transferred to the investor
- A policy, the rights conferred by a policy and any share or interest in a policy or rights respectively, are not capable of assignment or assignation (other than that a policy may be transferred from one ISA manager to another in accordance with normal rules on ISA transfers, and the rights may vest in personal representatives of a deceased investor)
- ISA investments will be, and must remain in, the beneficial ownership of the investor and must not be used as security for a loan
- Your subscriptions in a particular tax-year shall be applied as contributions to a policy of insurance with Police Mutual, such policy to be issued, and so held in your ISA, as from the date on which your first subscription in that tax-year is received or deemed to be received by us
- You may make lump-sum or regular payments by way of subscriptions provided that these do not exceed the aggregate of the annual ISA allowance in any tax-year. (You are not though, obliged to make further subscription in any tax-year after the first subscription in that tax-year)

- If you subscribe over a number of tax-years, your Contract with Police Mutual shall comprise a number of separate policies of insurance. The Contract number allocated to you once we issue your Certificate of Membership may therefore comprise a number of separate policies of life insurance, of which we will maintain records, although there will still be the single Contract number on statements provided to you

Voiding a Plan

- Police Mutual will give you written notice if the plan has or will become void by reason of any failure to satisfy the ISA Regulations and, in the event of such failure, the plan will terminate automatically with immediate effect

Eligibility

- If you cease to qualify to invest in an ISA, you must notify us immediately and we will not be able to accept any further subscriptions to your plan

Termination and Transfer

- You may, at any time, by written request to Police Mutual, terminate or transfer the plan or withdraw from it by directing Police Mutual:
 - To pay or transfer to you within 30 days, all or part of the investment value held in the ISA and proceeds arising from those investments; or

- To transfer the ISA or any part of it with all rights and obligations of the parties, within 30 days, to another Plan Manager who is approved by HM Revenue & Customs and authorised under the Financial Services and Markets Act 2000 to act as a Plan Manager in accordance with the ISA Regulations, and who agrees to accept the transfer
- Police Mutual may terminate the plan by written notice to you if you are in breach of these terms and conditions
- We will tell you about any changes to these terms and conditions for any reason mentioned above in your yearly statement
- Where we change our terms and conditions for one or more of these reasons, we will do so in a reasonable and proportionate manner

Law

- In any legal disputes this plan is subject to the law of England and Wales unless the parties agree otherwise

Deductions

- Police Mutual may deduct from the plan or any resulting payment or transfer of cash or shares and other rights:
 - any sums due to Police Mutual under these terms and conditions governing the plan; and
 - except where the plan is being transferred to another Plan Manager, a sum reasonably determined by Police Mutual to represent any tax liabilities of the plan holder or those of his personal representatives in connection with the plan for which Police Mutual is or may be accountable under the ISA Regulations (Individual Savings Account Regulations 1998 (S.I. 1998/1870))

Alterations

- We may vary these terms and conditions (other than in respect to charges) at any time for the following reasons:
 - To take account of changes in the products or services we provide or the way we provide them
 - To take account of any changes or improvements we make to the services we already provide to our Guaranteed ISA holders, including making technological changes
 - To take account of any changes in the law or the interpretation of the law, codes of practice or regulations
 - To take account of any decision, requirement or recommendation by a court, ombudsman or regulator with which we intend to comply
 - To correct errors, if it is reasonable to do so
 - If we reasonably believe the change is necessary in the interests of our business as a whole, for example to protect our financial strength
 - If the change is to your advantage
 - By agreement with you
 - To enable us to harmonise the terms and conditions concerned following any acquisition or transfer of Stocks and Shares ISA business or any takeover of, or merger with, another Stocks and Shares ISA provider

Language

- For the duration of your plan, all correspondence will be communicated in English

Compensation

- We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. There are various levels of compensation available, which depend on the type of business and the circumstances of the claim. This plan is covered as follows:
 - Long-term insurance - 90% of the whole of the claim
- Further information is available from the Financial Services Compensation Scheme or the Financial Services Authority

Investing in the Police Mutual Life Fund Guaranteed ISA

Everything you need to know

This guide explains what it means to invest in the Police Mutual Life Fund with a with-profits policy. It's designed to tell you everything about your with-profits plan and what you can expect back.

Two further guides are available that cover our other with-profits products that work differently, but also invest in the Life Fund.

Please read this guide and keep it in a safe place with your other plan documents.

Your with-profits plan

What is a with-profits plan?

A with-profits plan is a plan invested in a with-profits fund such as the Police Mutual Life Fund.

The aim of with-profits funds is to smooth out some of the short term highs and lows over the period of time that you hold the plan. So even if the performance of the fund is significantly different in one year than the next, the impact on the performance of your plan should not be as extreme.

In addition to this, with-profits plans offer the reassurance of guarantees that let you know the minimum amount you will get back at certain points. These 'guarantee points' are explained in the Key Features section of this document (see *'The guarantee explained'*).

How is your money invested?

Your payments go into the Police Mutual Life Fund, which holds a wide range of investments both in the UK and overseas. These investments are mainly in a mix of company shares, bonds (which are a type of loan to governments or to companies), property, commodities and cash. Your payments are added together with those of other investors, so even if you are investing small amounts you get a better spread of investments than by investing on your own.

Depending on market conditions, the performance of some of these investment areas can be better than others, so we invest more or less of the fund in different areas when appropriate to improve long-term performance or maintain the financial security of the fund.

Why are the investment risks lower?

By pooling your payments with those of other members, you invest in a range of different assets and this reduces the impact on your investment if one asset performs badly. Along with this, we smooth the performance of your plan and offer guarantees on all our plans, which means that the investment risk of our with-profits plans is lower than investing fully in shares.

What is smoothing?

Instead of simply reflecting what your share of the fund makes or loses each year, a with-profits plan evens out some of the short term highs and lows in performance over the time you hold your plan. Some of the gains made in one year when the fund performs well may be held back and used to cover the losses made in another period. This is called smoothing.

The smoothing process means that the payout at any one time can be more or less than your share of the fund at that time, although on average we expect to pay the share of the fund that applies to each plan. This share of the fund reflects your original investment, any withdrawals you have made, investment returns, expenses and tax. Results from other Police Mutual Group activities may also be reflected (see *'Investment in Police Mutual Group Activities'*). The investment performance of the Life Fund will vary over time so, even with smoothing, payouts will vary over different periods.

While Police Mutual does smooth returns to try to minimise sharp changes in payouts, there may be times in extremely poor market conditions when smoothing cannot fully protect your investment. This can happen following a significant or sustained fall in the stock market or when investment returns are below the level we normally expect. This may affect your plan value.

What should you expect back?

When the plan reaches a guarantee point, or if you die beforehand, you will get back at least the guaranteed minimum payout that we explain to you at the start of your plan. If you make any withdrawals or cash-in your plan outside of these guarantee points for any of the plans you may get back less than you invested.

Investing in company shares, property and commodities offers the opportunity for higher returns than cash based investments, especially over the long-term, but also has increased risk. So if the stock market does fall, or our other investments don't perform well, the Guaranteed ISA offers the security of a guarantee at certain points throughout the life of the plan. We make a charge for providing this guarantee by reducing the investment return given to your plan. This charge is reviewed every year.

What bonuses will be added?

The plan has a guaranteed minimum payout at certain points. We may also add a final bonus at the end of your plan, or if you die, as a way of sharing out the profits earned by the fund.

We will pay a final bonus if your smoothed share of the fund is more than the guaranteed value of your plan. If unusual conditions described in 'How we decide bonuses' apply, an unsmoothed share of the fund may be used. The final bonus may make a significant difference to your payout. Final bonuses are calculated for each plan individually. They will change regularly as investment conditions change.

What are the charges?

We make charges to cover the expenses of running the plan, any reduction on cashing-in and other adjustments, for example to cover the costs of providing the guaranteed minimum payout. These charges are taken into account when calculating the value of your plan and do not need to be paid separately by you. We review these charges every year.

We aim to charge a fair share of our expenses to each investor. The charges include an initial charge at the start of a new plan and a yearly charge to cover the management of the plan. We also make a charge to cover the cost of providing the guarantees by reducing the investment return given to your plan.

Further details of these charges are described in the Key Features section of this document (see 'Charges and tax'). For more information on these, please contact us on 0845 88 22 999.

What if you want to cash-in other than at a guarantee point?

With-profits plans are intended as medium to long-term investments and are designed to provide better returns over a period of at least 5 years rather than if they are cashed in early.

You can cash-in your Guaranteed ISA at any time in whole or in part by contacting us. If you cash-in other than at a guarantee point, any guarantees will not apply.

- The cash-in value will depend on the amount you have paid in plus investment returns with allowances for our expenses, tax and the outcome of other business activities within the Police Mutual Group (see '*Investment in Police Mutual Group Activities*'). It could be more or less than the guaranteed value of your plan and could be less than you invested. This would most commonly happen if you cashed in early or if investment conditions have been particularly poor
- Except in some unusual circumstances, we will smooth your payout in the normal way when calculating your cash-in value
- If your share of the fund is more than the guaranteed value when you cash-in or transfer then we may add a final bonus. If your share of the fund is less than the guaranteed value then we may pay less than the guaranteed value. This is known as a market value reduction. Market value reductions protect the Life Fund from significant losses at times of unfavourable stock market conditions and so protect the interests of the remaining plan holders

Management of the Life Fund

Things that might affect your final payout

The biggest factor affecting how much you might get back is the performance of the investments in the Life Fund. This will depend on how the fund is invested. For example, all of these with-profits plans are intended to run for at least 5-10 years and investing some of the fund in company shares tends to produce better returns over such a period. This is not guaranteed, however, and in the short term the performance can be significantly different year on year.

Because of this, the amount we have invested in different investment areas will vary according to market conditions. We would normally expect between 30% and 60% of the Life Fund to be invested in company shares, property and commodities and would aim to be at the higher end of this range.

However, there are limits on how much we put into these higher risk areas as we are committed to ensuring our fund can cover all the money we've guaranteed to plan holders at any time. There may be times when we would need to be at the lower end of the range or even lower to ensure that this is possible. If you want more information on how the Life Fund is currently invested, please contact us.

Other important factors are:

- How we smooth investment returns
- The results from other business areas where the Life Fund shares the risks and rewards (see '*Investment in Police Mutual Group Activities*')
- Our charges
- Making sure we can cover the guarantees we offer to you and other plan holders
- How long you invest for

These are not the only factors and may change over time. Other risks associated with holding a with-profits plan are highlighted in the Key Features section of this document (see '*Risk factors*').

How do we decide bonuses

Your final bonus is based on the share of the fund that we calculate applies to your plan. This will depend on how profits have built up over the years. We work out the final bonus by calculating a smoothed share of the fund over the past twenty six weeks. If this is more than the guaranteed value of your plan we will pay a final bonus. If it is less, we may apply a market value reduction unless you are at a guarantee point.

In some unusual circumstances, we may not smooth your payout in the normal way. If market conditions cause a significant change in the value of the fund, we may decide to use an unsmoothed share of the fund to determine the final bonus or market value reduction for a period. As an example, this may happen if the unsmoothed value varies from the smoothed value by 5% or more.

Investment in Police Mutual Group Activities

We make an investment from the Life Fund in Police Mutual Group activities, such as financial education and the Police Mutual Foundation, which we believe are in the interests of all our members both now and in the future. Any significant activity must be approved by the Society's Managing Board, who would consider the costs and benefits of doing this. While we expect activities to generate profits or provide a facility that is in our members' interests, there is always the chance that we may make a loss. Any profit or loss from Police Mutual Group activity could have an impact on your final payout.

A mutual society

As the Society is a mutual, there are no shareholders to take a share of the profits, which means more goes to our members. It also means that we can't raise additional funds in the same way as companies which are quoted on the stock market so we consider carefully how we invest the fund and take a lower level of risk.

The inherited estate

Our Life Fund has been operating for many years and contains an amount of money in excess of the amount we expect to pay out to existing planholders. The excess money is known as the inherited estate and we use this to support smoothing and guarantees.

The size of the inherited estate is important as it gives us:

- The flexibility to invest in a more diverse investment range to provide greater growth potential
- The ability to undertake Police Mutual Group activities
- A cushion of additional security to protect planholders when investment returns are low
- A greater capacity for smoothing the returns you receive

We may also use the inherited estate to meet any exceptional costs of managing the business and to fund the Police Mutual Foundation.

Fair and effective management

Police Mutual has a framework in place to ensure that we manage the Life Fund fairly and effectively, and in accordance with the regulations of the Financial Services Authority.

- We produce a document called the Principles and Practices of Financial Management (PPFM) which gives a fuller description of the way we manage the financial aspects of the fund
- A sub-committee of the Managing Board meet on a regular basis to review whether the business has been managed in accordance with the PPFM. This sub-committee includes non-executive representation and is attended by the With-Profits Actuary, who is specifically appointed under FSA regulations to advise and ensure that policyholders are treated fairly
- On an annual basis, the Managing Board and the With-Profits Actuary make a report available to policyholders, confirming whether the Life Fund has been managed in accordance with the PPFM

Looking to the future

We will continue to allow people to invest in the Life Fund as long as we believe it is in the interests of both our existing and new members. If we stopped attracting material amounts of new with-profits plans we would have to review the way we smooth your final payout and how we invest the money within the fund.

This guide summarises our current approach to managing the with-profits plans listed. We expect the way we manage the plans will change over time, and we will inform you about any changes when we send you your yearly statement. We will also send you an updated copy of this guide with your yearly statement if anything significant has changed in the previous year.

Need more info?

Our Principles and Practices of Financial Management (also referred to as PPFM) explains how we manage investments in the Life Fund in more detail and is available on request or as a download at: policemutual.co.uk

Here for the Police. Here for the long term.

We've been helping members of the Police Service and their families with their finances since 1922. Today, with over 210,000 members of the Police Service trusting us with their savings, investments and insurance, we're the UK's largest affinity friendly society. And with no shareholders to satisfy, we can make sure that we put our members at the heart of everything we do.

Keeping it in the family

As a member of the Police Family, whether you're a Police Officer or Police Staff, serving or retired, our products and services are designed with you in mind. Even if you leave the Police, you can still continue with your existing Police Mutual plans and take out additional ones.

And your own family is welcome too. Your partner and your wider family including parents, brothers and sisters, children and grandchildren can all benefit by becoming members of Police Mutual.

Find out how we can help or for more information on any of our products and services:

Call
0845 88 22 999
(Monday-Friday, 8.30am-5.30pm)

Or visit
policemutual.co.uk

Your savings • Your investments • Your car insurance • Your home insurance
Your retirement • Your mortgage service • Your welfare • **Your Police Mutual**

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