

Our guide to default investment



As part of auto enrolment, the Department for Work and Pensions (DWP) states that all employers should offer their employees schemes with a suitable default investment. This guide outlines what your responsibilities are, and how we can help you meet them.

We've designed our default investment options based on the DWP's best practice guidelines¹, so you can feel confident you're offering your employees investment options that are in line with the regulator's recommendations.

Our default investment options offer you:

- Affordable solutions designed by investment experts
- Flexibility over default choice, with a range of lifestyle strategies
- Governance you can count on
- Regular communications to scheme members.

1. Guidance for offering a default option for defined contribution automatic enrolment pension schemes, DWP, May 2011.



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Your responsibilities

The DWP's guidance focuses heavily on employers' responsibilities for the suitability and design of their scheme's default investment option.

If you're responsible for the suitability of the default then you'll have to:

- select the most suitable default investment – taking into account the likely characteristics and needs of employees who will be automatically enrolled into the scheme
- review the suitability of the default investment option
- disclose the overall charges and the effect on member outcomes
- make information on the roles and responsibilities of decision makers available to members
- communicate information on the conclusions of suitability reviews and any actions taken.

And if you're responsible for designing the default then you'll need to make sure:

- it's appropriately named
- it takes into account the retirement profile of members
- it manages risk as members get closer to retirement
- it uses an appropriate and diversified asset allocation
- it's affordable
- there's a review process to cover design and fund performance
- members receive regular communications about the default, including the conclusion of any reviews and actions taken
- it provides and signposts additional information.



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Our default investment options

If you decide to retain responsibility for the suitability of the default, design it or both, we can help you meet many of the best practice guidelines laid out for defaults to deliver a good outcome.

One of the key principles of the DWP guidelines on default investment options is that roles and responsibilities for ongoing suitability and design must be

clearly defined. So we've split our default investment options into four ranges – **default**, **selected**, **designed** and **supported**.

Our range of default options are shown below and have been categorised depending on who is taking responsibility for suitability and design.

Range	Responsibility for default suitability	Responsibility for default design	Default options
Royal London default	Royal London 	Royal London 	Balanced Lifestyle Strategy (Drawdown)
Royal London selected	Royal London 	Royal London 	Balanced Tracker Lifestyle Strategy (Drawdown)
Royal London designed	Employer/Adviser  	Royal London 	All of our lifestyle strategies, which can include bespoke branding, bespoke lifestyle route and choice of at retirement targets ²
Royal London supported	Employer/Adviser  	Employer/Adviser  	All of the options available under Royal London designed, plus build-your-own custom lifestyle strategies (asset allocation, fund selection and lifestyle switch points) ² .

2. Default investment options can only use our internal funds and BlackRock passive funds to make sure that fund charges don't breach the 0.75% a year charge cap.

Royal London will take responsibility for suitability for both the **Royal London default** and **Royal London selected** default options.

The selected option allows you to select the tracker version of the default. The tracker version invests the equity proportion of the lifestyle strategy in a BlackRock

tracker fund, rather than the RLP Global Managed Fund. This is the only difference between the Royal London selected and Royal London default options. You should be aware that whichever option you select, the value of investments can fall as well as rise and your employees could get back less than they invest.

If you don't choose a default, we'll automatically select the **Royal London default** for your schemes. The diagram below shows this lifestyle journey. Our Governed Portfolios are built for saving for retirement and our Governed Retirement Income Portfolios (GRIPs) are designed for taking a regular income in retirement.

The Royal London Balanced Lifestyle Strategy (Drawdown) journey				
Risk category	At 15 years	At 10 years	At 5 years	Retirement
Balanced	Governed Portfolio Dynamic	Governed Portfolio Growth	Governed Portfolio Conservative	GRIP 3

[Talk to an expert](#)

This guide can't tell you what to do – it only shows you some options. So it's best to make any decisions about your workplace pension with help from a financial adviser.

You may be charged for this advice.

How we can help you meet the DWP's guidelines

Whichever default option you choose, we can help you meet the DWP's guidelines. Here's how we can support you.

DWP guidelines	Royal London default and Royal London selected	Royal London designed	Royal London supported
The default takes into account the retirement profile of members.	Each default option is designed to reduce in risk 15 years before retirement.	Each lifestyle option is designed to reduce in risk 15 years before retirement.	We can help you design a default which meets the DWP's guidelines and it can be made available on our system at no extra cost.
The default uses an appropriate diversified asset allocation .	Each default option invests in a mix of assets designed to deliver the best potential returns for its stated risk profile.	Each lifestyle option invests in a mix of assets designed to deliver the best potential returns for its stated risk profile.	
The default is affordable .	No additional Total Expense Ratio ³ .	No additional Total Expense Ratio ³ .	You can choose from over 80 funds with no additional Total Expense Ratio ³ .

³ Total Expense Ratio is a measure of the overall cost of a fund to the investor. It includes the Fund Management Charge plus any audit, custodian, registration or compliance fees paid out of the fund's assets.

DWP guidelines	Royal London default and Royal London selected	Royal London designed	Royal London supported
The default includes regular reviews of the design and performance of funds.	Our Investment Advisory Committee (IAC) reviews the design and performance of the default option, as well as the underlying funds, every quarter.	Our Investment Advisory Committee (IAC) reviews the design and performance of each lifestyle option, as well as the underlying funds, every quarter.	We'll send you a reminder when a design review is due. If you decide to change the default following a review, we'll move all default members into the new default, not just new joiners.
The default includes communications to members.	All members receive information on the default before joining the scheme. Factsheets for each default option are available online. We publish full minutes of our IAC meetings on our website.	All members receive information on the default before joining the scheme. Factsheets for each default option are available online. We publish full minutes of our IAC meetings on our website.	All members receive information on the default before joining the scheme. We'll create factsheets for each default option and make these available online.

We hope this guide makes your choices clearer. If you have questions, a financial adviser will help steer you in the right direction. Or you can visit us at employer.royallondon.com/investment



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We're happy to provide your documents in a different format, such as braille, large print or audio, just ask us when you get in touch.

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