

With-profits bonus declaration

On 29 July 2021, we announced that we had reviewed our UK with-profits bonus rates.

- Most customers will have seen their year on year plan values increase.
- Regular bonus rates were not part of this review and are therefore unchanged from the rates we announced in January this year, see section 1 below.
- Many customers continue to benefit from smoothing and the guarantees that apply under their plans.

To see how your plan has changed, you can look at your annual statement or login to see the value of your plan.

Here's what this could mean for you

We've provided some examples of what this could mean for you. Of course, it's important to remember that these examples are purely for illustration. Everyone's circumstances are different. There are a number of factors that can affect the value of your with-profits investment, including how old you are, when you started your investment, and how much you've paid in.

Type of plan	Term of plan	Gender/Age	Amount invested	Plan value at 01/08/2020	Payout at 01/08/2021
Pensions	20 years: started 1 August 2001	Male Retirement age 65	£48,000 (£200 a month)	£75,374	£82,764
Unitised Savings Endowment	25 years: started 1 August 1996	Male 29 at start	£15,000 (£50 a month)	£22,999	£23,671
Conventional Savings Endowment	30 years: started 1 August 1991	Male 29 at start	£18,000 (£50 a month)	£30,733	£32,915

The figures shown refer to the past. Past performance is not a reliable guide to future performance.



Unitised plans – Most unitised plans allow a choice of investments, including with-profits. Units are allocated when premiums are paid and the plan payout value depends on the number of units and the unit price. Unlike investment-linked units, the price of most types of with-profits units normally increases daily, even if the value of the assets in the with-profits fund fall.

What else you might need to know

1. Regular bonus rates and guarantees

On a date the guarantee applies, or on death, with-profits investments (excluding Stakeholder pensions) guarantee that you'll at least get back the money you originally paid in. (For some older pension plans there may be a deduction for outstanding charges.)

With-profits investments can also include regular bonuses. Regular bonuses aim to increase the amount you're guaranteed to get from your plan over time.

These guarantees and bonuses are valuable features of with-profits investments.

Guaranteed benefits for unitised plans will continue to grow at the following rates:

	Guaranteed benefits continue to grow at a rate of:
Unitised life plans that have a 3% a year unit price growth guarantee	3% a year
Unitised with-profits pensions that have a 4% a year unit price growth guarantee	4% a year



Conventional plans –

The original style of individual with-profits contract where, in return for payment of an agreed premium, a fixed sum assured is guaranteed to be paid on (or a set amount of pension starts to be paid from) a defined future date (the maturity/retirement date). The guaranteed amount can be increased over time by the addition of regular (reversionary) bonuses.

	From 1 February 2021 (until further notice) guaranteed benefits will grow at a rate of
With Profits Bond	2.5% a year
Other unitised life plans, including Homeplan	0.5% a year
Other unitised with-profits pensions*	0.75% a year

*Excluding Stakeholder pensions and plans invested in the Pension Inflation Plus Fund

The bonus added to guaranteed benefits on conventional plans will be:

	Bonus added to guaranteed benefits on 1 February 2021	
Life plans	0.25% on sum assured	0.35% on attaching bonuses
Personal Pension and Executive Pension plans	0.25% on sum assured	0.25% on attaching bonuses

	For scheme year ending on or after 1 March 2021	
Group Pension plans	0.00% on sum assured	0.00% on attaching bonuses

2. Standard Life's with-profits asset mixes and investment returns

You'll be in one of the different types of with-profits plans with different asset mixes which Standard Life offers. The types and proportions of these assets reflects any guarantees for your particular plan.

[You can find more about this in our quarterly investment reports here.](#)

At 30 June 2021 the asset mix and investment return details were:

	Class of with-profits business	Asset mix 30 June 2021			Estimated Gross Return for 6 months to 30/06/21
		Equities	Fixed Interest & Other*	Property	
1	Unitised life funds with a minimum unit price growth rate of 3% a year and unitised pension funds with a minimum unit price growth rate of 4% a year	27.8%	69.7%	2.5%	1.0%
2	With Profits Bonds	71.8%	19.8%	8.4%	8.0%
3	Homeplan and other unitised life plans not included in 1 above, and other unitised pension business (excluding Stakeholder, and plans invested in the Pension Inflation Plus Fund)	66.9%	25.0%	8.1%	7.4%
4	With Profits Pension Annuities	63.9%	29.4%	6.7%	6.5%
5	Conventional life with-profits plans, including mortgage endowments, and non unitised pensions	53.1%	39.9%	7.0%	5.5%
6	Stakeholder with-profits pension plans starting before 10 July 2006	69.6%	30.4%	0.0%	6.4%
7	Stakeholder with-profits pension plans starting after 9 July 2006	69.4%	30.6%	0.0%	6.3%

*Fixed Interest and Other includes Corporate fixed interest, Government bonds including index-linked bonds, cash deposits and money market instruments.

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Inherited Estate – When Standard Life demutualised on 10 July 2006, the Heritage With Profits Fund was set up with an Inherited Estate. Its primary role is to provide a cushion against the possibility that the assets set aside to cover the liabilities of the fund prove insufficient and to meet any unforeseen liabilities. We only make distributions when we are satisfied that the Inherited Estate exceeds the amount required to meet its primary role.

The return on the asset mix is only one of the factors that affect with-profits plan values. Other factors are the deductions we make, and any other discretionary adjustments that we may apply such as smoothing. The deductions are, for example, for assessed costs of guarantees and our expenses. For eligible plans, we are also topping up plan values by around 4.8% from the inherited estate.

3. Final bonuses and market value reductions (MVRs)

You can find out more about how we calculate with-profits payout values in our With-Profits guides. A plan's with-profits payout value determines the amount of final bonus, if any, as follows:

For conventional plans, such as savings endowments, the final bonus at maturity is the difference between the sum assured plus regular bonuses, and the payout value. For unitised plans, the final bonus is the difference between the unit value and the payout value. Sometimes there will be no final bonus.

The payout value from a unitised plan can be higher or lower than its unit value. Any payment above the unit value is the final bonus. If the payout value is less than the unit value, the difference is sometimes called an MVR. However, there will be no MVR if a guarantee applies. This is generally the case on death or maturity, or when pension benefits are taken on the retirement date that was selected when the plan started. The payout value then will be the unit value plus any final bonus payable at the time+.

(+ For some older pension plans there may be a deduction for outstanding charges.)

The payout value for a plan is calculated daily. The final bonus or MVR differs from plan to plan depending on such things as the payments made to the plan and when they were paid, as well as the growth in the unit price. Currently many plans don't have an MVR.

4. Frequently asked questions

- **What has changed?**
- **What plans are affected?**
- **Why does the value of my plan change at each review?**
- **Why is there an MVR on my pension plan?**
- **Where can I find out more about with profits?**

What has changed?

- It's important that you continue to get a fair return from your with-profits plan so Standard Life has reset the factors we use to calculate payout values. We regularly review our with-profits payouts taking account of the investment returns on the assets of the with-profits fund.

No change to regular and interim bonus rates

- Reversionary and interim bonus rates for conventional with-profits plans are the same as those announced in January this year.
- Unitised with-profits pensions that have a 4% unit price guarantee continue to grow at that rate.
- The bonus growth rates for all unitised life and pension with-profits plans and With Profits Bonds are the same as those announced in January this year.
- These bonuses provide a gradual build-up of guaranteed benefits.
- We currently expect these regular bonus rates to apply at least until February 2022.

If you want more information on our guaranteed growth and regular bonus rates, please click on the relevant link below:

Life contracts

Pension contracts

Payout values

- For most types of with-profits plan, we use payout calculation factors to calculate payout values. These factors are set to make sure that each customer receives a fair payout as well as any inherited estate enhancement. We reset the factors at 29 July following our review of payout values. We last reset these factors in January this year and before that in July last year.
- Many customers will have seen their plan value increase overnight. You can check your annual statement to see how your plan has changed from last year.

What plans are affected?

- Most types of plans are affected by the July changes in the calculation factors. The main exceptions are Stakeholder pension plans, With Profits Bonds and Homeplan.

Why does the value of my plan change at each review?

- The value of your plan can rise and fall because the different types of investments that back with-profits plans can go up and down.
- **Smoothing** can help protect you from short-term market movements. It aims to even out the day-to-day ups and downs of the market and provides some protection and stability to your plan value.
- However, there may be times when payout values do not move smoothly even when we are applying **smoothing**. For example, we don't set calculation factors every day to calculate payouts. When we change them, we have to take account of investment returns, adjusted for any **smoothing**, since we last set them. This can result in a sharp overnight change, up or down, in payout values.

Why is there an MVR on my pension plan?

- Your plan's transfer value is a **fair payout** that takes account of how the with-profits fund has performed while your plan has been invested in it. In particular, it takes account of the investment returns on the assets in the with-profits fund and any **smoothing**.
- Your plan's **unit value** includes the regular bonuses that have been added to the **guaranteed amount** over the same period. But regular bonuses are not directly linked to the performance of the with-profits fund. This means that the unit value can be higher than the transfer value, giving valuable protection for claims where guarantees apply. (The **unit value** is the number of units multiplied by the unreduced unit price.)
- There's no **guaranteed amount** payable on transfer and so the transfer value can be lower than the **unit value**. This happens when your **fair payout** hasn't grown by as much as the **unit value** since your plan started.
- In other circumstances, when the transfer value is higher than the **unit value**, we pay a final bonus to make up the difference.
- Your plan's retirement value will also reflect how the with-profits fund has performed while your plan has been invested in with-profits, and any **smoothing**. Currently, when we calculate retirement values, we apply a minimum of **unit value** to each year's units. So the retirement value can be higher than the transfer value and, for claims where guarantees apply, the retirement value will be at least the total **unit value**+.
(+ For some older plans, there may be a deduction for outstanding charges.)

Where can I find out more about with-profits?

You can find out more about with-profits on our website: www.standardlife.co.uk/withprofits

For information on unit values, guaranteed amounts, smoothing and how we set fair payouts, please also see our With-Profits guides.