

With-profits bonus declaration

On 1 February 2024, we announced that we had reviewed our UK with-profits bonus rates.

- Regular bonus rates have increased or remain unchanged from last year, see section 1 below
- Recent investment returns have been positive for all classes of with-profits business meaning most customers plan values will have increased since our last review in August 2023, see Section 2 on page 2
- Customers continue to benefit from smoothing and the guarantees that apply under their plans
- For eligible plans, we are also topping up plan values by around 6.2% from the inherited estate

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 01/02/2023 | Payout at 01/02/2024 |
|--------------------------------|-----------------------------------|-------------------------------------|---------------------------|--------------------------|----------------------|
| Pensions | 20 years: started 1 February 2004 | Male or Female Retirement age 65 | £48,000 (£200 a month) | £75,580 | £79,789 |
| | 25 years: started 1 February 1999 | Male or Female Retirement age 65 | £60,000 (£200 a month) | £105,117 | £114,627 |
| Unitised Savings Endowment | 25 years: started 1 February 1999 | Male 29 at start | £15,000 (£50 a month) | £21,994 | £23,487 |
| | 25 years: started 1 February 1999 | Female 29 at start | £15,000 (£50 a month) | £22,239 | £23,753 |
| Conventional Savings Endowment | 35 years: started 1 February 1989 | Male 29 at start | £21,000 (£50 a month) | £43,357* | £43,403* |

* The Conventional Savings Endowment figures are for a man accepted on standard terms, a woman of the same age would receive slightly more. The figures shown refer to the past. Past performance is not a reliable guide to future performance.

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 plan units that have a 3% a year unit price growth guarantee | 3% a year |
| Unitised with-profits pension plan units that have a 4% a year unit price growth guarantee | 4% a year |

Unitised plans – 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.

Conventional plans – 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 2024 (until further notice) guaranteed benefits will grow at a rate of |
|--|--|
| With Profits Bond plan units | 2.5% a year |
| Other unitised life plan units, including Homeplan | 2.0% a year |
| Other unitised with-profits pension plan units* | 2.25% 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 2024 | |
|--|---|----------------------------|
| 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 2024 | |
|---------------------|---|----------------------------|
| 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.

Different asset mixes have different investment returns:

| Class of with-profits business | Estimated Gross Return for 6 months to 30/11/2023 |
|---|---|
| 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 | 3.1% |
| 2 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) | 3.3% |
| 3 Conventional life with-profits plans, including mortgage endowments, and non unitised pensions | 3.2% |

The figures shown refer to the past. Past performance is not a reliable guide to future performance. The returns shown are the gross returns before charges, expenses or the effects of any smoothing.

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 6.2% from the inherited estate.

For more information on the inherited estate please read our **leaflet**

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 plans. So Standard Life has reset the final bonus rates 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

Regular and interim bonus rates

- We have increased some regular unitised with-profits life and pensions bonus rates. Regular bonuses increase the guaranteed benefits for with-profits plans and this change affects the rate at which the guaranteed amount will grow after 1 February 2024.
- Unitised with-profits pensions that have a 4% unit price guarantee continue to grow at that rate
- The bonus growth rate for other unitised pensions with-profits plans has increased from 1.75% to 2.25% from 1 February 2024
- Unitised life with-profits plans that have a 3% unit price guarantee continue to grow at that rate
- The bonus growth rate for With Profits Bonds is the same as announced last year, see Section 1
- The bonus growth rate for other unitised life with-profits plans, including Homeplan has increased from 1.50% to 2.0% from 1 February 2024, see Section 1
- Reversionary and interim bonus rates for conventional with-profits plans are the same as those announced last year, see Section 1
- These bonuses provide a gradual build-up of guaranteed benefits
- We currently expect these regular bonus rates to apply at least until February 2025

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 final bonus rates to calculate payout values. These rates are set to make sure that each customer receives a fair payout as well as any inherited estate enhancement. We reset the rates at 1 February following our review of payout values. We last reset these rates in August last year and before that in February last year
- This resetting of rates means many customers will have seen a small decrease in their plan value overnight. It's important to note the actual change will depend on when contributions were paid. 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 February changes in the final bonus rates. The main exceptions are Stakeholder pension plans, With Profits Bonds and Homeplan as these products do not use final bonus rates

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

- The value of your plan can fall and rise because the different types of investments that back with-profits plans can go down and up
- 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 final bonus rates every day to calculate payouts and so payouts may move away from the underlying smoothed asset value. When we change them, we have to take account of investment returns, adjusted for any smoothing, since we last set them to bring the payout into line with the underlying smoothed value. This can result in a sharp overnight change, down or up, 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: [standardlife.co.uk/withprofits](https://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.