



PENSION BUILDER 2014 BONUSES

JULY 2019

Each year we aim to add a bonus to your PB 2014 account. Your account comes with a guarantee, and this guarantee affects how we add bonuses.

Find out what happens to your contributions, our current bonus policy and what bonuses have been added so far.

 THE CHURCH
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PENSIONS BOARD

Pension Builder 2014 bonuses

What happens to my contributions?

To understand how we add bonuses to your account, first we need to look at what happens to your contributions. This includes any contributions you pay, plus the contributions your employer pays.

Each month we add contributions to your Pension Builder 2014 account. Your account builds up over time depending on:

- how much you and your employer pay in, plus,
- the bonuses we add before you retire.

Unlike a typical “defined contribution” pension pot, your account does not go up and down in value depending on investment markets. Once your contributions go in, we guarantee these will not go down in value. Any bonus we add is also guaranteed. It is these guarantees that affects future bonuses.

If you transfer your account or retire before age 65, we may reduce your account. We will only do this if investment conditions are negative at the time. Let us know if you are thinking about doing this and we can let you know if we will reduce your account.

How do bonuses work?

We invest your account in line with the Church’s ethical investment policies, with the aim of making a return on your contributions before you retire.

We use these investment returns to add bonuses to your account.

At the end of every year we look at how well our investments performed over the last 12 months. If performance has been strong enough, we will add a bonus to your account the following April. Once added, your bonus is guaranteed.

Here is our current bonus policy:

- our starting point is the percentage investment return over the calendar year, after investment expenses,
- we deduct 0.5% for our admin fee,
- after this, if the return is above 10%, we will hold back at least 1% to cover the cost of guaranteeing your account will not fall in value,
- we round the remaining return so that it is divisible by 12 so we can add the bonus to your account monthly.

We regularly review our policy and we may change it in future.

What have bonuses been so far?

Bonuses vary year to year depending on investment performance. The nature of our investments means there may be big differences in bonuses from year to year.

If investment performance is negative, i.e. the investments made a loss, we will not add a bonus to your account for that year.

We add your bonus to all the contributions you and your employer have paid in, plus any bonuses already added, up to the year before the bonus applies to.

So, for example your 2018 bonus will be added to all the contributions you and your employer have paid in before the end of 2017, plus any bonuses we have added until the end of 2017.

Here are the bonuses so far:

Calendar year	Bonus	Added to your account
2015	1.8%	April 2016 to March 2017
2016	15%	April 2017 to March 2018
2017	9.6%	April 2018 to March 2019
2018	0%	April 2019 to March 2020

Why do we add bonuses monthly and not in one go?

We add bonuses monthly between April and March the following year. We do this to avoid what we call a “cliff edge”. Here is an example of what would happen if we added the bonus in one go.

Suppose two people paid contributions up until the end of 2016. They paid the same contributions and their 2017 bonus of 9.6% is due on 1 April 2018.

If one person took their account at 31 March 2018, they wouldn’t receive any bonus. If the other took their account on 2 April 2018, just 2 days later, they would get the full 9.6% despite paying the same contributions as the other person. Adding bonuses over 12 months should give a fairer outcome.

What is my bonus added to?

Our current policy is to take your account at the end of the year, keep it invested for the following year and then add your bonus the year after that.

So, for example we take your account at the end of 2018, keep it invested during 2019 and give you back our 2019 investment performance as a bonus, but spread monthly over 2020/21. We add your bonus this way to guarantee your account will not go down.

Why is there a delay when adding bonuses?

You might notice there is a delay in adding your bonus. For example, your 2017 bonus of 9.6% is added from April 2018 to March 2019, but it is based on your contributions up until the end of 2016, so your January 2016 contribution does not get the full bonus until 1 March 2019.

As we guarantee your account will not go down, we need to be confident we have enough money (“assets”) to pay your account when you are ready to take it. This is the reason for the delay.

We appreciate this delay is long, but this delay helps us manage the financial risks of guaranteeing your account.

How do I find out how much my bonus is?

If you would like to know how much your bonus is since you joined, ask us for a breakdown.