



# STATUTORY MONEY PURCHASE ILLUSTRATION (SMPI) ASSUMPTIONS 2019

JULY 2019

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Defined Contribution Scheme  
Church Administrators Pension Fund

 THE CHURCH  
OF ENGLAND

PENSIONS BOARD

# Statutory Money Purchase Illustration Assumptions (SMPI) 2019

Your annual statement tells you how much is in your pension pot. It also includes information about what you could get when you reach your target retirement date.

When we talk about what your retirement pot could be worth in the future, we use a statutory money purchase illustration (SMPI). It is something we are required to send you, but it is also a helpful guide to help you plan for the future.

To work out what your pension pot could be worth, we need to make some assumptions. These are based on your current and possible future circumstances as well as the way your pot is invested.

In this leaflet we will show you the numbers we use for each fund and explain what they're based on. There is more detail later in the document, but our available funds are summarised below.

## Drawdown Journey

The drawdown Journey invests your pot in a wide mix of higher risk assets and as you get closer to retirement it automatically moves your pot into a more balanced spread of assets, so it is more stable over the longer term.

There are 4 phases in this Journey and the investment growth assumptions for SMPI calculations are based on the projected changes to the asset allocation over time in the various funds using Legal & General's (L&G) 'Asset Allocation Tool'.

## Annuity Journey

The annuity Journey is very similar to the drawdown Journey but as you get closer to retirement it automatically moves your pot into much safer assets so when you reach your target retirement date your pot is lined up ready for you to buy an annuity.

There are 4 phases in this Journey and the investment growth assumptions for SMPI calculations are based on the projected changes to the asset allocation over time in the various funds using L&G's 'Asset Allocation Tool'.

## Stay Invested Journey

The stay invested Journey is again very similar to the drawdown Journey but as you get closer to retirement this Journey keeps your pension pot in higher risk investments with the aim of earning you higher returns while you are in retirement.

There are 4 phases in this Journey and the investment growth assumptions for SMPI calculations are based on the projected changes to the asset allocation over time in the various funds using L&G's 'Asset Allocation Tool'.

### Ethical Lifestyle

The ethical lifestyle investment strategy tracks the performance of the FTSE4Good index.

As you get closer to retirement it automatically moves your pot into much safer assets so when you reach your target retirement date your pot is lined up ready for you to buy an annuity.

This option can be seen as a little riskier than unrestricted equities because the investments are more restricted.

### Equity Lifestyle

The equity lifestyle investment strategy tracks the performance of the FTSE All World (ex-UK) Index.

As you get closer to retirement it automatically moves your pot into much safer assets so when you reach your target retirement date your pot is lined up ready for you to buy an annuity.

### Pick your own investments

You can choose one or more of the 10 investment funds we offer. The 10 funds range from high risk funds to low risk funds.

If you choose your own investments, you need to decide:

- how much risk you want to take
- how much to invest in each fund
- how often you review this
- whether to switch funds in future

## Developing our SMPI assumptions

The way we calculate the figures in your statement must comply with the guidelines set out by the Financial Reporting Council (FRC) in their Actuarial Standards Technical Memorandum 1 (TM1). TM1 has specific requirements for some aspects but allows us to use our own judgement on some assumptions, including investment growth and charges.

We are required to use the following assumptions as at 5 April 2019, these are:

- inflation will be 2.5% pa
- no allowance for real growth your pensionable salary
- if you are female, your male spouse is 3 years older
- if you are male, your female spouse is 3 years younger
- if you are in a civil partnership or same sex marriage, you are the same age as each other
- all members are married at retirement
- a net discount rate for the calculation of annuity terms (i.e. investment return in excess of pension increases) of -2.0% p.a., set by reference to index-linked gilt yields on 15 February 2018. (This compares to a rate of -2.2% pa used for your 2018 statement)
- a 4% uplift for the cost of buying an annuity
- mortality rates in line with average of the PMA08 and the PFA08 tables, with allowance for mortality improvements derived from each of the male and female annual CMI projection models, in equal parts, with long-term annual improvement rates of 1.25%. For statements at 5 April 2019 falling in the 2018/19 tax year, the 2016 projections apply.

## Our SMPI investment growth assumptions

These tables show how much we think your pension pot will grow each year in real terms, above our inflation assumption of 2.5%. We do not know how much your pension pot will grow in the future.

You can check the past performance at [churchofengland.org/capfdc](https://www.churchofengland.org/capfdc)

	Investment objective	Annual growth assumption
<b>Annuity Journey</b> 2035-2040	<p>To help you build a real retirement income, while managing possible downside risk.</p> <p>The asset allocation aims to be aligned with your chosen retirement goals in the run-up to retirement.</p>	0.5%
<b>Annuity Journey</b> 2045-2050		0.75%
<b>Drawdown Journey</b> 2015-2020		-0.5%
<b>Drawdown Journey</b> 2020-2025		0%
<b>Drawdown Journey</b> 2025-2030		0.25%
<b>Drawdown Journey</b> 2030-2035		0.75%
<b>Drawdown Journey</b> 2035-2040		0.75%
<b>Drawdown Journey</b> 2040-2045		0.75%
<b>Drawdown Journey</b> 2045-2050		1%
<b>Drawdown Journey</b> 2050-2055		1%
<b>Drawdown Journey</b> 2055-2060		1%
<b>Drawdown Journey</b> 2060-2065		1.25%
<b>Drawdown Journey</b> 2065-2070		1.25%
<b>Stay Invested Journey</b> 2030-2035		1%
<b>Stay Invested Journey</b> 2035-2040		1%

	<b>Investment objective</b>	<b>Annual growth assumption</b>
UK Equity Index Fund	To track the performance of the FTSE All-Share Index (less withholding tax where applicable) to within +/-0.25% p.a. for two years out of three.	3%
Global Equity Market Weights (30:70) Index Fund	To provide diversified exposure to UK and overseas equity markets while reducing foreign currency exposure of 75% of the overseas assets. A 30/70 distribution between UK and overseas assets is maintained with the overseas allocation mirroring that of the FTSE All World (ex-UK) Index.	3%
Overseas Equity Consensus Index Fund	To provide diversified exposure to a range of overseas equity markets. The fund aims to maintain an asset distribution close to that of the FTSE All-World (ex UK) Index series. This includes developed and emerging markets.	3%
Ethical UK Equity Index Fund	To track the performance of the FTSE4Good UK Equity Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.	3%
Ethical Global Equity Index Fund	To track the performance of the FTSE 4Good Developed Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.	3%
Over 5 Years UK Index-Linked Gilts Fund	To track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index to within +/-0.25% p.a. for two years out of three.	-2.0%
Over 15 Years Gilts Index Fund	To track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three.	-2.0%

AAA-AA-A Corporate Bond All Stocks Index Fund	To track the performance of the Markit iBoxx £ Non-Gilts (ex-BBB) Index to within +/-0.5% p.a. for two years out of three.	-1.0%
Managed Property Fund	To exceed the AREF/ IPD UK Quarterly All Balanced Property Fund Index (UK PFI) over three and five year periods.	1.5%
Cash Fund	To perform in line with 7 Day GBP LIBID, without incurring excessive risk.	-2.0%

We have based the annual growth assumption on our actuarial advisers, LCP's "best estimate" return for the underlying asset classes of each fund. This means there is an equal chance that the growth assumption will be right or wrong. If it is wrong, it could be more than our assumption, but it could also be less.

## Assumptions about your future contributions

When we calculate the figures in your statement, we look at the contributions currently going into your pot. We use this as a guide to what future contributions are likely to be.

If you are still an active member, your contributions increase with your age. We factor this in. We have also taken off the current management charges from the assumed investment returns.

## The role of SMPI assumptions

Your annual statement is designed to be a financial planning tool for the years ahead. It could:

- help you see what saving could do for you
- show how contributing more or working for longer can affect your retirement pot
- keep you informed about the progress of your savings.

## How it relates to your retirement income

Your statement shows what your pot might be when you retire. It also shows the guaranteed income you could get if you exchanged your pot for an annuity.

This annuity assumes:

- 50% of your annuity will pass to your spouse or civil partner if you die first
- you will choose a 5-year guarantee period
- it will increase over time in line with inflation

In your statement, we are required to show you what you might get if you exchange your pot for an income for life – an annuity. But, you can take your pot in a variety of ways:

- you can take an adjustable income,
- take cash in chunks,
- mix your options or take your pot in one go.

You can find out more about these options on our website, [www.churchofengland.org/capfdc](http://www.churchofengland.org/capfdc)

## Getting it right and dealing with uncertainty

It is important we give you realistic information about how your pot could grow because it can play a key role in the choices you make about saving for retirement.

We have worked hard to ensure that communications about your pension pot are as accurate as possible to help you make good financial decisions about your future.

These are long-term estimates. They are based on representative asset allocations that may not correspond exactly with the actual allocation at any specific time and short-term performance can be volatile.

There is always an element of uncertainty in predicting what the outcome of your pension pot will be. As you get closer to your retirement date, we can give you a more accurate idea of what you might get. If you would like to read about our investment objectives in more detail you can download the statement of investment principles from [churchofengland.org/about/leadership-and-governance/church-england-pensions-board/pensions-board-investments](https://www.churchofengland.org/about/leadership-and-governance/church-england-pensions-board/pensions-board-investments)