THE CHURCH OF ENGLAND
PENSIONS BOARD

Statutory Money Purchase Illustrations (CAPF DC)

April 2024

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 pension pot could be worth in the future, we use a statutory money purchase illustration (SMPI). It's something we are required to send you, but it's 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 pension pot's 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 on page 2.

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The drawdown Journey invests your pension pot in a wide mix of higher risk assets and as you get closer to retirement it automatically moves your pension 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'.

The stay invested Journey is 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'.

Drawdown Journey

The drawdown Journey invests your pension pot in a wide mix of higher risk assets and as you get closer to retirement it automatically moves your pension 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 pension pot into much safer assets so when you reach your target retirement date your pension 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 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'.

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).

We are required to use the following assumptions as at 5 April 2024, these are:

- inflation will be 2.5% a year
- no allowance for real growth in 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
- you are married at retirement
- a net discount rate for the calculation of annuity terms (i.e. investment return in excess of pension increases) of 3.8% each year, set by reference to index-linked gilt yields on 15 February 2023. (This compares to a rate of -

2.6% each year used for your 2023 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 yearly CMI projection models, in equal parts, with long-term yearly improvement rates of 1.25%.

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 don't know how much your pension pot will grow in the future. You can check the past performance at **churchofengland.org/capfdc**

	Investment objective	Yearly growth assumption
Drawdown Journey 2025-2030	To help you build a real retirement income, while managing possible downside risk. The asset allocation aims to be aligned with your chosen retirement goals in the run-up to retirement.	1.2%
Drawdown Journey 2030-2035		1.51%
Drawdown Journey 2035-2040		1.65%
Drawdown Journey 2040-2045		2.18%
Drawdown Journey 2045-2050		2.23%
Drawdown Journey 2050-2055		2.26%
Drawdown Journey 2055-2060		2.28%
Drawdown Journey 2060-2065		2.29%
Drawdown Journey 2065-2070		2.31%
Drawdown Journey 2070-2075		2.32%
Stay Invested Journey 2025-2030		3.11%
Stay Invested Journey 2030-2035		2.48%
Stay Invested Journey 2035-2040		2.13%
Stay Invested Journey 2040-2045		2.59%
Stay Invested Journey 2045-2050		2.55%

	Investment objective	Annual growth assumption
Ethical Lifestyle		
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.	3.5%
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.	3.5%
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.	4.5%
Cash Fund	To perform in line with 7 Day GBP LIBID, without incurring excessive risk.	-0.5%
Equity Lifestyle		
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.	3.5%
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.	4.5%
Cash Fund	To perform in line with 7 Day GBP LIBID, without incurring excessive risk.	-0.5%
Pick your own investments		
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.	3.5%
Ethical Global Equity Index Fund	To track the performance of the FTSE 4Good Developed Index (less withholding tax where applicable) to	3.5%

	within +/-0.5% p.a. for two years out of three.	
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.	3.5%
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.	3.5%
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.	3.5%
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.	4.5%
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.	4.5%
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.	1.5%
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.	-0.5%

We have based the yearly growth assumption on our actuarial advisers "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's wrong, it could be more than our assumption, but it could also be less.

Assumptions about your future contributions and management charges

When we calculate the figures in your statement, we look at the contributions currently going into your pension 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. The figures in your statement include an amount taken off for the current management charges.

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 pension pot
- keep you informed about the progress of your savings.

How it relates to your retirement income

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

- your annuity will not pass to your spouse or civil partner if you die first
- you will choose a 5-year guarantee period
- your annuity will not increase with inflation

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

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

You can find out more about these options on our website **churchofengland.org/capfdc**

Getting it right and dealing with uncertainty

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

We've 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/cepb**