



Statutory Money Purchase Illustrations (Clergy AVCs)

April 2024

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

When we talk about what your AVC 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 AVC 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 AVC 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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Ethical Lifestyle

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

As you get closer to retirement it automatically moves your AVC pot into much safer assets so when you reach your target retirement date your AVC 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 is to provide diversified exposure to the UK and overseas equity markets. The fund invests 50% in the UK and 50% overseas until you are 5 years from your target retirement age.

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

Pick your own investments

You can choose one or more of the 9 investment funds we offer. The 9 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).

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 AVC pot will grow each year in real terms, above our inflation assumption of 2.5%. We don't know how much your AVC pot will grow in the future. You can check the past performance at [churchofengland.org/clergy-pensions](https://www.churchofengland.org/clergy-pensions)

| | 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 (50:50) 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 within +/-0.5% p.a. for two years out of three. | 3.5% |
| 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% |

| | | |
|--|---|-------|
| World (ex UK) Equity Index Fund | To track the performance of the FTSE World (ex UK) Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three. | 3.5% |
| Global Equity Fixed Weights (50:50) Index Fund | To provide diversified exposure to the UK and overseas equity markets. The fund will invest 50% in the UK and 50% overseas. The fund's overseas asset distribution is fixed with 17.5% in North America, 17.5% in Europe (ex UK), 8.75% in Japan and 6.25% in Asia Pacific (ex Japan). The fund achieves its objectives by investing in a range of LGIM index tracking funds. The underlying funds employ an index tracking strategy, aiming to replicate the performance of their individual benchmarks. | 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% |
| 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 AVC 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 AVC pot
- keep you informed about the progress of your savings.

How it relates to your retirement income

Your statement shows what your AVC pot might be when you retire. It also shows the guaranteed income you could get if you exchanged your AVC 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 over time in line with inflation

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

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

You can find out more about these options on our website [churchofengland.org/clergy-pensions](https://www.churchofengland.org/clergy-pensions)

Getting it right and dealing with uncertainty

It is important we give you realistic information about how your AVC 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 AVC 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 AVC 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](https://www.churchofengland.org/cepb)