

Key Updates for Phoenix Life Limited SPI With-Profits Fund Customers

Former Scottish Provident Limited Irish traditional with-profits pension policies

1 July 2019

Your policy is part of the Phoenix Life Limited SPI With-Profits Fund (the 'with-profits fund'). Self Employed Deferred Annuity (SEDA) policies have guaranteed annuities / pensions.

Executive type pensions have cash sums at the selected retirement age that have been purchased with the premiums that have been and will be paid, and from previous bonuses we have added.

Bonus rates

We have reduced the annual bonus rates for Executive type pension policies. Annual bonuses for 2018 are 0.5% (previously 1.5%).

We set annual bonus rates at a level that can be sustained by the investment returns we expect the fund to earn in the future. Any investment returns earned in excess of the annual bonus rate will be reflected in final bonus rates. We review annual bonus rates each year.

Annual bonus rates for SEDA pension policies remained at nil for 2018.

There has been no increase for SEDA policies because the benefits already guaranteed to be paid are high compared to the value of the underlying assets, and we are giving priority to paying a final bonus at the retirement date if at all possible. The addition of any future annual bonuses will depend on the future investment performance and experience of the with-profits fund, after allowing for the historic performance and the value of the guaranteed benefits.

We have reviewed our policy of concentrating on final bonuses before increasing annual bonuses and continue to believe that this is the fairest way for all policyholders to benefit from the returns of the with-profits fund.

We may add a final bonus on retirement at the selected retirement date. We do not guarantee final bonuses. We normally review final bonus rates twice a year from 1 January and 1 July. However we may change final bonus rates at any time.

Please remember that annual bonuses are only one part of the benefits from your with-profits policy. In many cases the benefits already guaranteed to be payable are very valuable and there may also be a final bonus. Please also remember that guarantees will normally be lost if your policy is surrendered or transferred out.

Investment approach

The with-profits fund consists of a wide range of assets with the aim of providing good growth potential over the medium to long term.

On 31 December 2018, the split of assets for Irish traditional with-profits pension policies was approximately:

Company shares	22%
Property	5%
Other growth assets	1%
Total growth assets	28%
Fixed interest stocks - issued by governments in the eurozone	48%
Other fixed interest stocks - (including corporate bonds)	21%
Cash	3%
Total fixed interest and cash assets	72%
Total assets	100%

The investment return on the with-profits fund for these policies over the last few years is shown in the table below.

Phoenix Life Limited – SPI With-Profits Fund	
Former Scottish Provident Limited	
Irish traditional with-profits pension policies	
Investment return	
(before tax, expenses and charges)	
Year	Investment return
2018	0.5%
2017	3%
2016	4%
2015	4%
2014	12%
2013	5%
2012	10%
2011	1%
2010	3%
2009	16%

We do not expect to make any changes to the investment strategy for the with-profits fund during 2019.

Surplus money

There is more money in the fund than we expect to pay out in claims. Some of this surplus money is used to protect the fund against unexpected shocks, for example a fall in the value of the fund's investments. However, the remainder can be released and used to increase the amounts we pay out to policyholders. From July 2019 this surplus is increasing policy payouts by up to 37.7% for those policies receiving a final bonus. The amount we are able to add to policy values will be regularly reviewed and may increase or decrease, and could even be removed entirely.

This information is correct at 1 July 2019.