

With-Profits bonus review

1 February 2024

On 1 February 2024, we announced that we had reviewed our Irish With-Profits bonus rates.

- Most customers policy values will have increased since our last review in August 2023
- Regular bonus rates have increased or remain unchanged from last year
- Customers continue to benefit from smoothing and the guarantees that apply under their policies

1. Regular bonus rates and guarantees

Regular bonus rates increase With-Profits guarantees.

Pension With Profits Fund/ Pension With Profits 2 Fund	Guaranteed benefits continue to grow at a rate of
Unitised With-Profits pension plan units that have 4% per annum unit price growth guarantee	4% per annum

Other unitised funds with guarantees	From 1 February 2024 (until further notice) benefits will grow at a rate of
With Profits Bond Plan units	2.50% per annum
MoneyWorks Plan units (net)	1.00% per annum
MoneyWorks Plan units (gross) and SSIA units	1.25% per annum
Retirement With Profits Fund units	1.75% per annum

Conventional plans	Bonus added to guaranteed benefits on 1 February 2024	
Life plans	0.25% on sum assured	0.35% on attaching bonuses
Pension plans	0.25% on sum assured	0.25% on attaching bonuses

2. How With-Profits policies will be affected by this review

Standard Life reviews bonus rates and payouts on With-Profits policies on a regular basis. This is to ensure that With-Profits customers continue to receive a fair return on their policies.

At this review we have reset regular and final bonus rates that we use to calculate payout values for many types of With-Profits policies.

Most policy values have remained relatively stable overnight at this review while some policy values will have increased.

The impact that an individual customer will see from their annual statements will depend on the individual policy (premium frequency, premium size, etc.) and the timing of the annual statements each year.

Many customers continue to benefit from smoothing and guarantees that apply to their retirement and maturity payout values.

3. Final bonuses and Market Value Adjustments (MVAs)

A policy's With-Profits payout value determines the amount of final bonus, if any, as follows:

- For conventional policies, such as savings endowments, the final bonus at maturity is the difference between the sum assured plus regular bonuses and the payout value
- For unitised policies, the final bonus is the difference between the unit value and the payout value

Sometimes there will be no final bonus.

Market Value Adjustment (MVA) is a term often used when the payout for any policy is lower than its unit value.

The unit value of a With-Profits investment takes account of the bonuses that have been added to the guaranteed amount since that investment started but its fair payout takes account of actual investment returns on the assets in the With-Profits fund. There is an MVA because the unit value has grown by more than the fair payout since the With-Profits investment started. (The unit value is the number of units multiplied by the unreduced unit price.)

Note: the payout for a claim will be no lower than any guaranteed amount payable in accordance with the terms and conditions of the policy for that type of claim. In these circumstances there would be no MVA.

At any time, depending on the history of payments into and out of With-Profits, an MVA may apply to some policies but we may be paying final bonuses on other policies.

Currently many With-Profits policies still have MVAs. However, final bonuses are being paid for other policies.

4. Sample payout values

Pensions

The figures in the table below are based on an individual unitised With-Profits pension policy taken out by a man retiring at age 65, who has paid €125 per month since 6 February 1999.

Past performance is not a reliable guide to future performance.

Policy term	Retirement value at 1 August 2023	Retirement value at 1 February 2024	Increase	Annualised return since inception
25 year	€61,866.12	€63,099.96	1.99%	3.92%

Savings endowments

The figures in the table below are based on an individual conventional With-Profits endowment assurance policy taken out by a woman aged 30 who has paid €60 per month since 1 February 1999.

Past performance is not a reliable guide to future performance.

Policy term	Surrender value at 1 August 2023	Maturity value at 1 February 2024	Increase	Annualised return since inception
25 year	€24,729	€25,818	4.40%	2.76%

5. Standard Life's With-Profits investment strategy

Standard Life's investment strategy for our With-Profits business aims to provide good potential for growth, while maintaining an appropriate level of financial strength and meeting all contractual obligations to policyholders.

With-Profits business with the most valuable guarantees has a lower equity backing ratio and the majority of the asset mix is fixed interest holdings. With-Profits business that has no investment guarantees has a much higher equity backing ratio.

The return on the asset mix is only one of the factors that affect With-Profits policy values. Other factors are the deductions (expenses, tax, cost of life cover etc) we make, and any other discretionary adjustments that we may apply such as smoothing.

We invest in a wide range of assets including equities, bonds and money market instruments. We expect that a higher proportion of equities and property will produce returns that are higher over the long term, but more variable over the short term. We expect that a higher proportion of bonds and cash will result in returns that are more stable, but lower over the long term.

There are currently three different asset mixes for Irish With-Profits business in Standard Life's Heritage With-Profits Fund, reflecting the extent of any guarantees.

Asset mixes for different categories of With-Profits business at 31 December 2023			
Category	Fund	Equity	Fixed Interest and Cash**
	Pension With Profits Fund*	30.2%	69.8%
	Pension With Profits 2 Fund*		
2	Life With Profits Fund	60.7%	39.3%
	MoneyWorks With Profits Fund		
	Retirement With Profits Fund		
	Conventional With Profits		
3	Standard Life With Profits Fund (Also known as the Pension With Profits Fund A)	75.7%	24.3%
	With Profits Bond Fund		
	Pension With Profits Fund D		

* 4% per annum minimum unit price growth rate; guarantees only apply in certain circumstances, for example on annuity purchase at the pension age selected when the policy started or on death

** Fixed interest and money market instruments (including cash)

6. Investment markets quarterly performance to 31 December 2023

Global equities recorded their strongest monthly gains in November, since December 2020. This was propelled by the fall in inflation across developed markets and a strong decline in Discount Margin government bond yields. This meant that by the end of 2023 many regional indices had recovered most of the ground lost in 2022. UK equities rose over the quarter with mid and small cap out-performing large cap stocks. Summing up the fourth quarter performance at a sector level, real estate, IT and industrials led the way, recording returns of 21%, 18% and 11% respectively. Energy, health care and consumer staples lagged, posting losses in Q4. US equities also did well, with a 9.1% gain in November, followed up by a 4.5% gain in December in terms of total return, which pushed the index up 26.3% for the year.

Global government bonds ended the year with a strong final quarter. Bloombergs' global bond aggregate completed the year up to 5.7% in total return terms. This was a substantial turn-around from the position at the end of October, when it looked like bonds were set for a third consecutive annual decline. November inflation data came in softer than forecasted, which raised hopes that the policy makers would soon be able to cut interest rates. Sovereign bonds performed very well in Q4, US Treasuries gained 5.7% in Q4, ending the year up 4.1%, while Euro sovereign bonds were stronger, up 7.2% in Q4 and on the year.

Warning: The value of your investment may go down as well as up

Warning: This investment may be affected by changes in currency exchange rates

Warning: Past performance is not a reliable guide to future performance

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