

# With-Profits bonus review Adviser briefing

## 1 February 2022

On 1 February 2022, we announced that we had reviewed our Irish with-profits bonus rates.

- Most customers will have seen their policy values increase since the last bonus review on 29 July 2021
- Regular bonus rate has been increased for MoneyWorks Plan (gross) & SSIA and are maintained at the current levels for all other policies. See section 1 below for the rates the guarantees will grow at from 1 February 2022.
- Many customers will 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 pensions that have a 4% pa unit price growth guarantee	4% pa	

  

Other unitised funds with guarantees	From 1 February 2022 (until further notice) guaranteed benefits will grow at a rate of	
With Profits Bond	2.50% pa	
MoneyWorks Plan (net)	0.50% pa	
MoneyWorks Plan (gross) and SSIA	0.75% pa	
Retirement With Profits Fund	0.75% pa	

  

Conventional plans	Bonus added to guaranteed benefits on 1 February 2022	
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 and calculation factors that we use to calculate payout values for many types of With-Profits policies.

Most policy values will have increased overnight following this review.

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 1 February 1997. Past performance is not a reliable guide to future performance.

Policy term	Retirement value at 29 July 2021	Retirement value at 1 February 2022	Increase	Annualised return since inception
25 year	€59,133.85	€60,477.14	2.27%	3.61%

#### Savings endowments

The figures in the table below are based on an individual conventional With-Profits endowment assurance policy taken out by a man aged 29 who has paid €60 per month since 1 February 1997. Past performance is not a reliable guide to future performance.

Policy term	Surrender value at 29 July 2021	Maturity value at 1 February 2022	Increase	Annualised return since inception
25 year	€22,238	€24,615	4.34%	2.41%

## 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.

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 2021			
Category	Fund	Equity	Fixed Interest and Cash**
1	Pension With Profits Fund* Pension With Profits 2 Fund*	32.1%	67.9%
2	Life With Profits Fund MoneyWorks With Profits Fund Retirement With Profits Fund Conventional With Profits	62.9%	37.1%
3	Standard Life With Profits Fund (Also known as the Pension With Profits Fund A) With Profits Bond Fund Pension With Profits Fund D	78.4%	21.6%

\* 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 2021

Global equities overcame worries about the threat posed by the Omicron variant of Covid-19, increasing inflation pressures and expectations of rising interest rates in 2022 to advance significantly in the fourth quarter and conclude a strong year for developed stock markets. Boosted by robust corporate earnings, the US market again led the charge, although UK and European stocks also enjoyed solid gains over the period. Asian equity markets underperformed, with the major markets of Japan and China both selling off, capping a difficult year overall for the broader Chinese market but a positive 12 months for Japanese stocks.

European equities rallied into the year-end to finish with double-digit gains for 2021. The Swiss, French and Italian markets were particularly strong, helped by solid economic growth in the latter two economies. As elsewhere in the world, rising inflation is challenging policymakers, with November's eurozone annual inflation number the highest recorded since the introduction of the euro in 1999. The European Central Bank (ECB) noted that surging price pressures may not be as short-lived as previously anticipated and is withdrawing its Pandemic Emergency Purchase Programme as the region's economies recover.

Government bonds were generally mixed over the quarter. Concerns about inflation and the removal of central-bank support dominated sentiment, with government bonds generally falling in October. However, risk aversion returned in November, amid the emergence of the new Omicron variant. This led to a rebound in government bonds before they fell back somewhat in December.

Corporate bonds experienced mixed fortunes in the final quarter. US corporate bonds enjoyed a positive end to 2021, despite less-supportive rhetoric from the Fed. European corporate bonds endured a tougher quarter, with the ECB stating that it would be gradually reducing the pace of bond purchases.

**Past performance is not a reliable guide to future performance. The value of With-Profits investments may go down as well as up and may also be affected by changes in currency exchange rates.**

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