

Life Assurance Plans

SLFC Assurance UK With-Profits Fund bonus rates from 1 April 2016

Why are we sending you this brochure?

This brochure accompanies your Annual Statement, providing you with further information to help you understand how we set the bonus rates for your plan.

Throughout this brochure we refer to the SLFC Assurance UK With-Profits Fund as the 'With-Profits Fund'.



This brochure provides information on:

- how we manage the With-Profits Fund;
- the bonus rates effective from 1 April 2016;
- the long-term investment strategy and the asset allocation as at 31 December 2015; and
- the performance of the With-Profits Fund and the key factors that have affected this.

This brochure only provides information on the With-Profits Fund. It is not written to provide you with advice on the suitability of your plan. For advice on your plan, please speak to your financial adviser.



1. How we manage the With-Profits Fund

Your with-profits plan is invested in the With-Profits Fund. This means it shares in the profits and losses of the fund. We carefully manage the investment performance of the fund and monitor its profits and losses so that when we decide on a new bonus rate, we can make sure that the bonus allocation to plan-holders is fair.

The With-Profits Fund invests in fixed interest bonds (loans to government, companies, and other organisations) and cash.

The With-Profits Fund pools the money from all other plan-holders. We manage the fund to provide all plan-holders with a fair allocation of the profits that have been earned over the term of their plan. This means that we are able to 'smooth' (see below) the allocation of profit over time to help protect plan-holders from the volatility of investment returns over the short-term.

About smoothing:

With-profits investments include a special feature called 'smoothing', which is your cushion against the short-term ups and downs of investment markets. The main aim of smoothing is to reduce the effect of investment market fluctuations on what you get back from your plan. Smoothing, however, cannot protect against the impact of persistent low investment returns.

We manage the With-Profits Fund on behalf of our plan-holders, who share in all the profits of the fund along with our shareholders. Over 2015, our shareholders received:

- 2.5% of the distributable surplus for pre-1987 Imperial plans; plus
- 9.6% of the distributable surplus for other plans.

2. The bonus rates effective from 1 April 2016

This section provides details about the bonus rates for the With-Profits Fund, effective from 1 April 2016.

Bonuses vary according to the date your plan started. This information can be found on the plan documentation we sent to you when you originally took out this plan.

We declare bonus rates once a year, normally in April. However, we may make changes to the bonus rates at other times, in exceptional circumstances. There are two main types of bonuses:

- **Reversionary bonus** – this **may** be added to your plan each year. Recurring reversionary bonus rates are relatively stable from year to year and are not expected to change significantly except in adverse conditions. Reversionary bonuses increase the guaranteed minimum amount that we will pay on your plan's maturity or if you should die. Once a reversionary bonus is added to the guaranteed minimum amount we cannot take it away.
- **Terminal (or final) bonus** – this **may** be added on top of the reversionary bonuses when the plan comes to an end. The intention is that this is a balancing payment so that we pay plan-holders a fair share of fund assets. The terminal bonus payable on any plan may go up or down over time, and could be zero.

Bonus rates continued

In addition to the reversionary and terminal bonus already described, a **special bonus** applied to all plans which were taken out before 30 June 1987. The special bonus was a constant amount of 0.25% of sum assured and existing reversionary bonus up to 31 December 1986. The special bonus applied for 20 years and ended in 2006.

A key principle for us in deciding the amount of bonus the fund can afford to pay is to make sure there is enough money in the fund to pay the existing guaranteed benefits to our plan-holders. This includes the amounts we have guaranteed to pay on death or maturity plus any reversionary bonuses that are already allocated.



The most important factor affecting terminal bonus rates is the long term expected investment performance of the assets in the fund.

Reversionary bonus rates

We have maintained reversionary bonus rates from 1 April 2016 at their current level of 0.5% of sum assured and existing reversionary bonus. This reversionary bonus rate applies to traditional endowment and whole-life plans.

Terminal bonus rates

As a result of lower than expected investment returns in 2015 and lower expected future investment returns we have decreased terminal bonus rates for all plans. The terminal bonus rate for your plan will be shown on your Annual Statement.

The table below shows the terminal bonus rates for payouts on maturity or on death from 1 April 2016.

Terminal bonus rate table (% of accrued reversionary bonus) based on year started											
		1941	76.4%	1951	65.8%	1961	55.3%	1971	44.8%	1981	34.2%
1932	85.8%	1942	75.3%	1952	64.8%	1962	54.2%	1972	43.7%	1982	33.2%
1933	84.8%	1943	74.2%	1953	63.7%	1963	53.2%	1973	42.7%	1983	32.1%
1934	83.7%	1944	73.2%	1954	62.7%	1964	52.1%	1974	41.6%	1984	31.1%
1935	82.7%	1945	72.1%	1955	61.6%	1965	51.1%	1975	40.5%	1985	30.0%
1936	81.6%	1946	71.1%	1956	60.6%	1966	50.0%	1976	39.5%	1986	29.0%
1937	80.6%	1947	70.0%	1957	59.5%	1967	49.0%	1977	38.4%	1987	27.9%
1938	79.5%	1948	69.0%	1958	58.4%	1968	47.9%	1978	37.4%	1988	26.9%
1939	78.5%	1949	67.9%	1959	57.4%	1969	46.9%	1979	36.3%	1989	25.8%
1940	77.4%	1950	66.9%	1960	56.3%	1970	45.8%	1980	35.3%	1990	24.7%

All terminal bonuses are calculated as a percentage of the reversionary bonus which has been added to the plan each year.

Terminal bonus calculation

We have provided an example below of how we would work out the terminal bonus for a Series two 30 year endowment plan starting in 1986 with a sum assured of £10,000 maturing on 1 April 2016. In this example, we have an **existing reversionary bonus** of £7,929.

Next we would work out any **additional reversionary bonus**. We would apply a 0.5% reversionary bonus on the sum assured and existing reversionary bonus (see earlier reversionary bonus rate).

Then, we would work out the **terminal bonus**. As this is a 30 year endowment plan which started in 1986 we would apply a terminal bonus of 29% of the reversionary bonus (see earlier terminal bonus rate table).

And finally, as the plan was taken out before 1987, this example includes a **special bonus**.

£10,000	Sum assured The basic amount paid on maturity or death.
£7,929	Existing reversionary bonus This is the amount of reversionary bonus which has been added to the plan since it started.
+ £90	Additional reversionary bonus We work this amount out by adding the sum assured and the existing reversionary bonus together and multiplying the reversionary bonus rate (0.5%) ($£10,000 + £7,929 = £17,929$). This brings the total reversionary bonus to £8,019 .
£2,326	Terminal bonus We work this amount out by multiplying the terminal bonus rate (29%) by the total reversionary bonus (£8,019) .
+ £500	Special bonus In this example, this is £500 because the plan was taken out before 30 June 1987.
= £20,845	Final payout

Surrender values

We have increased the surrender values of reversionary bonuses and special bonuses from 1 April 2016. The increased surrender values of reversionary bonuses will also increase surrender values of terminal bonus.

The value of your sum assured, reversionary bonus and special bonus, if applicable, as well as the terminal bonus rate for your plan are shown on your Annual Statement.



3. Investment strategy and asset allocation

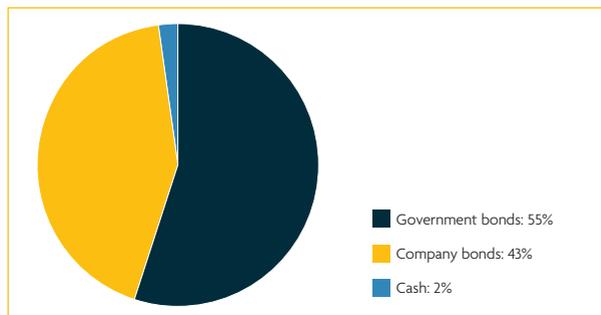
This section explains our investment strategy for the With-Profits Fund and the asset allocation of the fund on 31 December 2015.

Our first priority is to make sure that the fund will be in a position to meet its guarantees to you and other plan-holders. The safest way of securing those guarantees is by investing in UK government bonds and high quality bonds issued by companies and other organisations.

We continue to follow a cautious investment strategy to ensure that all plan-holders get their fair share of the fund, as many of the plans mature over the next few years. This strategy means the fund has no equity exposure, and it is unlikely that the exposure will increase in the future. Although the investment strategy is cautious, fixed interest investments do have the potential to default in extreme market conditions. In this circumstance future bonuses would be affected.

We review the investment strategy at least yearly but may do so more frequently if investment market conditions change sharply.

Asset allocation as at 31 December 2015



4. Investment market overview

This section gives a general overview of investment markets over 2015, the specific type of assets in which the With-Profits Fund invests and the key factors that have affected these assets.

- **Market overview** – Fixed interest investment returns were flat during the year.
- **Asset types** – The With-Profits Fund is invested in the fixed interest assets which are UK government bonds, other bonds, and mortgages. They are referred to as fixed interest investments because we know the income that we expect to receive from them, although their market value will change over time. These investments are loans to the UK government and also to companies that are raising money. Company bonds usually pay a higher rate of interest than loans to the government.

During 2015, fixed interest investment returns were flat.

Source: State Street



5. How the With-Profits Fund has performed

This section provides information on the With-Profits Fund performance and the actions we have taken to manage the assets in the fund in 2015.

The net investment return (after allowing for tax and investment expenses) earned by the With-Profits Fund during 2015 was 0.1%.

The amount you will eventually receive from your plan is not linked directly to short term fluctuations in the value of assets in the With-Profits Fund.

Past performance is not a guide to future performance. The final value of a with-profits investment depends on future bonuses which cannot be guaranteed.

6. Would you like to know more about the With-Profits Fund?

We produce a document called The Principles and Practices of Financial Management ('PPFM') for the With-Profits Fund. It provides a detailed explanation of how we manage the fund. We also produce a Consumer Guide for the fund which provides a briefer explanation of how we manage the fund.

During 2015 we updated the PPFM to make minor clarifications. We did not make any changes to the actual principles or practices.

In April 2015 we published our 2014 annual report to with-profits plan-holders. This report confirmed that we have complied with our PPFM during 2014.

The 2015 annual report will be published in April 2016.

For a copy of these documents, or if you need any further information, please call us on 0345 605 2323 or 01242 663 604 or visit www.sloc.co.uk



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SL3583-03/16
MC00000315/0317

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