

# Your guide to **the SLOC With-Profits Fund**



Sun Life Financial  
of Canada

## This leaflet explains:

- How the SLOC With-Profits Fund (“Fund”) works
- How we invest the assets of the Fund
- How the Fund performed in 2023
- Expenses for managing the Fund
- Bonus rates from 1 April 2024
- Looking further ahead
- Where to get more information

## How the Fund works

### In summary

Your with-profits plan invests in the Fund. Like most kinds of investment funds, it works by pooling together lots of people’s money to invest in a range of assets, such as shares, bonds, property and cash.

Unlike other kinds of investment funds, the Fund aims to ‘smooth’ the short-term ups and downs of investing, while still delivering growth in the long term. It shares the profits or losses of the Fund through a system of bonuses.

### Smoothing

In any year, the assets in the Fund might perform well or they might perform badly. If they perform well, the Fund’s profits will go up. If they perform badly, the Fund’s profits will go down. Most kinds of investment funds expose you to ups and downs. Depending on when you take your money out, you could get more than you put in but you could also get less.

The Fund aims to protect you from these short-term ups and downs. It does this by holding back and reinvesting some of the profits from the ‘up’ years to **smooth** out any losses in the ‘down’ years.

## Bonuses

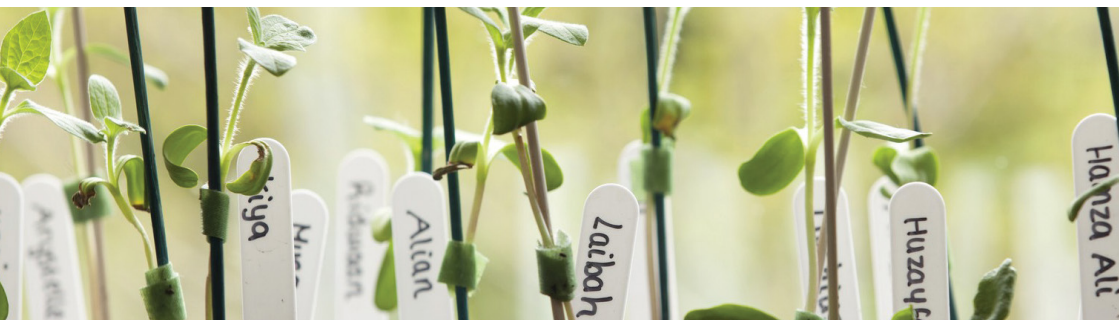
You will get your share of any profits from the Fund as a bonus.

We usually add a small bonus to your plan every year – this is called an **annual or ‘reversionary’ bonus**. It increases the amount we will pay when your plan ends on maturity or death. Once we have added your annual bonus, it is guaranteed and it cannot be taken away. The annual bonuses are small to give us the flexibility to invest in assets that have the potential to provide greater investment growth. By doing this, we aim to maximise the overall performance of the Fund and what we can pay when your plan ends.

When your plan ends, you will normally also get another bonus – this is called a **final or ‘terminal bonus’** and ensures that you get your fair share of the Fund. The amount you get will depend on how the Fund has performed during the time you have been invested and the expected future Fund performance. It also reflects the effect of smoothing investment returns and the cost of running the Fund. This means that, if the Fund has performed badly for several years, you could get a small final bonus or no final bonus at all. Similarly, if the Fund has performed well for several years you could get a bigger final bonus.

## Distributing the Fund’s excess assets

Historically, the Fund has held some excess assets. These assets were allocated to the Fund when it was set up. They have then built up from past profits and been distributed over time in a fair manner with increases to final bonuses. These increases are not guaranteed and may be withdrawn in adverse circumstances.



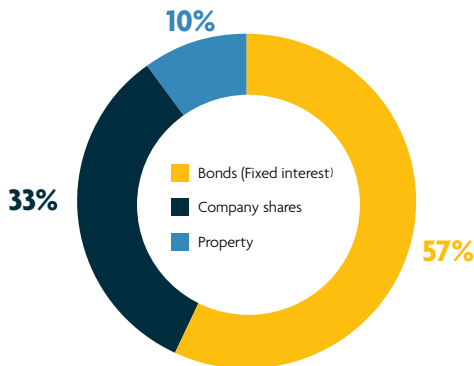
## How we invest the assets and how the Fund performed in 2023

### Investment approach

Our primary aim is to make sure the Fund can pay any guarantees we have promised to you and other plan-holders. The safest way to do this is to invest in UK government and other high quality bonds, which are loans to the UK government and also to foreign governments and companies that are raising money. These assets 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.

We also invest some of the Fund in assets such as company shares and property. Owning shares means that the Fund is a part-owner of these companies and so receives a portion of their profits. Property investments usually receive income in the form of rents. Both of these types of assets have the potential to provide investment growth but also carry a higher risk of their value going up or down.

The chart below shows how much we invested in different types of assets for endowment and whole of life plans as at 31 December 2023.



We review these amounts regularly to make sure we continue to meet our aims. In 2023 we began increasing the portion invested in company shares and property up to 45%. This proportion was 43% as at 31 December 2023.

## Market performance

Fixed interest market return was 5.5%. Company share values rose during 2023 with a return of 8.1% for UK shares and 17.5% for global shares. Property market performance was -1%.

Source: State Street.

## Fund performance

The Fund's performance in 2023 was positive with a net return of 5.2% (after tax and investment expenses). We have provided the figures for the past six years below.

2018	2019	2020	2021	2022	2023
-0.4%	9.0%	4.5%	2.9%	-11.2%	5.2%

*These returns are for the Fund as a whole and are not specific to your individual plan. Past performance is not a guide to future performance.*

The amount you will eventually receive from your plan is not linked directly to short-term fluctuations in the value of assets in the Fund. It will reflect the effect of smoothing investment returns, expected future returns, and the cost of running the Fund. The final value of your with-profits investment also depends on future annual and final bonuses, which are not guaranteed.

## Expenses for managing the Fund

When estimating plan values, we deduct expenses for managing the Fund. These expenses include the costs for administering your plan, including Company costs and advisory and investment management fees. In 2023, we paid out 0.6% of the Fund in expenses. This represents £2.2m (after tax) of the £344m average Fund value over 2023.

## Bonus rates from 1 April 2024

We have shown the annual and final bonus rate for your plan in your annual statement. We increased the final bonus rates we pay on death or maturity in April 2022. In October 2022, we increased them again to reflect the improved prospects of the Fund. The following bonus rates apply to endowment and whole of life plans.

### Annual or 'reversionary' bonus rates

Date plan started	% sum assured	% of previously applied annual bonuses
Before 1 September 1974	0% or 0.25%	0.25% or 0.75%
After 1 September 1974	0%	0.25%

### Final or 'terminal' bonus rates

Years since issue	25	30	35	40	45	50	55	60	65
Endowment plans	86%	88%	92%	97%	131%	136%	141%	N/A	N/A
Whole of life plans	42%	54%	66%	79%	81%	90%	99%	108%	117%

## Calculating your final bonus

We calculate your final bonus as a percentage of the sum assured plus the annual bonuses which have already been added to your plan. The percentage depends on the type of plan you have and for how many years you have had it. Below is an example of how we would work out the final bonus to be added to the amount paid on death on 1 April 2024, for a whole of life plan which has been in force for 35 years with a sum assured of £10,000, with an existing annual bonus of £5,845.

<b>£10,000</b>	<b>Sum assured</b> The basic amount paid on maturity or death.
<b>+ £5,845</b>	<b>Existing annual bonus</b> This is the amount of annual bonus which has been added to the plan since it started.
<b>+ £0</b>	<b>Additional annual bonus on sum assured</b> Multiply the annual bonus rate on sum assured (0%) by the sum assured (£10,000). In this example, it is zero.
<b>+ £15</b>	<b>Additional annual bonus on existing annual bonus</b> Multiply the annual bonus rate (0.25%) by the existing annual bonus amount (£5,845). This is £15. Add this to the existing annual bonus and the additional annual bonus on sum assured, which gives a total annual bonus of £5,860.
<b>+ £10,467</b>	<b>Final bonus</b> Multiply the final bonus rate (66%) by the sum assured (£10,000), which is £6,600. Multiply the final bonus rate (66%) by the total annual bonus (£5,860), which is £3,867. Add these two amounts together, which is £10,467.
<b>= £26,327</b>	<b>Final payout</b>

### When your plan matures

If you have an endowment plan, we will write to you a few weeks before your plan matures to tell you about any options you might have and how we will pay the money.

### Choosing to end your plan early

We have shown the amount you will get if you choose to end your plan early in your annual statement.

If you have been paying premiums for only part of your plan's full term or investment markets are low, you may find the lump sum is less than you were expecting. Ending your plan early also means you will lose any other benefits your plan provides.

## Looking further ahead

We continue to manage the Fund to make sure we always pay everyone their fair share of the profits, whenever they leave.

As we have not sold any new plans since 2000, the Fund is getting smaller every year as more plans mature and customers take their benefits. At some stage in the future, it will no longer be practical for the Fund to continue to be run as it is currently because it will become too small to smooth the investment returns. When this happens, we will need to make changes to the Fund to make sure we continue to distribute all of the profits fairly to everyone. At that time, we will write to give you full details of any changes and explain how your interests are being protected.

## Where to get more information

We produce a document called The Principles and Practices of Financial Management (“PPFM”) which gives a more detailed explanation of how we manage the Fund.

We have recently made some changes to update the PPFM to better reflect some of our practices. The main changes were to clarify our approach to smoothing, and to outline how we invest responsibly. Also, like other UK with-profits funds, we have included a few details of the types of actions which we could consider to help protect the Fund in the event that there are extreme unfavourable economic circumstances.

We also produce a document called a Directors’ Report which explains how we have managed the Fund over the previous year. It includes an independent report from the With-Profits Actuary.

Call us or visit [sloc.co.uk](http://sloc.co.uk) for copies of these documents.

## We are here to help

If you want more information about your plan or the Fund, call us on the number at the top of your annual statement. For advice that is specific to you, you will need to talk to a financial adviser. You can find one near you at [unbiased.co.uk](http://unbiased.co.uk). They will probably charge you for their time

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