

# Your DC Pension Estimate

## Is this factsheet relevant to me?

**Yes, if you have any contributions in a DC (Defined Contribution) Account in the Scheme, you will receive an annual benefit statement that includes an estimate of the total value of your DC Account and the income this might provide when you retire. This applies to members of;**

- The Group DC Section
- The BPP DC Section
- The BPP Hybrid Section (if you have any Additional Voluntary Contributions (AVCs), a Side Fund, Accelerator or other DC contributions)
- The Group DB Section (if you paid AVCs into the Scheme (excluding AVCs paid to Prudential, Equitable Life or Phoenix Life where a statement is produced by the relevant provider))

## Why do I need a DC Pension Estimate?

The projected value of your DC Account at retirement gives you an idea of how much money you might have saved, to provide an income in later life. You can think about whether this will be enough for you, or whether you might want to save more (or less!) towards your retirement.

At retirement, you have a number of income options including a flexible (drawdown) income, a cash lump sum (legally referred to as an UFPLS), a guaranteed (annuity) income or a combination of these (further details of each option can be found in factsheets on the BASF pension website <http://ukpensions.basf.co.uk>). Although most of our members now use their DC Account to provide a flexible income or cash lump sum, there is a legal requirement which means the DC pension estimate in your annual statement is based on you buying an annuity, sometimes referred to as a Statutory Money Purchase Illustration (SMPI).

## How is the Pension Estimate Calculated?

Your pension estimate is based on your personal details such as your date of birth, your normal pension date or target pension date (if you have one), where your DC Account is invested and, if you are still employed by BASF, the latest amount of regular contributions you and your employer are paying.

## Assumptions

Because we don't know exactly what will happen in the future, a number of assumptions are made that affect your pension estimate. Some of these are set by the Government and others are set by the Trustee of the the Scheme.

## Assumptions set by the Government

The Government tells us what to assume for a variety of points including the future rate of inflation, future increases in your earnings, how long you will live and the cost of buying an annuity. The cost of buying an annuity is based on annuity prices in February each year. These assumptions can change from time to time but the notes accompanying your annual pension estimate will include relevant details.

## Assumed future Investment Returns set by the Trustee

The pension estimate looks at the funds that your DC Account is invested in and assumes your investment choices will stay the same until you take your pension. The Trustee must decide how much investment return is expected to be earned on the different funds available in the Scheme, over the long term. The Trustee takes professional advice to set these assumptions. It considers the assets held in each of the investment funds and also reflects the actual fund charges, which the investment managers apply at the date of the statement. The current investment return assumptions are shown in the table below. The Net Investment Return (in bold) is the return that applies to your pension estimate. The other details are for your information only, to show how the fund charges are taken into account.

Fund	Gross Investment Return Assumed (% per annum)	Total Fund charges (% per annum)	Net Investment Return Assumed (rounded) (% per annum) [2017]
Adventurous Fund	5.60%	0.381%	<b>5.24%</b> [6.10%]
Moderate Fund	5.29%	0.551%	<b>4.74%</b> [5.68%]
Cautious Fund	4.10%	0.402%	<b>3.70%</b> [4.69%]
Ethical Fund	5.50%	0.277%	<b>5.22%</b> [5.97%]
Amanah Fund	5.50%	0.377%	<b>5.12%</b> [5.87%]
Pre-retirement Annuity Fund	2.25%	0.142%	<b>2.11%</b> [3.18%]
Sterling Liquidity Fund	1.50%	0.138%	<b>1.36%</b> [2.38%]

These investment returns were reviewed and changed by the Trustee in 2018. The future investment growth assumptions have been reduced for all of the funds in the Scheme. This change reflects the current investment outlook and recognises that a good level of growth has been delivered over the last few years for most investments. You may see a difference between your 2017 and 2018 pension estimate because of this.

## What if I want an estimate of other pension income options?

You can get estimates of your projected income as a cash lump sum or flexible income from the Retirement Planner on ePA (<https://epa.towerswatson.com/accounts/basf>) your online pension account. You can also use the Planner to look at how different investments and contribution payments (for active members) affect the estimates.

If you need help logging in to ePA, see the ePA Factsheet on the BASF pension website <http://ukpensions.basf.co.uk>