

BASF UK Group Pension Scheme

Statutory Money Purchase Illustration (SMPI)

This FAQ sets out some background information about SMPIs, which is included within your annual DC benefit statement.

It also explains how the accumulation rate applied in the projection of your benefits has been set.

What is a SMPI?

In short, a SMPI is a framework that governs the annual benefit statement you receive, in respect of your DC benefits in the Scheme. A key part of the framework is to provide members with an estimate of their potential future benefits, in today's money.

SMPIs are also required for any **Additional Voluntary Contributions (AVCs)** that you may hold with external providers.

The projected value of your DC Account and AVCs, should help you consider if you will have enough money to retire. Depending on your expectations, you may wish to save more (or less) for your retirement.

Why do I need to be sent a SMPI?

Since April 2003, it has been a legal requirement for all DC pension arrangements to provide an annual SMPI, in accordance with relevant guidance prepared by a prescribed body, which includes a projection of your DC Account and the estimated cost of purchasing an annuity.

The Financial Reporting Council (FRC) has been appointed as the prescribed body for that purpose.

The FRC publishes the relevant guidance in a **Technical Memorandum TM1: Statutory Money Purchase Illustrations**, which is updated from time to time.

The latest version of TM1 (version 4.2) came into effect on **6 April 2017**.

How are SMPIs calculated and what assumptions are used?

As future investment returns are not known, to project the value of your DC Account into the future, various assumptions are needed. Some of these assumptions are set by the Government and others are set at Scheme level.

Government Assumptions

Each year the Government confirms the following assumptions that must be used to calculate your SMPI:

- The rate of inflation in the future
- The rate of future salary increases
- 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.

Scheme Assumptions

The SMPI projects your current DC Account and assumes your investment choices and contribution rate will stay the same, until you reach your chosen retirement date.

The Scheme must set an assumed investment return is expected to be earned on the different funds available in the Scheme, over the long term. Professional advice is sought to set these assumptions.

It considers the assets held in each of the investment funds and 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.

Fund	Gross Investment Return	Annual Charges	Net Investment Return
Adventurous Fund	5.6%	0.405%	5.2%
Moderate Fund	5.3%	0.477%	4.8%
Cautious Fund	3.8%	0.358%	3.4%
Ethical Fund	5.5%	0.277%	5.2%
Islamic Fund	5.5%	0.377%	5.1%
Pre-Retirement Annuity Fund	1.4%	0.142%	1.3%
Sterling Liquidity Fund	0.8%	0.135%	0.7%

The Net Investment Return is the return that applies to your SMPI. The other details are for your information only, to show how the fund charges are included.

These assumptions can change from time-to-time but the notes accompanying your SMPI will include relevant details.

The Trustee makes every effort to ensure that each SMPI adheres to the correct legislation. However, as the values provided on any SMPI are based on assumptions, they cannot be guaranteed.

Can I see other projections using alternative assumptions?

Yes, you can see your projected income as a **cash lump sum** or **flexible income** from the Retirement Modeller on the Pension Portal (www.buckhrolutions.co.uk/basf), your online pension account.

You can also use the Modeller to look at how different investments and contribution payments (for active members) affect the estimates.

If you need help logging in to the Pension Portal, see the Pension Portal Factsheet on the BASF pension website www.ukpensions.basf.co.uk.