BOC Retirement Savings Plan

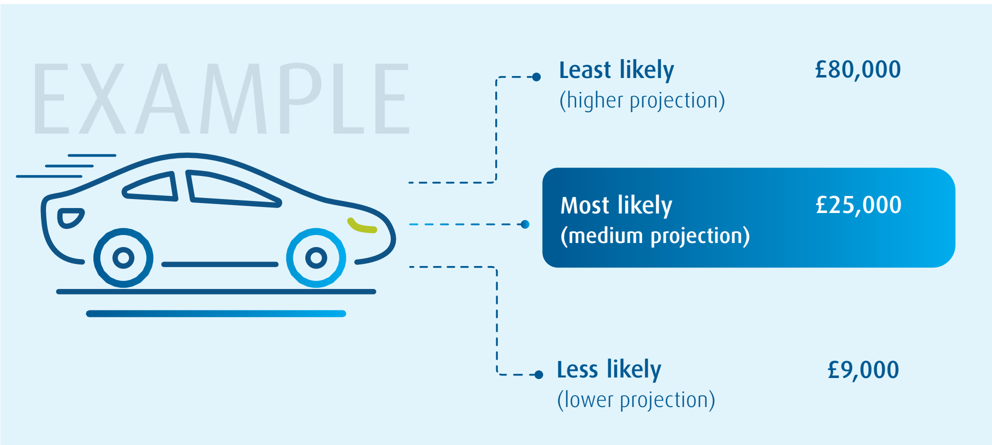
Assumptions used for the Annual Pension Benefit Statement 2021

Your pension benefit statement assumptions

Your pension benefit statement includes three benefit projections calculated using Statutory Money Purchase Illustrations (SMPIs). SMPIs are a calculation method provided by the Government which we must supply by law.

The pension figures highlighted in your benefit statement are what we consider to be your most likely pension amounts. As there are a number of variables that affect your projected pension (for example, if you are an active member, we have capped annual contributions at £40,000), it's very difficult to predict exactly how much pension you will receive (particularly if you are a number of years away from retirement).

The image, like the one in the example shown below, will show your SMPI pension figure as the 'most likely' projection based on a medium return on your investments. As future investment returns are uncertain, we have also included SMPI figures which assume a 1% higher and lower investment return.



You should only treat these figures as a guide as there are other factors that could affect your pension (e.g. any pay increases if you are promoted), which cannot be built into the projection. While the higher projection might occur or might even be exceeded, you shouldn't count on this in your retirement planning. On the other hand, you may want to think about how you would manage financially if your pension was less than the lower projection – perhaps by increasing your rate of RS section contributions.

Your pension benefit statement assumptions

The table below outlines key assumptions behind the SMPI retirement projections shown in your statement. Please note that the investment returns are before investment management expenses.

The method for calculating expected investment returns has been updated for 2021, and the investment return assumptions are higher than those used in last year's projections. You may therefore see a difference in the value of your SMPI projections compared to your previous statements.

Element	Assumption
Price inflation (RPI):	2.5% a year
Salary increases:	2.5% a year
Investment growth pre-retirement:	
Bonds:	1.5% a year
Cash:	2.0% a year
Diversified Growth:	5.0% a year
Equities:	6.0% a year
Fixed Interest Gilts:	1.0% a year
Index-Linked Gilts:	0.0% a year
The investment growth assumptions shown above are used for your 'most likely' SMPI pension figure and are based on a medium return on your investments. As future investment returns are uncertain, we have also included SMPI figures in your statement but assuming a 1% higher and lower investment return.	
Pension cost at retirement is based on an investment yield of:	-2.6% a year
Future contributions:	At same rate to retirement
Cash lump sum taken:	None
Pension increase in payment:	In line with RPI
Dependant's benefit payable:	50% of your pension

Please note: All pension figures shown in the statement are expressed in today's prices (as at 30 June 2021). General assumptions have been made about your investments and their likely performance. We also assume that your future contributions will be at the rate paid in the 12 months to the date of this statement and will include extra contributions/lump sum payments if applicable. The actual amount of any pension payable will depend on factors, such as the actual performance of investments and the cost of buying an annuity when you retire. These may be different from the assumptions used in your statement. All benefits and projections shown in your benefit statement are for illustrative purposes only. They do not represent any promise or guarantee as to the amount of benefit you may receive.