

# Statutory Money Purchase Illustration Calculation

By Law BCF Pension Trust must calculate an estimate of what your pension pot might provide in today's monetary value.

This requires us to make assumptions about:

1. How much you will contribute in the future
2. How much the investments will grow by
3. When you will turn your pension into an income
4. The basis of the income that would be purchased
5. How much future inflation will reduce the result

The regulations require that we assume you will take no tax-free payments, and that you will purchase an annuity despite this being inconsistent with our beliefs. Of course, this is just the best estimate as all of the above assumptions would need to be accurate for it to be true.

We also allow for costs and charges that apply within the calculation.

We must provide the detail of this calculation and the main assumptions are set out below:

## **Future contributions**

If you are currently contributing, we have assumed that these will continue at the same rate for now but will also increase in line with inflation.

If you are currently not contributing, we have assumed that you will not contribute in the future.

We have set this out in the statement also for reference.

## **Investment Growth**

We have assumed that future investment growth will be 3% per year. This assumption may change from time to time.

## **When you will retire**

We have assumed that this will be the anticipated retirement date you have communicated to us or in the absence of this age 65. The actual retirement date we have used will also be shown on the statement.

## **Income Purchase Basis**

We are required to assume that:

- You will not take a tax free payment
- The pension income will not increase once in payment
- You will not make provision for an ongoing pension for your spouse

These assumptions do change from time to time but are also set out in the statement.

Within the process of calculating the pension amount UK mortality data is used to calculate the pension conversion rate. The mortality data is updated from time to time to reflect changes in the data.

## **Future inflation**

The UK government has a stated long-term inflation target of 2.5%. This is the assumption that the regulations governing this calculation require us to use.