

## Fluctuations in Estimated Transfer Values

The transfer value basis is decided by the Trustee on the advice of the Scheme Actuary. The calculation is complex and involves a substantial number of inputs and numerical operations. Broadly, your pension on leaving the scheme is revalued to retirement and then projected beyond retirement with assumed pension increases, allowing for the probability of you being alive to receive it. Each expected pension instalment is then discounted to the present day (based on an assumed rate of interest) and then summed to give a cash equivalent transfer ("CETV"). The key factors affecting the CETV calculation are:

	<b>How it affects the CETV</b>	<b>How frequently it is updated</b>
Expectations of <b>future</b> interest rates	Lower expected future interest rates will increase the CETV. Higher expected future rates will reduce the CETV.	Monthly (updated with reference to specific bond yields)
Expectations of <b>future</b> inflation	Lower expected future inflation will reduce the CETV. Higher expected future inflation will increase the CETV.	Monthly (updated with reference to specific bond yields)
Scheme's expectation on asset returns and members' life expectancy	Lower expected asset returns will increase the CETV. Higher expectations of life expectancy will increase the CETV.	Generally revised every three years
Historical inflation from the date of leaving the scheme	Higher inflation since the date of leaving the scheme will increase the CETV	Monthly

Small changes in rates can cause quite significant swings in transfer values due to the effect of compounding. For illustration purposes, if the interest rate was expected to be 4% over the next 10 years, a future payment of £100,000 would currently be worth £68,000. However, if the rate was expected to be 4.5%, a payment of £100,000 would currently be worth £64,000 – a change of approximately 6%.

The CETV will reflect the best estimate of the value of your benefits in the Scheme based on the Scheme's investment strategy and the Trustee's views. This may not necessarily reflect the best estimate of the value to you as an individual, nor will it necessarily reflect the cost of purchasing equivalent benefits on the open market.

Transfer value quotations are not scaled back to reflect the Scheme's current funding position.

As will be noted in your CETV quotation, you must take advice from an Independent Financial Adviser prior to making any decision. If you wish to proceed with transferring out, a final guaranteed transfer value can be obtained from Mercer. This can only be obtained after you have opted out of the Scheme and become a deferred member. Please be aware that once you have opted out of the Scheme, you cannot be re-admitted as an active member.