

**Note:** This summary is provided for explanatory purposes only and does not form part of the Principles and Practices of Financial Management itself.

### **Changes to Wesleyan MSS Fund PPFM 1 June 2023**

Some minor updates have been made to the following sections of the MSS Fund practices with effect from 1 June 2023.

- A change has been made to the way aggregate asset shares for some pension policies are calculated to more accurately reflect the amounts that will be paid in practice. Section 1.2.1.1 has been updated to reflect the change in practice.
- The target ranges have been narrowed from 75%-125% to 80%-125% for maturity, death and surrender claims. This has been reflected in section 1.2.5

### **Changes to Wesleyan Open Fund PPFM 1 July 2021**

The following changes were made to the Wesleyan Open Fund principles and practices with effect from 1 July 2021.

1. Changes due to the introduction of the new Wesleyan Growth Fund product on the Novia investment platform.
  - The layout of the PPFM has changed significantly to incorporate the new product. Products have been categorised into two classes, as explained in the introduction section of the PPFM document. Each section of the PPFM has been adjusted so that both classes are explained separately, where relevant. The aim of this is to improve the clarity of the PPFM so that policyholders can more easily locate the sections that apply to their policy.
  - Changes have been made throughout the PPFM to explain how we manage the new product, referred to as 'Class 2 with profits'. In particular, section 1 explains the structure of the new product, how values are calculated, provides details on the smoothing process and the items included in the unsmoothed return.
  - The meaning of the principles has not changed for existing policyholders.
  - Section 1.2.3.2 has been updated to show which Society profits and losses Class 2 products participate in, and how Class 1 products share in profits and losses from Class 2 business.
2. Changes to section 5.2
  - A minor update has been made to provide a more detailed explanation of the support arrangement between the Open Fund estate and the MSS Fund. We have added that the Open Fund estate will be used to ensure that all guaranteed liabilities of the MSS Fund will be paid in full and to ensure the MSS Fund satisfies its regulatory solvency requirements.

Minor wording changes and simplifications have also been made throughout to improve the clarity of the PPFM. They do not change the meaning of the existing wording.

### **Changes to Wesleyan MSS Fund PPFM 1 July 2021**

A minor update has been made to section 5.2 of the MSS Fund practices with effect from 1 July 2021. This section now provides a more detailed explanation of the support arrangement between the Open Fund estate and the MSS Fund. We have added that

the Open Fund estate will be used to ensure that all guaranteed liabilities of the MSS Fund will be paid in full and to ensure the MSS Fund satisfies its regulatory solvency requirements.

### **Changes to Wesleyan Open Fund PPFM 1 March 2021**

The following changes were made to the Wesleyan Open Fund practices with effect from 1 March 2021.

3. Changes to sections 1.2.1 and 1.2.3
  - Mentioned that MVRs can apply on all claim events for Life products depending on the entry date.
4. Changes to 1.2.1.2
  - Stated that unit pricing now takes place daily
  - Removed the reference that we do not currently charge for cost of guarantees
5. Changes to section 5.2
  - Mentioned that there are guidelines in place to determine if the estate is too large and that distributions may be made to with profits policyholders to reduce the size of the estate.

In the Glossary we have added the definition of 'With Profits Unit Value'.

Minor wording changes and simplifications have also been made throughout to improve the clarity of the PPFM. They do not change the meaning of the existing wording.

### **Changes to Wesleyan MSS Fund PPFM 1 March 2021**

The following changes were made to the MSS Fund practices with effect from 1 March 2021.

1. Change to section 1.2.4
  - Added a sentence to the final bonus section to explain that a proportion of the fund's surplus may be added on claim.

### **Changes to Wesleyan Open Fund PPFM 1 August 2019**

The following minor changes were made to the Wesleyan Open Fund practices with effect from 1 August 2019.

1. Changes to section 2.2.6
  - Added 'seed capital to subsidiaries and related parties' to the list of non-traded assets.
  - Explain that the With Profits Committee regularly review the level of seed capital and its impact on policyholders.

## 2. Changes to 2.2.1

- Simplified the explanation about how specific assets are used and how they have no impact on asset share investment returns.

In the Glossary we have added the definition of 'Seed Capital'.

### **Changes to Wesleyan MSS Fund PPFM 1 August 2019**

The following changes were made to the MSS Fund practices with effect from 1 August 2019.

#### 2. Minor Wording Changes.

In section 1.2.1.1 we have:

- Simplified the wording in the investment return section to make it clear that all policies have the same asset mix.

In section 2.2.1 we have:

- Simplified the explanation about how specific assets are used and how they have no impact on asset share investment returns.

### **Changes to Wesleyan Open Fund PPFM 31 December 2018**

The following minor changes were made to the Wesleyan Open Fund practices with effect from 31 December 2018.

#### 1. Changes to section 5.2

- We have removed the reference to Wesleyan Growth Bond policies because no such policies remain in force.
- We have removed the reference to the cost of implementing Solvency II because this is now complete.
- We have amended the reference to the Mutual Rewards Scheme because the Scheme now achieves more than solely providing incentives towards the purchase of additional products.
- We have clarified the products and circumstances where no-Market Value reductions guarantees can apply.

#### 2. Minor Wording Changes

In section 1.2.1 we have:

- Clarified that premiums rates are only used to recalculate benefits where rates are available
- Clarified that Guaranteed Annuity Rates are not applicable after age 75.
- Changed the statement about the amount payable on death from 'at least 101% of the value of the units' to 'at least 100% of the value of the units' to ensure this statement remains accurate for all unitised products.

In the Glossary we have updated the definition of 'Actuary' to account for recent changes to regulations.

### **Changes to Wesleyan MSS Fund PPFM 31 December 2018**

The following changes were made to the MSS Fund practices with effect from 31 December 2018.

#### 1. Minor Wording Changes

In section 1.2.1 we clarified that premiums rates are only used to recalculate benefits where rates are available, and that Guaranteed Annuity Rates are not applicable after age 75.

In section 1.2.1.1 we replaced the term 'mathematical reserve' with 'guaranteed benefits'. Mathematical reserve is a Solvency I term and is no longer in use.

In the Glossary we have updated the definition of 'Actuary' to account for recent changes to regulations.

### **Changes to Wesleyan Open Fund PPFM 01 July 2018**

#### 1. Target Ranges

In section 1.2.4 we now state that, when determining maturity payouts for classes of policy for which *asset shares* are calculated, we aim to pay between 75% and 125% of adjusted *asset share*, subject to paying a minimum of the guaranteed benefits. We also now aim to pay between 75% and 125% of *asset share* for transfers and surrenders subject to any minimum amount guaranteed.

### **Changes to Wesleyan MSS Fund PPFM 01 July 2018**

#### 1. Target Ranges

In section 1.2.5 we now state that, when determining maturity payouts for classes of policy for which *asset shares* are calculated, we aim to pay between 75% and 125% of adjusted *asset share*, subject to paying a minimum of the guaranteed benefits. We also now aim to pay between 75% and 125% of *asset share* for transfers and surrenders subject to any minimum amount guaranteed.

### **Changes to Wesleyan Open Fund PPFM 31 December 2017**

The following minor changes were made to the Wesleyan Open Fund practices with effect from 31 December 2017.

#### 2. Miscellaneous Profits

In sections 3.2, 4.2 and 5.2 we describe how the increase in the level of expenses applied to IB policies from 2018 will be set according to a defined formula. We will

monitor the actual costs and any losses will be met by the estate. (Conversely, any resultant profit would be passed to the estate.)

### 3. Approval for Investing in Derivatives

In section 2.2.1 we confirm that Board approval is required for any investment in derivatives. Previously, the PPFM stated that this was only required for 'material' investment in derivatives.

### 4. Commission form Business Transferred to General Accident

In section 1.2.1.1 we have removed references to the amounts received in respect of profit sharing and commission arrangements on Wesleyan general insurance business transferred to General Accident in 1995 as these amounts are now trivial.

### 5. Respreading of Expenses from Retail Distribution Review Project

In section 3.2 we have removed reference to respreading the costs of implementing changes to the business from the end of 2012 to meet the requirements of the FSA's Retail Distribution Review. This is now complete and there are no further costs outstanding.

### 6. IB Write Off Profits or Losses

In section 1.2.1.1 we clarify that any profits / losses from differences between future actual and expected IB business written off will be passed to IB asset shares (following the enhancement in respect of future write off profits applied in 2016 and 2017).

### 7. Minor Wording Change

In section 1.2.4 we have changed 'mediocre investment returns' to 'low investment returns' when describing the investment conditions that may lead to changes in payouts of more than 10%.

## **Changes to Wesleyan MSS Fund PPFM 31 December 2017**

The following minor change was made to the MSS Fund practices with effect from 31 December 2017.

### 1. Approval for Investing in Derivatives

In section 2.2.1 we confirm that Board approval is required for any investment in derivatives. Previously, the PPFM stated that this was only required for 'material' investment in derivatives.

## **Changes to Wesleyan MSS Fund PPFM 01 August 2017**

The following minor change was made to the MSS Fund practices with effect from 01 August 2017.

#### 1. Target Ranges

In section 1.2.5 we now state that, when determining maturity payouts for classes of policy for which *asset shares* are calculated, we aim to pay between 70% and 130% of adjusted *asset share*, subject to paying a minimum of the guaranteed benefits.

### **Changes to Wesleyan Open Fund PPFM 31 December 2016**

The following minor changes were made to the Wesleyan Open Fund practices with effect from 31 December 2016.

#### 1. Miscellaneous Profits

In section 1.2.1.1 we have updated the description of the way that IB write off profits are allocated to IB asset shares. This follows the work undertaken this year to capitalise the value of future IB write off profits and add this to all IB With Profits asset shares going forward.

#### 2. Shadow Fund Transactions

In section 1.2.1.2 we have made a minor change to clarify that transactions in the shadow fund occur in the same proportion to those in the With Profits Fund.

#### 3. Cash Strategy

In section 2.2.4 we have extended the length of time that we state that cash deposits will be kept. This has increased from 3 to 6 months. This is an operational change that reflects the fact that banks/building societies are reluctant to accept short-term money market deals. So, to avoid the potential counterparty breaches outlined in section 2.1.3 of the PPFM, we have sought to place deposits for longer maturities (capped at six-months).

#### 4. Treatment of Business Risks

In section 3.2 we have clarified how the 1% cap (that currently applies to the level of non-profit losses that can be charged to asset shares) may be relaxed if the level of available capital falls sufficiently.

### **Changes to MSS Fund PPFM 31 December 2016**

The following minor change was made to the MSS Fund practices with effect from 31 December 2016.

#### 1. Cash Strategy

In section 2.2.4 we have extended the length of time that we state that cash deposits will be kept. This has increased from 3 to 6 months. This is an operational change that reflects the fact that banks/building societies are reluctant to accept short-term money market deals. So, to avoid the potential counterparty breaches outlined in section 2.1.3 of the PPFM, we have sought to place deposits for longer maturities (capped at six-months).

### **Changes to Wesleyan Open Fund PPFM 31 December 2015**

The following minor changes were made to the Wesleyan Open Fund practices with effect from 31 December 2015.

#### **1. New flexible retirement options**

In section 1.2.1 we have updated the description of the way that benefits may be taken from our pension policies following the new flexible retirement options that came into force from 6 April 2015.

#### **2. Assessing changes to annual bonuses**

In section 1.2.2 we have updated the description of how we assess the scope to change annual bonuses at the year end to reflect a change in process. The change was introduced to improve the process and will not affect the level at which annual bonuses are set.

#### **3 Updating the Investment Strategy section**

We have made minor changes to section 2 including;

- A new limit on policyholder assets invested in subsidiary companies, and
- A new section discussing investment strategy for 'other asset categories'. This provides additional information to reflect an update carried out by the investment team to their "Investment Beliefs" document. There have been no changes to our investment philosophy regarding alternative asset classes.

### **Changes to MSS Fund PPFM 31 December 2015**

The following minor changes were made to the MSS Fund practices with effect from 31 December 2015.

#### **1. New flexible retirement options**

In section 1.2.1 we have updated the description of the way that benefits may be taken from our pension policies following the new flexible retirement options that came into force from 6 April 2015.

#### **2. Assessing changes to annual bonuses**

In section 1.2.2 we have updated the description of how we assess the scope to change annual bonuses at the year end to reflect a change in process. The change

was introduced to improve the process and will not affect the level at which annual bonuses are set.

### 3 Updating the Investment Strategy section

We have made minor changes to section 2 including;

- A new section discussing investment strategy for 'other asset categories'. This provides additional information to reflect an update carried out by the investment team to their "Investment Beliefs" document. There have been no changes to our investment philosophy regarding alternative asset classes.

## **Changes to Wesleyan Open Fund PPFM 31 August 2015**

The following changes were made to the Wesleyan Open Fund principles and practices with effect from 31 August 2015

1. Change to how benefits are calculated on Lifetime Account Plus and Retirement Account policies.

Maturity, surrender and death values are now calculated by reference to a shadow fund. Previously benefits on these policies had been calculated in a similar manner to conventional policies. Policyholders were made aware of the proposed changes by letter in February 2015.

## **Changes to Wesleyan Open Fund PPFM 31 December 2014**

The following changes were made to the Wesleyan Open Fund practices with effect from 31 December 2014.

1. Removal of references to Guaranteed Growth Bond and Guaranteed Income Bond

There were no Guaranteed Growth Bond or Guaranteed Income Bond policies in force as at 31 December 2014 so we have removed all reference to them. Sections 1.2.1.1, 1.2.3, 3.2 and 5.2 have been updated.

2. Reference to intergenerational fairness

Section 4.2 has been updated to state that we allocate expenses in a fair manner and that significant one off costs may be spread across more than one year.

## **Changes to Wesleyan Open Fund PPFM 31 December 2013**

The following changes were made to the Wesleyan Open Fund practices with effect from 31 December 2013.



1. Change to annual bonus policy

Section 1.2.2 has been updated to reflect a change to the method we use to assess the affordability of annual bonus rates. The new method gives more flexibility to the Society in deciding how much of the overall payout to customers when their policy matures is built up by the addition of annual bonuses (which for many policies provide a guarantee) and how much is added as final bonus. Where a final bonus can be afforded, this change is not expected to change the overall payment made to customers when their policy matures.

2. Minor change to business risks

A minor change has been made to Section 3.2 to update the description of the way we allow for risks in product pricing following the adoption of Solvency II methodology.

### **Changes to Wesleyan Open Fund PPFM 31 December 2012**

The following changes were made to the Wesleyan Open Fund practices with effect from 31 December 2012.

1. Clarification of smoothing policy

We have updated section 1.2.4 to clarify how we monitor the smoothing we apply to policy values.

2. Change in responsibilities regarding investment policy

The Society's Executive Committee is now responsible for monitoring that our investments are managed in line with the parameters agreed by the Board. Section 2.2.1 had been updated to reflect this change.

3. Minor change to investment policy

Section 2.2.5 has been changed to reflect that we may trade in the secondary market for corporate bonds when suitable opportunities arise.

4. Changes to expenses charged to policies in the MSS Fund

We have set up an agreement between the Open Fund and the MSS Fund which guarantees the level of expenses to be charged to policies in the MSS Fund. This agreement ensures that the MSS Fund, which is closed, runs off in an orderly way. The Open Fund now bears the risk that these expenses will be larger than expected with any excess or deficiency being charged to the Estate, but there is no impact on the expenses charged to policyholders in the Open Fund. Sections 3.2, 4.2 and 5.2 have been amended to reflect the introduction of this guarantee.

5. Clarification regarding business risk

Section 3.2 has also been updated to clarify that profits and losses arising from income protection business are shared between the policyholders and the Estate.

## 6. Change to contact details

The introduction to the PPFM has been updated to explain how you can use the “My Wesleyan” website to contact us. We have also removed some out of date information from the introduction.

## **Changes to Medical Sickness Society Fund PPFM 31 December 2012**

The following changes were made to the Medical Sickness Society Fund practices with effect from 31 December 2012.

### 1. Change in responsibilities regarding investment policy

The Society’s Executive Committee is now responsible for monitoring that our investments are managed in line with the parameters agreed by the Board. Section 2.2.1 had been updated to reflect this change.

### 2. Minor change to investment policy

Section 2.2.5 has been changed to reflect that we may trade in the secondary market for corporate bonds when suitable opportunities arise.

### 3. Changes to expenses charged to policies

We have set up an agreement between the Open Fund and the MSS Fund which guarantees the level of expenses to be charged to policies in the MSS Fund. This agreement ensures that the MSS Fund, which is closed, runs off in an orderly way. Sections 1.2.1.1, 3.2 and 4.2 have been amended to reflect the introduction of this agreement.

### 4. Change to contact details

The introduction to the PPFM has been updated to explain how you can use the “My Wesleyan” website to contact us. We have also removed some out of date information from the introduction.

## **Changes to Wesleyan Open Fund PPFM 19 December 2011**

The following changes were made to the Wesleyan Open Fund practices with effect from 19 December 2011.

### 1. Change to asset share adjustments

We have changed the way profits from unclaimed written off Industrial Branch (IB) policies are used to enhance asset shares. Our previous practice was to enhance asset shares of those IB policies becoming claims in the following year. Due to the increase in the size of these profits we may use some of these profits to enhance asset shares for all IB policies. We have amended section 1.2.1.1 to reflect this practice.

## 2. Change to business risk

There are costs associated with implementing changes to the business arising from the FSA's Retail Distribution Review. These costs are being spread to reduce the impact on policy values in the year in which they occur. Section 3.2 has been amended to include this as one of the adjustments which is being spread over a period.

## 3. Change to charges and expenses

A change has been made to section 4.2 to explain that some income received by a distribution subsidiary from the Society may not be allowed for in the profit or loss made by the subsidiary, and in Society's costs.

## 4. Change to costs charged to the Estate

The costs associated with the Society's Solvency II project are not being charged to policyholders, and Section 5.2 has been updated to reflect this.

## 5. Clarification of our aims of writing non-profit business

We have made a small change to section 6.2. Currently profits from non-profit business enhance the returns to with-profits policyholders. We have clarified the wording to recognize that this might change in future.

## **Changes to Wesleyan Open Fund PPFM 29 November 2010**

The following changes were made to the Wesleyan Open Fund practices and principles with effect from 29 November 2010. The change to principles is for clarification only.

### 1. Changes to the calculation of shadow fund prices

We have changed the way in which we calculate final bonuses for some unitised with profits contracts so that the calculations use the most up to date information available. This will help us ensure that the amounts our customers receive are fair and reflect our existing smoothing policy. This is reflected in section 1.2.1.2.

### 2. Clarification about charging for guarantees

We have also updated section 1.2.1.2 to clarify that we do not currently charge for guarantees on this type of policy.

### 3. Clarification of our smoothing policy

Section 1.2.4 has been updated to clarify the way we approach the setting of payouts in relation to percentages of asset shares.

### 4. Calculation of surrender values

We have made a minor change regarding transfer values for some pension policies. Retirement benefits can now only be taken at age 55 or above, rather than age 50. We therefore now only relate transfer values to early retirement benefits if the customer is aged 55 or above. This is reflected in section 1.2.3.

### 5. Changes to new business

Some minor changes have been made to sections 6.1 and 6.2 to clarify when we might consider stopping selling new with profits business.

## **Changes to Medical Sickness Society Fund PPFM 29 November 2010**

The following changes were made to the Medical Sickness Society Fund practices with effect from 29 November 2010.

### 1. Clarification of our smoothing policy

Section 1.2.5 has been updated to clarify the way we approach the setting of payouts in relation to percentages of asset shares.

## **Changes to Wesleyan Open Fund PPFM 13 March 2009**

The following changes were made to the Wesleyan Open Fund practices and principles with effect from 13 March 2009. The changes to principles are for clarification only.

### 1. Clarification of our smoothing policy

When large changes in maturity or death claim values are required, it may be necessary for individual changes to exceed 10%. This is reflected in section 1.2.4.

### 2. Clarification of investment strategy

We have changed the section on investment strategy to clarify how assets and investment returns are allocated in the event that different assets are held to back different parts of the fund. The overriding principle of compliance with the Merger Scheme is unchanged. Sections 1.2.1.1, 2.1.1, 2.2.1 and 5.2 have been updated to reflect this clarification.

### 3. Changes to business risks

Section 3.2 has been updated to reflect a small change in the methods used to assess the profitability of new non-profit business.

### 4. Change to costs charged to the Estate

The description of the treatment of the costs of a specific strategic change programme in section 5.2 is out of date, and has therefore been replaced. The related description in the Principles in Section 5.1 has also been simplified, for clarity.

### 5. Charges made to asset shares

Sections 3.2 and 5.2 have been updated to clarify the charges that may be made to asset shares in extreme adverse circumstances.

### 6. Addition to the glossary

We have added a definition of *exceptional costs* to the glossary.

## **Changes to Medical Sickness Society Fund PPFM 13 March 2009**

The following changes were made to the Medical Sickness Society Fund practices and principles with effect from 13 March 2009. The changes to principles are for clarification only.

### **1. Clarification of our smoothing policy**

When large changes in maturity or death claim values are required, it may be necessary for individual changes to exceed 10%. This is reflected in section 1.2.5.

### **2. Clarification of investment strategy.**

We have changed the section on investment strategy to clarify how assets and investment returns are allocated in the event that different assets are held to back different parts of the funds. The overriding principle of compliance with the Merger Scheme is unchanged. Sections 1.2.1.1, 2.1.1 and 2.2.1 have been updated to reflect this clarification.

## **Changes to Wesleyan Open Fund PPFM 1 August 2008**

The following changes were made to the Wesleyan Open Fund PPFM document with effect from 1 August 2008:

### **1. Change to our smoothing policy**

When we calculate the cost of smoothing payouts over the long term, we will no longer be including any excess of guaranteed benefits over asset shares. This means that we will not expect to recoup these costs from policyholders. This is reflected in section 1.2.4.

### **2. Update to property investment strategy.**

We have made a minor change to our property investment strategy. Sales of property are also considered when an exceptional sale figure is achievable. We have updated section 2.2.3 to reflect this.

### **3. Changes to business risks**

We have reduced the limit on the overall charge that may be made to asset shares for certain risks. We have also transferred the risks associated with the staff pension scheme from policyholders to the Estate. Both changes have improved the fair treatment of policyholders. Sections 3.2 and 5.2 have been updated to reflect these changes.

### **4. Change to contact details**

The e-mail address and telephone number to contact us if you have any queries on the PPFM document have changed and the Introduction has been updated to include these revised details.

## **Changes to Medical Sickness Society Fund PPFM 1 August 2008**

The following changes were made to the Medical Sickness Society Fund PPFM document with effect from 1 August 2008:

### **1. Update to asset share adjustments**

A minor change has been made to Section 1.2.1.1 to remove historic information regarding the removal of some past asset share enhancements. All of these enhancements have now been restored.

### **2. Change to vesting bonus**

Following a change to the method used to calculate annuity rates, we now review vesting bonus rates when there are significant changes in the interest rate or mortality assumptions in the Society's annuity basis. This ensures that policyholders receive an appropriate amount regardless of the age at which they choose to retire. This is reflected in section 1.2.3.

### **3. Update to property investment strategy.**

We have made a minor change to our property investment strategy. Sales of property are also considered when an exceptional sale figure is achievable. We have updated section 2.2.3 to reflect this.

### **4. Merger of staff pension schemes**

We have removed historic information regarding the Medical Sickness Group Pension Scheme from both sections 3.1 and 3.2 following the merger of this scheme with the Wesleyan Staff Pension Scheme in 2007.

### **5. Changes to expenses**

We have removed references to the limit on expenses that may be charged to policies in the MSS Fund, as this limit only applied for a specified period following the merger. We have also updated the references to outsourcing agreements. Both changes are reflected in section 4.2.

### **6. Change to contact details**

The e-mail address and telephone number to contact us if you have any queries on the PPFM document have changed and the Introduction has been updated to include these revised details.

## **Changes to Wesleyan Open Fund PPFM 1 August 2007**

The following changes were made to the Wesleyan Open Fund PPFM document with effect from 1 August 2007:

### **1. Change to frequency for bonus rate setting**

Previously we reviewed final bonus rates once a year in stable investment conditions. We may now carry out more frequent reviews to help us keep payouts within our quoted target ranges. This will assist in ensuring that policyholders continue to receive a fair payout. We have amended section 1.2.3 to reflect this.

### **2. Change to our smoothing policy**

We are updating our smoothing policy to allow payout changes in excess of 10% per annum in periods of prolonged high investment returns. This will enable us to keep payouts closer to asset shares when investment returns are consistently better than expected. This is reflected in section 1.2.4.

### **3. Change to profits and losses allocated to asset shares**

We have widened the profits and losses allocated to asset shares to include profits and losses on protection business, unit-linked business and annuity business. We have also changed our practice to charge losses to asset shares in the year in which they are incurred rather than offsetting them against future profits. This means that we are being fairer to policyholders by reducing the amount of cross-subsidy between one generation and another. We have changed section 1.2.1.1 to reflect this.

### **4. Change to index used for shadow fund calculations**

We have changed the index used to calculate shadow fund prices in intermediate reviews from the FTSE 100 index to the FTSE All Share index. The FTSE All Share index is a closer match to our portfolio of equities and therefore this change will improve the accuracy of our calculations

### **5. Changes to business risks**

We have removed the £4m limit on the Society's investment in new projects. This limit has been replaced with a set of criteria for the Board to consider when approving new projects. This will help ensure that we only make investments expected to give an acceptable balance between risk and reward. We have also clarified the nature of the risk relating to bulk annuity buyout business. Section 3.2 has been updated to reflect these changes.

### **6. Outsourcing agreements**

We have updated section 4.2 to cover the outsourcing agreements currently in operation.



## 7. Changes to costs charged to the Estate

We identified some new costs which are allocated to the Estate rather than to policyholders' asset shares. These are the costs of entering new markets and the cost of the Mutual Reward Scheme. Section 5.2 has been updated to reflect this.

## 8. Addition to glossary

We have taken this opportunity to add definitions of "annuity" and "bulk annuity buyout" to our glossary, which were previously not defined.

### **Changes to Medical Sickness Society Fund PPFM 1 August 2007**

The following changes were made to the Medical Sickness Society Fund PPFM document with effect from 1 August 2007:

#### 1. Change to frequency for bonus rate setting

Previously we reviewed final bonus rates once a year in stable investment conditions. We may now carry out more frequent reviews to help us keep payouts within our quoted target ranges. This will assist in ensuring that policyholders receive a fair payout. We have amended section 1.2.4 to reflect this.

#### 2. Change to our smoothing policy

We are updating our smoothing policy to allow payout changes in excess of 10% per annum in periods of prolonged high investment returns. This will enable us to keep payouts closer to asset shares when investment returns are consistently better than expected. This is reflected in section 1.2.5.

#### 3. Addition to glossary

We have taken this opportunity to add a definition of "annuity" to our glossary, which was previously not defined, and also update the references to outsourcing agreements in the document.

### **Changes to Wesleyan Open Fund PPFM 1 January 2007**

The following changes were made to the Wesleyan Open Fund PPFM document with effect from 1 January 2007:

#### 1. Change to our Investment Policy

We intend to allocate specific assets to some specific liabilities to reduce the risks arising from guarantees or options on particular types of policy in the MSS Fund. To ensure that this does not impact on investment returns in the Open Fund, we are setting up an internal reinsurance arrangement between the MSS Fund and the Open Fund. We have amended section 2.2.1 to reflect this, and also section 3.2 as the risk to the Fund is expected to reduce.

## 2. Change to business risks

We have recently taken on a large bulk annuity buyout, which we expect to make profits on. The profits or losses on this business will be attributed to OB and Pensions policyholders. We have also clarified the position regarding the risks associated with the staff pension scheme. We have now introduced a limit on the overall charge that may be made to asset shares for certain risks: this protection has improved the fair treatment of policyholders. All these changes are in section 3.2.

## 3. Charges for policy guarantees

We have formalised our current practice of not charging asset shares for the cost of policy guarantees. This applies to all With Profits policies in the Open Fund other than guaranteed bond policies where a charge is made. This is a material benefit to many of our With Profits policies. We reserve the right to make a charge in the future. We have amended section 1.2.1.1 to reflect this.

## 4. Addition to glossary

We have taken this opportunity to add a definition of derivatives to our glossary, which was previously not defined.

## **Changes to Medical Sickness Society Fund PPFM 1 January 2007**

The following changes were made to the Medical Sickness Society Fund PPFM document with effect from 1 January 2007:

### 1. Change to our Investment Policy

We intend to allocate specific assets to some specific liabilities to reduce the risks arising from guarantees or options on particular types of policy in the MSS Fund. We have amended sections 1.2.1.1, 2.2.1 and 4.2 to reflect this.

### 2. Change to asset share enhancements

We are changing the way that some guarantee costs are allocated between life or pensions contracts. This is to meet our aim that each type of contract should only meet the guarantee costs arising on that type. This is reflected in section 1.2.1.1.

### 3. Merger of Staff Pension Schemes

Section 3.2 has been changed to reflect the fact that the Medical Sickness Group Pension Scheme was merged with the Wesleyan Staff Pension Scheme.

### 4. Addition to glossary

We have taken this opportunity to add a definition of derivatives and guarantee costs to our glossary, which were previously not defined, and also to update the document by removing reference to the maximum limit for expenses charged to asset shares prior to 31 December 2004.

## **Changes to Wesleyan Open Fund PPFM 1 January 2006**

The following changes were made to the Wesleyan Open Fund PPFM document with effect from 1 January 2006:

### **1. Change to our Smoothing Policy**

From 1 January 2006 we revised our Smoothing Policy for policies for which we calculate asset shares. For such policies, in addition to our existing Smoothing Policy, we now aim to set payouts so that they mostly fall within set percentage ranges of asset share. We have changed Section 1.2.4 to reflect our revised practices.

### **2. Additional information on management of the estate**

We have revised Section 5.2 of our current practices to describe the matters we might take into account when considering the appropriateness of the size of the estate.

### **3. Change to clarify the treatment of profits and losses from subsidiary companies**

The description of how profits and losses from subsidiary companies can be allocated between particular groups of policyholders or the estate has been clarified. Sections 2.2.6, 3.2, 4.2, and 5.2 have therefore been revised. They reflect the fact that the Board of the Society will determine how to allocate some profits and losses from subsidiary companies.

### **4. Change to contact details**

The e-mail address to contact us if you have any queries on the PPFM document has changed and the Introduction has been updated to include the revised e-mail address.

## **Changes to Medical Sickness Society Fund PPFM 1 January 2006**

The following changes were made to the Medical Sickness Society Fund PPFM document with effect from 1 January 2006:

### **1. Change to our Smoothing Policy**

From 1 January 2006 we revised our Smoothing Policy for policies for which we calculate asset shares. For such policies, in addition to our existing Smoothing Policy, we now aim to set payouts so that they mostly fall within set percentage ranges of asset share. We have changed Section 1.2.5 to reflect our revised practices.

### **2. Change to contact details**

The e-mail address to contact us if you have any queries on the PPFM document has changed and the Introduction has been updated to include the revised e-mail address.

## **Changes to Wesleyan Open Fund PPFM 1 April 2005**

Three minor changes were made to the Wesleyan Open Fund PPFM document with effect from 1 April 2005. These changes were:

### **1 Changes arising from the extension of the mortgage endowment guarantee**

The Board recently agreed to extend the maturity value guarantee for mortgage endowment policies. We have changed the wording of Section 1.2.3 to reflect this. Any costs arising from this guarantee are met by the estate. We have changed Sections 3.2 and 5.2 to set out our current practices.

### **2 Change to description of the setting of final bonus rates**

The final bonus rates at some short durations may be different to the rates paid on maturity for policies with the same duration. Section 1.2.3 has been amended to reflect this.

### **3 Change to the definition of Actuary**

This appears in the glossary at the end of the document. The definition previously referred to the Appointed Actuary. Under new FSA rules the Appointed Actuary role has been replaced by two new roles, the With Profits actuary and the actuarial function holder. We have revised the definition of Actuary to refer to these two roles.

## **Change to Medical Sickness Society Fund PPFM 1 April 2005**

The glossary of the Medical Sickness PPFM was also changed with effect from 1 April 2005 to reflect the change in the definition of Actuary set out in 3 above.

## **Changes to Wesleyan Open Fund PPFM and Medical Sickness Society Fund PPFM 1 January 2005**

Two minor changes were made with effect from 1 January 2005:

### **1 Change to contact details**

The telephone number and e-mail address to contact us if you have any queries on the PPFM documents have changed and the Introduction has been updated to include the revised details.

### **2 Change to responsibilities of the Investment Committee**

The Investment Committee is a sub-committee of the Board. The responsibilities of the Board and the Investment Committee as far as Investment Strategy is concerned are described in Section 2.2.1 of the PPFM. These responsibilities have recently been reviewed and the Investment Committee will no longer recommend changes to investment parameters for the Board to consider as we think it more appropriate for the Board to make these recommendations itself, with the benefit of a wider perspective. The wording of this section has been amended to reflect this.

## **Changes to Wesleyan Open Fund PPFM 1 November 2004**

Three minor changes were made to the Wesleyan Open Fund PPFM document with effect from 1 November 2004. These changes were:

### **1 Change to description of treatment of profits/losses from Medical Sickness non-profits business**

Since the merger of the Wesleyan and Medical Sickness in July 1997, our practice has been to allocate any profits/charge any losses on Medical Sickness non-profits business to Wesleyan Ordinary Business and Pensions Business policyholders. Our description of the treatment of profits/losses from this business in the calculation of asset shares (set out in Section 1.2.1.1 Asset Shares – Other Factors) was inconsistent with this and described an approach that also allocated some of these profits/losses to Industrial Business policyholders and the estate. We have changed the wording of this section and the table showing the miscellaneous sources of profits and losses credited or charged to asset shares to be in line with our current practice.

### **2 Change to definition of Market Value Reduction (MVR)**

This appears in the Glossary at the end of the document. The definition previously stated that a market value reduction could apply on payment of a surrender value. Pension policies cannot be surrendered but a market value reduction may apply if the policy is transferred to another pension provider or if retirement benefits are taken early. Therefore, we have extended the definition to state that a market value reduction could also apply in these circumstances.

### **3 Changes arising from the introduction of Wesleyan Growth Bond**

On 1 October 2004, the Wesleyan introduced a new product – Wesleyan Growth Bond. This is a single premium unit linked investment that includes a guarantee that the amount payable if the policy is surrendered at a certain date, currently 6 years after the policy is taken out, will not be less than the amount invested. The Board of the Society has decided that the estate should bear the guarantee risk for this product. The table in 3.2 Practices of the Business Risk section showing which classes of policyholder bears business risk and the wording of 5.2 Practices of the Management of the Estate section have been revised to reflect this.

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