

WESLEYAN

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**A GUIDE TO THE MEDICAL
SICKNESS SOCIETY FUND**

HOW THE FUND WORKS

You should read this document if you are a Medical Sickness Society (MSS) Fund policyholder and want to know more about the MSS Fund. It contains important information about the fund your money is invested in.

What is the MSS Fund?

The MSS Fund is a With Profits Fund.

A With Profits Fund is a pooled fund where profits from invested assets and other business activities are distributed to policyholders in the form of bonuses. Policies in the MSS Fund have guarantees which ensure they are worth at least the guaranteed amount on specific dates regardless of investment performance. Your policy document will specify the dates and events the guarantees apply on. Many pension policies also have valuable guaranteed annuity rates which apply if you select an annuity from us at retirement. If this applies to you then you will receive more information from us about this as you approach your selected benefit date. Policyholders also receive some protection from short term volatility in stock markets through a process of “smoothing” profits.

The MSS Fund is closed and does not accept any new business. We manage the fund such that the surplus assets of the fund are distributed fairly and progressively to the policyholders invested in it.

Where does the MSS Fund invest?

The aim of the fund is to maximise the investment return achieved, subject to an acceptable level of risk. We rate this fund as Moderate Risk/Reward. This means that it is suitable for investors who are looking for higher returns than cash or fixed interest-based investments and accept investing in higher-risk assets to achieve this but in a way that limits exposure to frequent market rises and falls. Money is mostly held in shares (also known as equities) and property, with a lower proportion in fixed interest and cash-based investments.

We provide some protection from the risk of investments falling in value by guaranteeing your policy will be worth at least the sum assured plus annual bonuses on specific dates or events, and also by smoothing changes to policy values.

The breakdown of assets that the fund is invested in as at the end of April 2022 is summarised in the chart below.



HISTORIC PERFORMANCE

Historical investment performance

The historical cumulative performance of the MSS Fund, before charges are taken, over the last 20 years is shown below.

	5 years (2017 to end 2021)	10 years (2012 to end 2021)	15 years (2007 to end 2021)	20 years (2002 to end 2021)
Gross of tax (used for pensions)	38%	128%	154%	318%
Net of tax (used for other products)	33%	111%	135%	284%

Note that past performance is not indicative of likely future performance.

Surplus capital distribution

The MSS Fund closed to new business in 1997. Under the terms of the 1997 merger agreement, we are required to gradually distribute all assets in the fund to MSS Fund With Profits policyholders, while at the same time safeguarding the financial security of the fund. We do this by holding back a small surplus which is used to operate our smoothing policy and to guard against possible adverse future experience.

We carry out a full assessment of the fund each year, and if the surplus has grown above the required amount, we distribute the excess into underlying policy values of all With Profits policies, resulting in higher final bonuses. In the few instances in the past when the surplus has fallen below the required level, we have made a deduction to policy values. The value of surplus distributions made since merger in 1997 are equivalent to an increase in the average annual return of 2.6%. These distributions have increased policy values in addition to the investment performance figures shown above.

Current pay-outs on maturity and retirement

The combination of investment performance and surplus distributions have resulted in returns well in excess of inflation for maturing policies. Values for sample policies that mature on 1 July 2022 are shown in the table below, along with the average annual rate of return before and after inflation (RPI).

Product	Policy term (year)	Monthly premium	Maturity value on 1/7/2022	Annualised return (before inflation)	Annualised return (after inflation)
Pension	25	£50	£53,800	9.1%	5.5%
Pension	30	£50	£89,000	9.2%	5.7%
Life	25	£50	£49,000	8.5%	4.9%
Life	35	£50	£124,200	8.6%	5.1%
Life	45	£50	£602,800	10.9%	6.9%

Retirement options for pensions plans

It may be worth seeking regulated financial advice to review whether the policy you hold is still suitable for your current and future needs. For pension policyholders there are several options available on retirement and there may be valuable guarantees that apply to your policy. If you would like to make plans for retirement, then your Specialist Financial Adviser from Wesleyan Financial Services will be able to advise you.

Financial Advice: Retirement Planning • Investing • Funding • Insurance

Advice is provided by Wesleyan Financial Services Ltd.

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