

Our Reference: Final Bonus/LO'N
January 2012

www.phoenixireland.ie

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Dear Intermediary

Phoenix Ireland – With-Profits Funds update

I am writing to update you with details of our revised final bonuses and market value reductions (MVRs) which came into effect from 1 January 2012 for the Phoenix Life Limited SPI With-Profits Fund and the Scottish Mutual International Limited (SMI) domestic business.

Final bonuses and market value reductions (MVRs) have been reviewed and take into account investment experience since the rates were last reviewed. The final bonuses and market value reductions (MVRs) applicable from 1 January 2012 can be found under the "Latest News" section of our website www.phoenixireland.ie.

Phoenix Life Limited – SPI With-Profits Fund

On our website you can also find a copy of the Principles and Practices of Financial Management (PPFM) for the Phoenix Life Limited SPI With-Profits Fund.

Traditional With-Profits Life Maturing Policies

From January 2012, we are adding final bonuses to all maturing life policies. Compared to July 2011, the final bonuses are generally at a similar level.

Traditional Pensions

E-Types and SEDA plans

We are currently unable to add any final bonus at maturity for some single premium SEDA policies and most regular premium SEDA policies. However, we are adding a final bonus at maturity for most E-type policies.

Maturity payouts on similar policies have changed within a range between -5% to 10% for SEDA policies compared to July 2011. Maturity payouts on similar policies have changed within a range between -5% to 7% for E-type policies compared to July 2011. Where payouts have decreased, the guaranteed benefits are currently higher than the profits we have been able to earn from the investment returns for these policies.

Surrender (encashment) and Transfer Values

We have also reviewed surrender (encashment) and transfer values to take into account the investment experience since the previous review. Surrender (encashment) and transfer values have in some cases increased from 1 January 2012.

Unitised With-Profits

Final bonus rates and market value reductions (MVRs) have been reviewed from 1 January 2012. Market value reductions will be reviewed regularly in 2012 to ensure that payouts remain at a fair level. Market value reductions may be applied to reduce final bonuses as well as the value of the with-profits units. Market value reductions may be applied on surrender (encashment), transfer and early or late retirement.

Payout reductions on similar maturing unitised with-profits policies lie between 0% and 2% as a result of the January 2012 review.

Scottish Mutual International Limited (SMI) domestic business - Unitised with-profits policies written on or after 1 August 2001

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The majority of payouts have reduced following the review of final bonuses; this was mainly due to investment returns being lower than expected. We will continue to review market value reductions regularly in 2012.

General

We will normally review final bonuses twice each year, from 1 January and 1 July. Market value reductions will continue to be reviewed more frequently in 2012.

Final bonuses and market value reductions are not guaranteed and we may change them at any time.

In May 2011 the Irish Finance (No2) Act 2011 introduced a new, temporary levy on pension funds established in Ireland. The levy takes the form of a 0.6% tax on the value of pension funds. The levy was applied to the value of the funds on 30 June 2011 and will apply again in each of the following three years, 2012, 2013 and 2014.

For policies invested in with-profits funds, (traditional and unitised pensions) we will make allowance for the levy when we calculate bonus rates and surrender values for the affected with-profits policies, and these will be generally be lower as a result.

Policyholders will be advised about the levy through their annual statements.

If there are other individuals in your organisation that you feel should have a copy of this note, can you please pass it on to them?

Further information can be obtained from our website, by emailing us at info@pglireland.net, by writing to the above address or calling our contact team on (01) 639 9859, Monday to Friday 9.00am and 5.00pm.

Yours sincerely



Lisa O'Neill
Operations Manager