

With Profit Bond

Key Features

"Why should I read this document?"

The Financial Conduct Authority is a financial services regulator. It requires us, the Metropolitan Police Friendly Society, to give you this important information to help you decide if the **Metfriendly** With Profit Bond is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

We want you to be comfortable that you understand the 'Key Features' of this product before you decide to proceed. If you do not understand something in this document, please feel free to contact us.

Key Features

These are the 'Key Features' of the Metfriendly With Profit Bond.

Its aims

- To add to your investment by the addition of annual bonuses.
- To add a final bonus on encashment after at least three years.

Your commitment

- You agree to invest a lump sum of at least £1,500 with no maximum.

Risks

- If you cash in, you might not get back as much as you invested.
- What you get back will depend on investment performance - returns may be lower than illustrated.
- Our charges may be higher than illustrated.
- The tax treatment of Bonds may be changed by future legislation.

Questions and Answers

What is a Metfriendly With Profit Bond?

It is an investment plan for a lump sum, which has no fixed term, and is invested in the Metfriendly with-profits fund (see 'Where is my money invested?') Annual bonuses are added each year and a final bonus may be added on cashing-in. The value of the Bond may be claimed at any time. You can invest in as many Bonds as you wish, and there is no maximum limit to your investments.

How does the With Profit Bond work?

- You invest a lump sum (minimum £1,500) with Metfriendly.
- At the end of each calendar year, we add an **annual bonus** and send you a bonus notice.
- Once added, that bonus is a permanent addition to your investment with us.
- Bonuses are compounded, so in subsequent years you earn bonuses on the bonuses.
- Provided you invest for at least 3 years, we normally also add a **final bonus** when you cash it in.
- The Bond has no fixed term and you can leave it invested for as long as you wish. You should, however, view it as a medium to long term investment - at least 5 years.

Who can take out a Bond?

To invest with us you must be a UK resident aged 18 or over and work or have worked in the Police Service - or be the partner or close relative of such a person.

What might I get back on the Bond?

An example - What you might get back after 10 years for a lump sum investment of £10,000:

- If investments grew at 1.5% a year - you would get back £10,000
- If investments grew at 4.0% a year - you would get back £12,300
- If investments grew at 6.5% a year - you would get back £15,700

The following examples show what you might get back. They assume that investments will grow at 4.0% a year.

The early years

At the end of year	Total premium paid in to date	Effect of deductions to date	What you might get back
1	£10,000	£293	£10,100
2	£10,000	£600	£10,200
3	£10,000	£917	£10,300
4	£10,000	£1,100	£10,600
5	£10,000	£1,290	£10,800

Warning - if you cash in during the early years, you could get back less than you paid in.

The later years

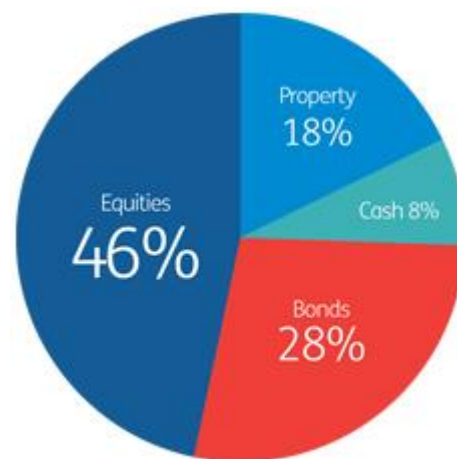
At the end of year	Total premium paid in to date	Effect of deductions to date	What you might get back
10	£10,000	£2,420	£12,300
15	£10,000	£3,920	£14,000
20	£10,000	£5,870	£16,000
25	£10,000	£8,400	£18,200

What are the charges?

- The deductions include the estimated cost of expenses, charges, any surrender penalties and other adjustments.
- The first line in the table shows that over a ten year period the effect of the total deductions could amount to £2,420.
- This would have the same effect as bringing down the investment growth from 4.0% a year to 2.2%.

Where is my money invested?

The premiums are invested in the Metfriendly With-Profits fund which is made up of equities, commercial property, bonds and cash. The example in the diagram shows the approximate "mix" as at 31 December 2015.



As at 31/12/2015

What happens if the stock-market falls?

All of our assets can rise and fall with the stock-market, although investing in a range of assets does provide some protection to the fund. It is possible that this will result in the value of your Bond reducing from time to time.

The value of your Bond will not normally be less than the premiums paid in plus all annual bonuses that have been added. However we reserve the right to apply a market value reduction so that the encashment value more fairly reflects our investment performance over the period of the certificate. (The death benefit can never be affected by a market value reduction.)

How are bonuses determined?

Bonuses are decided by the Board acting on the advice of the With-Profits actuary. A key factor in determining bonuses is the investment return in recent years.

How do I find out the value of my investment?

We will send you a bonus notice every year, showing you the annual bonuses that have been earned; any final bonus (payable on encashment) will not be shown. We will also be happy to advise you of an up-to-date value at any time over the telephone on proof of identity.

What about tax?

- We pay tax on our investment income and capital gains.
- The profit you make is treated by the Tax Authorities as “basic rate tax paid” – but is not refundable if you are a non tax payer.
- If you are a higher rate taxpayer at the time of cashing in, you will need to declare any profit on your tax return and pay income tax at the difference (currently 20%) between basic and higher rates upon it.
- You may be able to defer cashing in to avoid this - for example, by leaving your plan invested until after you retire if you expect your tax status to change.

What happens if I die?

The value of your Bond (including any final bonus) will be paid to your estate.

Can I cash in part of my Bond?

You can only cash in a Bond in its entirety. However, we will split large investments into individual Bonds of £5,000, and you can ask us to issue Bonds down to £1,000 if you need that flexibility.

How do I withdraw money when I need to?

All you have to do is download a Redemption Form from our website (www.metfriendly.org.uk/redeem), fill it in and post it to us. Alternatively you can send or fax us a signed letter detailing your request and giving details of the bank or building society account (which must be in your name) where we should pay your money.

Requests received by Friday are normally credited to your account the following Wednesday. Where there is an intervening public holiday, different arrangements apply. Please contact us for more details.

How do I apply for a Bond?

Applications can be initiated online. If you are not currently serving in the London Police Services we will require reasonable proof of identity (Copy Birth Certificate, Driving Licence or Passport).

Serving officers or staff in the Metropolitan and officers in the City of London Police Services can authorise us to take monthly premiums from their salary - both for their plan and that of their partner. Any amount subscribed in this way for a partner must be their own money.

If you are retired or a relative, or simply wish to pay by direct debit, we will send you a direct debit form (unless you already pay this way).

As an alternative to the online application you can print off a PDF Application Form from the website and send it to us. You can either send us a cheque or transfer the funds directly to our account. Please call us for our bank details.

What if I change my mind?

When your Bond starts, we will send you a certificate showing your benefits and a cancellation notice. If you change your mind, you can return the notice within 30 days for a full refund.

How much will it cost for advice?

- Metfriendly is not authorised to give financial advice nor do we pay any form of commission or make any incentive payments.
- Any cost of providing verbal or written information about Metfriendly's plans is included in our overall expenses.

Is it suitable for me?

If you are unsure as to the suitability of this product, and wish to obtain personal advice, you should contact an independent financial adviser.

How do I contact you?

Metfriendly, Central Court, Knoll Rise, Orpington, Kent, BR6 0JA

Phone: 01689 891454

Fax: 01689 891455

Email: info@metfriendly.org.uk

Web: www.metfriendly.org.uk

How to complain

- If you have a complaint about any aspect of the service you have received, in the first instance please contact us. A summary of our complaints handling procedure is available from us.
- If you feel your complaint is not dealt with to your satisfaction, you can then contact the Financial Ombudsman Service, Exchange Tower, London, E14 9SR or visit their website www.financial-ombudsman.org.uk. This will not affect your right to take legal proceedings.
- In the event of any complaint, we would treat you as a normal retail customer and not make any assumptions of specialist investment knowledge on your part.

Compensation

- Information on compensation arrangements is available from us.
- We are a member of the Financial Services Compensation Scheme.
- **Metfriendly** is an insurance provider.

Law

- In legal disputes the law of England and Wales will apply.
- Full details of the plan are contained in the Society's Tables and Rules - which evidence the legally binding contract between you and **Metfriendly**.
- On taking out this plan, you will be issued with a certificate showing your benefits. As you are then a member of the Society you are subject to our Rules, which are available on the website or on request from us.

How We Manage the With-Profits Fund

What is a with-profits investment?

With-profits investment is a method of providing a saver with access to a fund, where their money is pooled with others' and all customers share in the investment return. A bonus may be added to their contract, which once added cannot be taken away.

How does the with-profits fund work?

The premiums we collect from with-profits members are pooled together into our with-profits fund. The fund is invested in a mix of equities, commercial property, corporate bonds and cash. By spreading its investments this way the Society is not solely dependent on one market. For instance if the value of the stock market was to go down but other investments go up then the effect would be that one counteracts the other.

The Society aims to be fair to all its members and to uphold the promises made to them when they took out their plan. However, any payments made to customers by way of an annual or final bonus must reflect the way in which the value of the with-profits fund has performed throughout the period of investment.

The Society aims to avoid large changes in the amounts paid on comparable plans from year to year. This is known as "smoothing" and is designed to protect investors from some of the sudden movements in the stock-market. In practice, smoothing means that we hold back some of the high investment returns from the good years and use them to boost with-profits payments in years when returns are lower.

What are bonuses?

Each year we will send you a bonus statement telling you what bonuses have been added to your plan. There are two types of bonus.

Annual bonus – members receive an annual bonus with their with-profits plans. These are also known as reversionary bonuses. They may vary depending on the type of contract you have and once added cannot be taken away (provided that the contract is held to the end of its term and any premiums due are paid). The Board sets these in October each year after receiving the advice of a professional adviser (the "with-profits actuary") who considers investment performance, current interest rates and the Society's financial strength.

Final bonus – when a plan is paid out we will often add a final bonus. This will vary according to the type of contract you have. Final bonuses are not guaranteed and are not known until the time of payment. Again these are agreed by the Board in October but may be varied at any time. Final Bonuses do not apply to the Monthly Savings ISA or Monthly Savings Junior ISA (start dates from 1/1/2016).

How do you work out what the final bonus should be?

The final bonus (or the rate of annual bonus in the case of the Monthly Savings ISA and Monthly Savings Junior ISA) is intended to ensure that payments to members are broadly equivalent to the premiums paid in, accumulated to allow for:

- our expenses or charges
- the investment return, allowing for smoothing, and
- any allowance for taxation or the cost of providing death benefits, where applicable.

Although the Society has low administration costs, they have a greater effect on the return to members for plans of short duration.

Overall, it is the intention of the Society to pay out the money made by its investments on their premiums back to its members. To the extent that the Society has more assets than it needs to pay members at a particular moment in time these assets or "estate" will be carried forward to protect members against large drops in returns in the

future and in particular to smooth their benefits as described above. It is also used to support the guaranteed benefits, that is, the sum assured under the contract and annual bonuses already added to it.

Additionally this greater financial strength enables the Society to make some investments with a higher risk. We will always keep these under review, and will not take any unnecessary risks with the investments we make on behalf of our members.

How do you invest my money?

The Society has an investment strategy that is regularly agreed by the Board. There are risks but we aim to keep these as low as possible and investment managers are restricted in how they can invest our funds.

We maintain a mixed investment portfolio in order to maintain stability of returns, but we also have sufficient depth to our finances to allow for some of our assets to be invested in higher risk investments such as equities where returns may be greater.

Risks to the business are regularly assessed and adjustments made as necessary.

If I surrender my plan what will I get back?

All surrender values remain subject to the discretion of the Society and are not generally guaranteed.

What are your charges for?

The Society aims to keep charges for acquisition and administration costs as low as possible and these are reviewed on an annual basis.

The Society does not pay commission to anyone.

We also make a charge to the fund for the cost of providing guarantees.

How can I find out more information?

If you would like to see a full copy of our Principles and Practices of Financial Management (PPFM) or you would like to speak to someone about anything else then please call us on 01689 891454.

The PPFM is also available on our website.