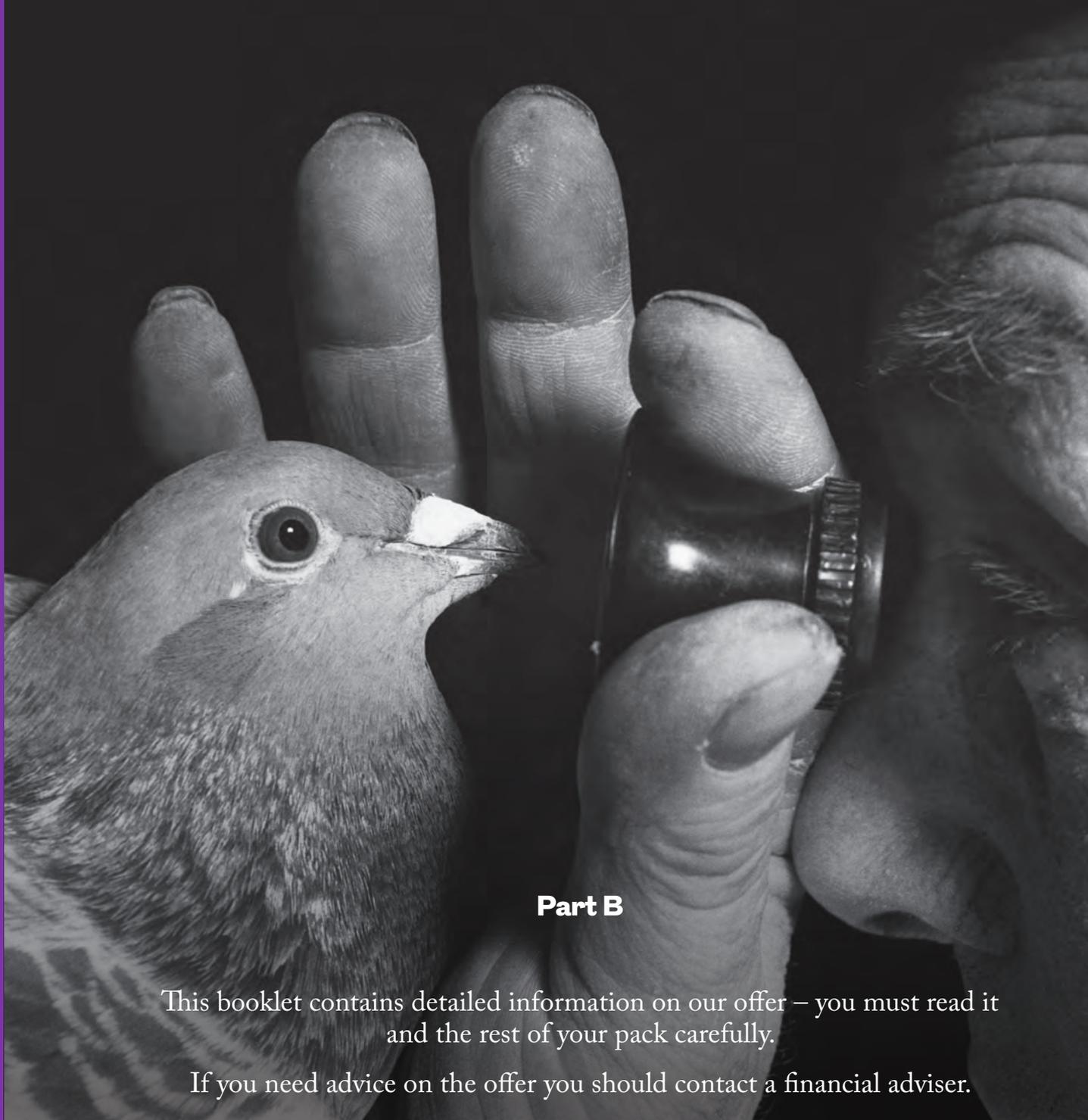




PLANHOLDER CIRCULAR



Part B

This booklet contains detailed information on our offer – you must read it and the rest of your pack carefully.

If you need advice on the offer you should contact a financial adviser.

WELCOME

This is **Part B of your *Planholder circular***, it'll give you detailed information on the *Scheme* including how we've calculated the expected increase to your retirement savings, what other things you need to think about and what will happen next.

You need to read the detailed information in this Part B along with the key information in **Part A of your *Planholder circular***. You also need to review your personalised offer carefully.

We use some technical terms in your *Planholder circular*. We've highlighted them all in ***bold italics***. You'll find full explanations for each of these in the glossary in Appendix 6 of your Part B.

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THE BACKGROUND TO THE SCHEME

1.1 What is Royal London offering me under the Scheme?

Royal London is offering you a choice, to either:

- opt out of the *Scheme* and keep your *plan* as it is with the benefit of the *GAR*, or
- give up the substantial benefit of the *GAR* in exchange for a substantial and immediate increase in your retirement savings.

Some *planholders* must, by law, get advice before the *Scheme* can apply to them. These are *planholders* who *must get advice* (see section 11 for details). These *planholders* will be deemed to be opted out of the *Scheme* unless we receive an *advice confirmation slip* from their financial adviser by 30 November 2018. The *covering letter* we sent to you with your *Planholder circular* tells you if you are a *planholder* who *must get advice*.

When we refer to the *opt-out election* or opting out in this *Planholder circular* we are including those *planholders* who are deemed to be opted out because they *must get advice* but we did not receive an *advice confirmation slip* from their financial adviser.

1.2 What happens if I do nothing?

If you *must get advice* but do nothing, your *plan* will not change regardless of whether the *Scheme* is implemented – you will keep your *GAR* but you will not receive the increase to your retirement savings.

For other *planholders*, if you do nothing and the *Scheme* is implemented, the *GAR* will be removed from the terms of your *plan* and your retirement savings will be increased. This is because the *Scheme* will be binding on all *planholders* to which it applies, even if you vote against the *Scheme* or don't vote at all.

1.3 What decisions do I need to make if I don't opt out?

If you decide not to opt out, you will need to decide whether to vote for or against the *Scheme*. However, if you vote against the *Scheme* and the *Scheme* goes ahead, the *GAR* will automatically be exchanged for an *uplift* to your retirement savings.

If you are a *planholder* who *must get advice*, we need to receive the *advice confirmation slip* from your financial adviser by post or email by 12pm on 19 October 2018 if you want your vote to count. You can also deliver the *advice confirmation slip* completed by your financial adviser to the *planholder meeting*. (However, if we receive the *advice confirmation slip* by 30 November 2018, we will include you in the *Scheme* unless you have opted out.)

1.4 Why is Royal London making the offer?

In April 2015, the government introduced some important changes to pensions. These changes are known as *pension freedoms* and give people more freedom and choice when accessing their retirement savings. However, you only benefit from the *GAR* if you buy an *annuity* through us (in other words, through the *Royal London Annuity Bureau*).

We want to give you and other *planholders* the flexibility to take full advantage of *pension freedoms* without losing all of the value of the *GAR*.

GARs are very valuable now. We don't know what they'll be worth in future – this depends on *interest rates* and how long people are expected to live. The *Scheme* gives *planholders* the opportunity to exchange the current high value of the **GAR** for a substantial increase in their retirement savings.

Removing the **GARs** from *plans* allocated to the *Scottish Life Fund* will also help us manage the *Scottish Life Fund* more fairly in the future.

We give more information on the effect of the *Scheme* on the *Scottish Life Fund* in section 5.

1.5 What are *pension freedoms* and why are they relevant to my retirement savings?

Pension freedoms is the term given to various changes which the government introduced in April 2015 in order to give pension savers greater flexibility in how they use their retirement savings.

The key effect of the changes was to enable pension savers to take as much of their retirement savings in cash as they wish, up to the *lifetime allowance*, without incurring penal tax charges. They can do this either through a *drawdown* plan, which now allows you full flexibility to take as much or as little income as you wish each year, or by taking one or more cash lump sums. Other options for using your retirement savings, such as purchasing an *annuity*, are still available and, depending on your personal circumstances, may represent the most appropriate way for you to use your retirement fund. You can also still normally take up to 25% of your retirement savings as a tax-free cash lump sum when you buy an *annuity* or take out a *drawdown* plan. However, the changes mean that most people now have more options and that everyone has greater flexibility to access their retirement savings in the way that they consider best.

You only benefit from the **GAR** if you buy an *annuity* through the *Royal London Annuity Bureau*, so at the moment you would lose the value of the **GAR** if you don't take an *annuity* through us. For example, if you wanted to take out a *drawdown* plan and decide how much income you want to receive and at what frequency, while leaving the rest of your retirement savings invested, you would lose the value of the **GAR**.

We give more information on *pension freedoms* in section 4.

1.6 Does *Royal London* benefit from the *Scheme*?

We're a *mutual organisation* which means we're owned by customers who are members of *Royal London*. Because we're a *mutual organisation* we don't have any shareholders who might benefit from the *Scheme*. Our profits are distributed amongst our customers, or reinvested to give better returns or lower charges for our services.

The *Scheme* will facilitate the effective management of the *Scottish Life Fund* as it will limit the amount we need to hold back to meet potential future increases in the cost of the **GARs**.

The *Scheme* will also generate a small benefit for *Royal London* by reducing the capital we're required to hold.

1.7 What interests do the directors of *Royal London* have in the *Scheme*?

The directors of *Royal London* are as follows:

Name	Position
Rupert Pennant-Rea	Chairman
Phil Loney	Group Chief Executive
Tim Harris	Group Finance Director
Jon Macdonald	Chief Risk Officer
Andrew Palmer	Non-executive director
David Weymouth	Non-executive director
Tracey Graham	Non-executive director
Ian Dilks	Non-executive director
Sally Bridgeland	Non-executive director
Olivia Dickson	Non-executive director

None of the directors hold, or have any interest in, any *plan* which is eligible to participate in the *Scheme*. In addition, none of the directors holds a *with-profits* plan allocated to the *Scottish Life Fund*.

The following directors hold other pension, life insurance or other protection plans issued by *Royal London*:

- Tim Harris holds a group pension plan and a permanent health insurance plan allocated to the *Royal London Main Fund*.
- Phil Loney holds pension and life insurance plans allocated to the *Royal London Main Fund*.
- Jon Macdonald holds non-profit protection plans allocated to the *Scottish Life Fund* and the *Royal London Main Fund*.

In relation to plans allocated to the *Royal London Main Fund*, the *Independent Actuary* has concluded (in section 8 of his report) that the *Scheme* will not result in any change to the benefits payable under any such plan and that the solvency position of the *Royal London Main Fund* will not be materially affected by the *Scheme*. In relation to plans allocated to the *Scottish Life Fund* which are not eligible to participate in the *Scheme*, as noted in section 5.2 the *Scheme* will result in an improvement in the financial position of the *Scottish Life Fund*. However, the *Independent Actuary* has concluded (in section 8.11 of his report) that there will be no impact on the benefits payable under non-profit plans allocated to the *Scottish Life Fund* as a result of the *Scheme*.

Although *Royal London* operates incentive plans under which benefits are linked to the performance of the *Royal London Group*, none of the directors have been, or are, specifically remunerated and/or incentivised in relation to the *Scheme*.

1.8 Do *Royal London* planholders who are not subject to the *Scheme* benefit?

The removal of the *GARs* should allow us to manage the *Scottish Life Fund* more fairly in the future so there are some benefits to *planholders* in that fund who are not subject to the *Scheme*. We explain this in more detail in section 5.

No other planholders who are not subject to the *Scheme* will benefit as a result of the *Scheme*. The impact of the *Scheme* on planholders not subject to the *Scheme* and to *Royal London* has been considered by the *Independent Actuary* and he has concluded that the *Scheme* has no material impact either on planholders not subject to the *Scheme*, or on *Royal London*.

1.9 How significant is the GAR?

At 31 December 2017, the best estimate of the future cost of *GARs* on plans to which the *Scheme* applies was £584m. In addition, we are also required to hold a significant amount of capital to protect against the cost of providing the *GARs* increasing in future, for example to protect against a decrease in long term *interest rates* or an increase in average life expectancy. See section 2 for more information on how the value of the *GAR* changes with *interest rates* and life expectancy.

The *Scottish Life Fund* is required to pay for the cost of providing the *GARs*. As at 31 December 2017, the *Scottish Life Fund* had £3,200m of assets. The cost of providing *GARs* is therefore a significant liability for the *Scottish Life Fund*.

As at 31 December 2017, *Royal London* had assets of £91,300m so the cost of providing *GARs* is much less significant to *Royal London* as a whole relative to the *Scottish Life Fund*.

1.10 Will the investment of my retirement savings change as a result of the Scheme?

The *Scheme* itself will not change the way in which you have chosen to invest your retirement savings. The *Principles and Practices of Financial Management (PPFM)* may be adjusted to better suit the change to the financial position of the *Scottish Life Fund* and this may be relevant to you if you are currently invested in the *with profits* part of the *Scottish Life Fund*, but we do not consider that this will represent a material change to that *with profits* fund. We will not make any change to the way that we manage our *unit linked* funds or the *Royal London Main Fund*.

Remember, investment returns can go down as well as up. You should consult your financial adviser if you think that the way in which your retirement savings are invested should be reviewed. However, the contribution which we are making to the cost of financial advice on the *Scheme* would not cover that sort of advice.

1.11 Without the GAR, what factors might affect the value of my retirement savings in future?

If the *Scheme* is implemented and you don't opt out, you will lose the benefit of the *GAR* but will receive in return an *uplift* to your retirement savings. This will allow you to take advantage of *pension freedoms* without losing all the value of the *GAR*.

You won't have the benefit of the *GAR*, so if you decide to buy an *annuity*, the income you will receive will depend on *standard annuity rates* at that time.

The value of your retirement savings will also depend on the value of the assets which your retirement savings are invested in. These values can go down as well as up and you could get back less than you put in. The *GAR* does not protect you against adverse investment returns – it only provides you with protection against declines in *standard annuity rates* (with the *GAR*, you get the higher of *standard annuity rates* and the *GAR*).

1.12 How will the costs of the uplifts be funded?

The costs of the *uplifts* will be mainly met using funds currently held in the *Scottish Life Fund* for the likely future cost of the *GARs*, which we will be able to release as a result of the removal of the *GARs*, with a small amount funded from the *Scottish Life Fund's inherited estate*. The total value of the offers being made to *planholders* under the *Scheme* is expected to be £730m, although this does not allow for the fact that some *planholders* may opt out of the *Scheme* and therefore not have an *uplift* applied.

1.13 What is the Scheme?

The *Scheme* is a scheme of arrangement under Part 26 of the Companies Act 2006. A scheme of arrangement is a legally binding compromise or arrangement between a company and its members or creditors which involves the giving up of a benefit in return for something of value. In our case, our *planholders* (who as a legal matter are creditors for the purposes of the *Scheme*) will be giving up the benefit of the *GAR* in return for an increase to their retirement savings.

1.14 What changes does the *Scheme* make?

The *Scheme* removes the *GARs* from the terms of the *plans* and provides for the *uplifts* to the *plans*. The *Scheme* will not make any other changes to your retirement savings or the terms and conditions of the *plans*.

The *Scheme* will also require a transfer to be made from the *Royal London Main Fund* to the *Scottish Life Fund*. This transfer is being made because at the time the business of *Scottish Life* was transferred to *Royal London* in July 2001 under the *Scottish Life Transfer Scheme*, it was agreed that charges for investment management and administration of plans allocated to the *Scottish Life Fund* would be transferred to the *Royal London Main Fund*. As a result of the *uplifts* to retirement savings of *plans* to which the *Scheme* applies, the amount of those charges that the *Royal London Main Fund* will receive will increase. The *Royal London Main Fund* will therefore make a one-off payment to the *Scottish Life Fund* under the terms of the *Scheme* so that it does not benefit from the *Scheme*.

1.15 What steps must be taken to implement the *Scheme*?

Some of the steps which must be taken to implement the *Scheme* are laid down by the Companies Act 2006 and others we have included in the terms of the *Scheme* as additional protections for our *planholders*. These steps are as follows:

- **Approval of the *Scheme* by *planholders* at the *planholder meeting***

The *Scheme* must be approved by *planholders* at the *planholder meeting* by a majority in number representing 75% by value of those *planholders* voting in person, by post or online. 'Value' for this purpose is based on the amount of the *uplift* which we expect each *planholder* to receive in exchange for the *GAR*, and is shown on their *Decision form*.

- **Sanction by the *court* at the *sanction hearing***

The *Scheme* must also be sanctioned by the *court* in London at the *sanction hearing* arranged for 12 November 2018. We explain what the *court* will consider and how the *sanction hearing* will work in section 14.

- **Filing of the *Court Order***

As a legal matter, the *Court Order* sanctioning the *Scheme* must be filed with the *Registrar of Companies*. Although the *Scheme* will become effective from the time the *Court Order* is filed with the *Registrar of Companies*, the increases will not be added to retirement savings and the *GARs* will not be removed until two further requirements of the *Scheme* are satisfied, as set out below.

- **Review of the *percentage increases* to retirement savings**

As the *percentage increases* to retirement savings that are eligible for *GAR* benefits set out in the *Scheme* document were calculated as at 30 April 2018, we think it is important that we review the *percentage increases* after the *sanction hearing* to check they are still appropriate and, if necessary, amend them. The review will take into account any changes that affect the value of the *GAR*, such as changes in *interest rates*, and the *Independent Actuary* will need to confirm that the review has been undertaken in a manner materially consistent with the methodology originally used to calculate the *percentage increases*. Only if the *Independent Actuary* is content that the methodology has been correctly applied will we be able to proceed with the *Scheme*.

- **Review of the *fairness criteria* by the *Independent Actuary***

As a final step, the *Independent Actuary* will need to confirm that the *Scheme* continues to satisfy the *fairness criteria*.

Only when these steps have been taken will the *uplifts* be applied to the *plans* and the *GARs* removed.

1.16 When does Royal London expect the Scheme to be implemented?

We expect the *Scheme* to be implemented, in other words for the increases to retirement savings to be applied and the *GARs* removed, at 11.59pm on 7 December 2018. That date could, however, be delayed if we need more time to take any steps in relation to the implementation of the *Scheme*.

1.17 What is the timetable for the Scheme?

A summary of the timetable for the *Scheme* is set out on pages 10 and 11 of **Part A of your Planholder circular**.

1.18 Who will pay the costs of the Scheme?

The costs of the *Scheme* will be met from the *Scottish Life Fund*, with the exception of a small subset of costs relating to the costs and expenses of amendments required to be made to the *Royal London Internal Model* as a result of the *Scheme*. These will be allocated between the *Royal London Main Fund* and the *Scottish Life Fund* in a proportion determined by the *Royal London Board* with advice from the *With Profits Actuary*.

1.19 What happens if the Scheme does not become effective?

All of the *plans* would stay as they are. *Planholders* would keep the *GAR*, but no one would receive any increase to their retirement savings as a result of the *Scheme*, even if they voted for it.

WHAT YOU MAY NEED TO THINK ABOUT

How the *Scheme* will affect you will depend on a number of factors, including whether you intend to take an *annuity* or take advantage of *pension freedoms*; whether you intend to take the benefits under your *plan* in the next few years or do not intend to retire for some time; and whether you intend to transfer your retirement savings to another pension arrangement, either with *Royal London* or with another pension provider, for any reason (for example, because you wish to take out a *drawdown* plan). In this section, we provide examples of how the *Scheme* might affect you. We also explain some specific issues about the *Scheme* that may be relevant to your decision.

It's important to remember, however, that none of this information takes into account your particular financial objectives, needs or personal circumstances. If you need advice on the *Scheme* or if you are in any doubt about the action you should take, you must consult your own financial adviser. If you don't currently have a financial adviser, the '[Helping you make your decision](#)' section on page 18 of [Part A of your Planholder circular](#) explains how to get the help you need.

2.1 What general factors should I think about?

2.1.1 When might I be better to opt out of the Scheme and make sure I keep the GAR?

What's right for you depends on your personal circumstances and how you plan to take your retirement savings. The larger the number of the circumstances highlighted below that might apply to you, the more likely it is that opting out of the *Scheme* and keeping the *GAR* would make financial sense:

- You plan to use the *GAR* on more than 75% of your retirement savings that are eligible for *GAR* benefits.
- You think that *interest rates* might go down, making the *GAR* worth comparatively more than it is worth now.
- You don't need flexibility; having a guaranteed regular retirement income for life is a priority.
- You're healthier than average, meaning the *GAR* could provide a guaranteed retirement income over your expected longer than average lifetime.
- Leaving any of your retirement savings as a cash inheritance is not a priority for you.
- The increase that we'd apply to your retirement savings in your *plan* if the *Scheme* is approved would take the total amount of all your savings over the *lifetime allowance*.

However, it's important to consider all your circumstances in combination before deciding whether to opt out or not. If you're not sure what's right for you the '[Helping you make your decision](#)' section on page 18 of [Part A of your Planholder circular](#) explains how to get the help you need.

2.1.2 When might I be better to vote on the Scheme to exchange the GAR for the increase to my retirement savings?

The larger the number of the circumstances highlighted below that might apply to you, the more likely it is that exchanging the *GAR* for the increase to your retirement savings would make financial sense. However, it's important to consider all your circumstances in combination before deciding whether to opt out or not:

- You plan to use the *GAR* on 75% or less of your retirement savings that are eligible for *GAR* benefits.
- You think that *interest rates* might go up, making the *GAR* worth comparatively less than it is worth now.

- You want flexibility to take different amounts of income at different times, rather than receiving a regular income.
- You're in ill-health, meaning your increased retirement savings under the *Scheme* might provide a larger retirement income if you buy an *enhanced annuity*.
- You'd like the ability to leave some of your retirement savings as a cash inheritance.

If you're not sure what's right for you, the '**Helping you make your decision**' section on page 18 of **Part A of your Planholder circular** explains how to get the help you need.

2.1.3 If the Scheme is implemented and I haven't opted out of the Scheme, could I end up worse off?

The value of the *GAR* mainly depends on *interest rates*. If *interest rates* were to fall, this would make the *GAR* worth more when compared to *standard annuity rates*. On the other hand, if *interest rates* were to rise, this would make the *GAR* worth less when compared to *standard annuity rates*.

If the *Scheme* is implemented and you haven't opted out, you may find that, if *interest rates* fall after the *implementation date*, then the level of the *annuity* you can buy with your retirement savings may be lower than the level of the *annuity* you would have been able to buy with the *GAR* despite the *uplift* from the *Scheme*.

If, after the *implementation date*, *interest rates* were to experience the type of fall we would expect to occur only once every 10 or 20 years, *standard annuity rates* would reduce, potentially leaving you with a significantly lower income than you would have had if you had opted out of the *Scheme*.

2.1.4 Is there anyone else I should tell about the Scheme?

Other people may be *planholders* in respect of your *plan* or have an interest in it. For example, if you got divorced and your former spouse benefits from a *pension attachment order*, they may also be a *planholder* in respect of your *plan* or at least have an interest in it. Similarly, if you went bankrupt before 2000, a trustee in bankruptcy may have an interest in your *plan*. In these circumstances, please tell those people about the proposed *Scheme*. They can get a copy of this pack by contacting our helpline on 0345 521 0046. You can also get in touch with us if you're unsure whether any of these situations might apply to you.

2.2 How might my current plans for retirement affect my decision?

2.2.1 What difference would the Scheme make to my retirement benefits if I transferred them to another pension arrangement?

If the *Scheme* becomes effective and you don't opt out, the *GAR* will be removed but your retirement savings, and therefore the amount available to you to transfer to another pension arrangement (either with *Royal London* or another provider), will be increased.

If you then used your increased retirement savings to buy an *annuity* at *standard annuity rates* immediately after the *implementation date*, the retirement income you will receive would be broadly similar to the retirement income that would have been provided by the *GAR*, assuming you would have used the *GAR* on 75% of your *GAR*-eligible retirement savings and taken the rest as tax-free cash and that you will take the same amount of tax-free cash (in pounds sterling) immediately after the *implementation date*.

2.2.2 What difference would the Scheme make to my tax-free cash?

You can normally take up to 25% of your retirement savings as tax-free cash. Because your retirement savings would be increased in exchange for the *GAR*, the amount of tax-free cash available would also increase.

2.2.3 Why is the level of cash I intend to take from my retirement savings relevant to my decision?

We've calculated the *percentage increases* used to determine the *uplifts* we're offering using a number of assumptions. One of these assumptions is that the *planholders* will use the *GAR* on 75% of their *GAR*-eligible retirement savings and give up the *GAR* on the rest. We've based this assumption on our experience that *planholders* usually take at least 25% of their *GAR*-eligible retirement savings as cash.

Since we've assumed that you intend to give up the *GAR* on 25% of your *GAR*-eligible retirement savings, the *Scheme* would be less likely to make financial sense for you if you intend to use the *GAR* on more than 75% of your *GAR*-eligible retirement savings (all other things being equal).

2.2.4 I'm considering buying a joint life annuity when I retire. What difference would the *Scheme* make to me?

Annuities can be bought on a single life basis or a joint life basis. In the case of a single life *annuity*, the retirement income stops upon the planholder's death. A joint life *annuity* provides further financial protection to a spouse (or other dependant) as, upon the death of the planholder, they will receive retirement income, albeit usually at a reduced rate, for the rest of their life.

If your *plan* is a *Talisman Personal Pension Plan* with a *Protected Rights fund*, we've based the *Scheme* on the assumption that you'll buy a joint life annuity with the retirement savings in your *Protected Rights fund* when you retire, and that your spouse (or other dependant) is of the opposite sex and is three years younger or older than you, depending on whether you are male or female (respectively).

As a result, if your *plan* is a *Talisman Personal Pension Plan* with a *Protected Rights fund* and you intend to buy a joint life annuity with the retirement savings in your *Protected Rights fund* when you retire, and your spouse (or other dependant) is much younger than you, the *Scheme* is less likely to fully reflect the value of the *GAR* than if your spouse (or other dependant) is closer in age to or older than you.

If you intend to buy a joint life annuity with the retirement savings in your *plan* when you retire, but you don't have a *Protected Rights fund*, the *Scheme* isn't any more or less likely to fully reflect the value of the *GAR* than if you don't intend to buy a joint life *annuity*.

It's important to consider all your personal circumstances in combination before deciding whether to opt out or not.

2.2.5 What difference would the *Scheme* make if I take my retirement benefits as an *annuity*?

The income you're able to secure when you buy an *annuity* depends on a lot of factors, such as your health, *standard annuity rates*, whether you want to provide an income for your spouse (or other dependant) when you die and whether you want your income to increase each year. *Standard annuity rates* are affected by things like the economy, *interest rates* and how long people are expected to live.

All of these factors are subject to change and this means that, if the *Scheme* is implemented and you have not opted out, the value of the *annuity* you would be able to buy with your retirement savings in the future may also change.

However, the way we have calculated the *uplift* that would be applied to your retirement savings if the *Scheme* becomes effective and you haven't opted out means that, if you used your retirement savings to buy an *annuity* immediately after the *implementation date*, the retirement income you would receive would be broadly similar to the retirement income that would be provided by the *GAR* (assuming the monetary amount of your tax-free cash is equal to 25% of the *GAR*-eligible retirement savings that were in your *plan* immediately before the *implementation date*). In general, females are expected to live longer than males. We've calculated your *personalised offer* allowing for this as we think this is fair. Another consideration is that *standard annuity rates* don't allow for gender following an EU ruling in

2012. In current conditions, this means that a healthy male giving up the *GAR* is unlikely to be able to replace that income from a standard *annuity* with their uplifted fund. Females may, however, be able to replace the *GAR* income with a standard *annuity*.

2.2.6 What difference would the *Scheme* make if I take my retirement benefits as *drawdown*?

If the *Scheme* is approved and you haven't opted out, the *GAR* would be removed but the *Scheme* would increase the value of your retirement savings, increasing the amount available for you to transfer to a product that allows *drawdown*.

2.2.7 What difference would the *Scheme* make if I take my retirement benefits as cash?

If the *Scheme* is approved and you haven't opted out, the *GAR* would be removed but the *Scheme* would increase the value of your overall retirement savings. This will increase the overall amount of cash available to you.

2.2.8 If the *Scheme* goes ahead, can I retire immediately with my increased fund?

You can normally access your retirement benefits from age 55. However, some *planholders* can't get the benefit of the *GAR* if they take their retirement benefits before age 60. If they exchange the *GAR*, they'll be able to retire from age 55 without losing all of the value of the *GAR*. You can find more information about specific *GARs* and when they apply on our website at royallondon.com/GARchoice.

2.2.9 I expect to retire in the next few years. How does the *Scheme* affect me?

If the *Scheme* goes ahead and you haven't opted out, the *GAR* would be removed and your retirement savings would immediately be increased. You'll be able to access your retirement savings from age 55 – regardless of how soon you expect to retire.

The value of your retirement savings can go up or down depending on factors such as *interest rates* and how well your underlying investments perform. Therefore, the longer you wait to retire, the more exposed the value of your retirement savings will be to changes in these factors.

2.2.10 When I retire, I might want to transfer my retirement savings to another pension arrangement, for example to combine my Royal London retirement savings with other retirement savings to provide a single income or to buy an enhanced annuity. How am I affected by the *Scheme*?

If the *Scheme* goes ahead and you haven't opted out the *GAR* will be removed and we'll increase your retirement savings. Since you'll no longer be obliged to buy an *annuity* through *Royal London* in order to realise the value of the *GAR*, you'll be able to combine all the savings in your *plan* with other savings in order to provide a single income or to buy an *enhanced annuity*, without losing all the value of the *GAR*.

2.2.11 I have multiple *plans* with *Royal London*; how am I affected by the *Scheme*?

If you are an individual *planholder* with more than one *plan* covered by the *Scheme*, we'll increase the retirement savings in each *plan* if the *Scheme* is approved and you don't opt out. Your *covering letter* includes details of the *Royal London plans* you hold that are included within the *Scheme*. You must take the same action for all of your *plans*. For example, you can't opt out of the *Scheme* in relation to one *plan* and vote for or participate in the *Scheme* in relation to another.

The position is slightly different for trustees of occupational pension schemes: see section 12 for details.

There will be no changes to the terms and conditions of any *plans* that you hold with *Royal London* that are not included within the *Scheme*.

2.3 How will the value of my *plan* be affected?

2.3.1 Could my retirement savings be lower if the *Scheme* goes ahead?

No, the effect of the *Scheme* itself can only ever be to increase the level of your retirement savings. After the *implementation date* your retirement savings will still be subject to fluctuations in investment returns which could go down as well as up.

2.3.2 Could my retirement income be lower if the *Scheme* is approved?

Yes, if the *GAR* is exchanged for an increase to your retirement savings, you will no longer benefit from the guarantee that it provides around the level of *annuity* that you can buy. Your actual retirement income will be affected by a number of things, for example, how much of your retirement savings you take as cash, the level of any investment return on the savings that remain invested, the level of any *drawdown* or the rate at which you can buy an *annuity*.

2.3.3 If the *Scheme* goes ahead, will there be any change to the way my retirement savings are invested?

No. The increase we will make to your retirement savings will be applied in proportion across the investments in your *plan*.

2.3.4 What difference would the *Scheme* make to my retirement savings if I die before I retire?

If you die before retirement, your retirement savings can be paid to your beneficiaries. However, if you die before you have accessed your retirement fund and bought an *annuity* the value of the *GAR* is lost.

If the *Scheme* is approved and you have not opted out, your *GAR* would be removed in exchange for an increase in your retirement savings. On your death, the amount we would pay to your beneficiaries will increase because your retirement savings will have increased.

2.3.5 Will I still benefit from my *guaranteed value* on my *with profits* plan?

Yes. If the *Scheme* is approved and you have not opted out, the *GAR* would be removed and both your retirement savings and the *guaranteed value* on your *with profits* plan would be increased by the same factor.

2.4 Are there any tax implications?

2.4.1 What's the *lifetime allowance*?

The *lifetime allowance* is a limit on the amount of retirement savings that can be taken from pension schemes and pension plans without triggering an extra tax charge. For the 2018/2019 tax year, the *lifetime allowance* is £1,030,000. Your *lifetime allowance* may be higher if you've applied to HMRC for one of the available protections. The *lifetime allowance* may be changed in the future.

The amount is calculated by taking account of all of your retirement savings and benefits, not the amount of individual plans or schemes. For example, if you are, or were, a member of an occupational pension scheme which provides *defined benefits*, the value of those benefits is taken into account when calculating whether you've reached the *lifetime allowance* together with any *defined contribution* pension plans you may have.

Some *planholders* may have a higher *lifetime allowance* if they chose to protect their allowance when the *lifetime allowance* was higher than its current level. This is known as a *protected higher amount*, and is sometimes referred to as fixed protection or individual protection.

Please note that the *lifetime allowance* also limits the amount of tax-free cash available to you.

2.4.2 If the *Scheme* increases my retirement savings, could I be affected by the *lifetime allowance*?

Yes. If you don't opt out and the increase we make to your retirement savings in exchange for the *GAR* takes the total amount of all of your savings over £1,030,000 (or your *protected higher amount*, if applicable), then you would be charged extra tax for going over the *lifetime allowance*.

Any amount over your *lifetime allowance* that you take as a regular retirement income (for example by buying an *annuity*) currently attracts a *lifetime allowance* charge of 25%. Any amount over your *lifetime allowance* that you take as a cash lump sum is currently taxed at 55%.

2.4.3 The *lifetime allowance* is very high; do I need to consider it before I decide what to do?

Yes, even if you think it is unlikely you would be affected. The increase to your retirement savings from the *Scheme* is significant so you should consider the *lifetime allowance* when making your decision.

If you think that your retirement savings might be affected by the *lifetime allowance* as a result of the *Scheme*, it's extremely important you speak to your financial or tax adviser. They may recommend that you opt out of the *Scheme* to avoid being charged extra tax.

If you don't opt out and the *Scheme* goes ahead and the increase to your retirement savings takes you over the *lifetime allowance*, you'll be responsible for any additional tax charges.

2.4.4 Will you warn me if I am likely to be affected by the *lifetime allowance*?

If we know, or expect, that exchanging the *GAR* for an increase to your retirement savings would take the total retirement savings in of your *plan(s)* close to, or potentially over, the *lifetime allowance*, we've confirmed this to you in your **covering letter**.

However, the *lifetime allowance* is based on **the total value of all of your retirement savings and benefits**, not just the savings which you have in the *plan(s)* which are covered by the *Scheme*. So we'll not know whether exchanging the *GAR* for an increase to your retirement savings will take you over the *lifetime allowance* because we don't know what other pensions savings you have. **It's therefore very important that you speak to your financial or tax adviser if you think that there's a possibility you could be affected in this way.**

2.4.5 Which of my *Royal London* plans will you consider when deciding if I would be affected by the *lifetime allowance*?

We will only consider *plans* which are covered by the *Scheme*. If you have more than one *plan* which is covered by the *Scheme* we will consider them all, but we won't consider any other *Royal London* plans you have. You should consider whether any other plans or investments you might have could mean you are likely to be affected by the *lifetime allowance*.

2.4.6 What's the annual allowance?

The annual allowance is the maximum amount that can be contributed to your retirement savings each year. The annual allowance for 2018/19 is £40,000. However, please note that the amount that a given individual can contribute to their retirement savings and benefit from tax relief will depend on their personal circumstances including their taxable earnings, whether they are subject to 'tapering' and whether they have utilised previous years' allowances. Taking certain actions in relation to your pension savings will trigger the '*Money Purchase Annual Allowance*'. These include drawing funds from a *drawdown* plan or taking an *UFPLS*. The *Money Purchase Annual Allowance* is a lower alternative annual allowance and could impact on your ability to make tax relieved pension contributions in the future. The *Money Purchase Annual Allowance* for tax year 2018/2019 is £4,000.

2.4.7 If the *Scheme* increases my retirement savings, could this affect my annual allowance?

No, the increases to retirement savings that would happen if the *Scheme* becomes effective would not have an impact on your annual allowance.

2.4.8 Are there any other tax issues that I should consider?

There will be no change to the UK tax treatment of your *plan* if the *Scheme* goes ahead. If you live outside the United Kingdom, you should seek advice on your tax position.

Please note that the information contained in your *Planholder circular* is based on our understanding of tax law and pensions law at the date it is issued. Both of these may change in the future. This means, for example, that the law in force when you want to take your retirement benefits, or transfer your retirement savings to another pension arrangement, may be different to that which currently applies.

MY PLAN WAS USED TO CONTRACT ME OUT OF THE STATE SECOND PENSION (OR STATE EARNINGS RELATED PENSION SCHEME) – HOW AM I AFFECTED?

2.4.9 What are *Protected Rights*?

From 1988 to 2012 it was possible to ‘contract out’ of the *State Second Pension (S2P)* (previously known as the State Earnings Related Pension Scheme (SERPS)) in relation to a *defined contribution* (money purchase) pension scheme. If you did this, you would pay a reduced level of National Insurance contributions. You and your employer would contribute that saving to a pension plan and the funds built up from those contributions were known as *Protected Rights*.

2.4.10 Does my *plan* have any *Protected Rights*?

The government abolished *Protected Rights* in 2012, but if your *plan* included them, you will still benefit from any *GAR* which applies to your *Protected Rights funds*. The level of *GARs* which apply to *Protected Rights funds*, and the ages at which they apply, were different from the *GARs* on your non-*Protected Rights funds*. That is still the case. You can normally see the *GARs* that applied in your original *plan* documents. Full details of the *GARs* are available on our website at royallondon.com/GARchoice. We’ve continued to refer to *Protected Rights funds* so that you can see how they are treated in comparison to your non-*Protected Rights funds*.

2.4.11 Does the *Scheme* cover the *Protected Rights*?

Yes – the *Scheme* will include any *GARs* which apply to any *Protected Rights* in your *plan*. However, when you are deciding whether you want to vote for the *Scheme*, that decision will cover all of the *GARs* in your *plan*.

HOW THE GAR WORKS

3.1 How does the GAR work?

If you choose to buy an *annuity* through *Royal London* when you come to take your retirement benefits, the amount that you receive will be the higher of the amount which can be bought using *standard annuity rates* or the *GAR*. The *GAR* is a fixed rate whereas *standard annuity rates* vary depending on *interest rates* and how long people are expected to live.

3.2 How is the retirement income paid under an annuity calculated?

The retirement income that you receive when you buy an *annuity* is calculated by multiplying your retirement savings by a rate. Normally this rate is what we refer to as a *standard annuity rate*, and is based on factors such as *interest rates* and how long people are living. Some pension plans include a *guaranteed annuity rate* or ‘*GAR*’, which is a fixed, guaranteed rate. The *planholder* effectively gets the higher of *standard annuity rates* and the *GAR*.

3.3 What is the purpose of the GAR?

The *GAR* is designed to ensure a minimum retirement income for a specified fund value at retirement. It applies when *standard annuity rates* fall below the *GAR*, and gives more certainty about your retirement income than you would get from a similar pension plan without a *GAR*.

3.4 What rate is my GAR?

The rates which are guaranteed by the *GAR* can usually be found in your original *plan* documents. We’ve also published information on the different *GARs* that apply to the *plans* covered by the *Scheme* at royallondon.com/GARchoice. These rates are different for different types of *plan*. They also vary depending on the age you are when you decide to buy the *annuity* and, in some cases, depending on whether you are male or female and whether the rate applies to *Protected Rights* or non-*Protected Rights funds* (see section 2.4.9 for details about *Protected Rights*).

3.5 Are there any restrictions on when I can buy an annuity using the GAR?

The main restriction on the use of the *GAR* is the age of the *planholder* (or scheme member, where the *planholder* is a trustee). The *GAR* is generally available from age 55 under the terms of the *Talisman Personal Pension Plan* and the *Talisman Group Personal Pension Plan* (see section 6 for details on the *plans* which are covered by the *Scheme*). However:

- the *GAR* is usually only available from age 60 in respect of *Protected Rights funds* under the *Talisman Personal Pension Plan* and the *Talisman Group Personal Pension Plan*; and
- the *GAR* is usually only available from age 60 under the terms of *Talisman Retirement Annuity Contract* and the *Talisman Executive Pension Plan*.

This means that *planholders* with these types of benefits or plans generally have to wait longer before they can use their retirement fund to buy an *annuity* using the *GAR*.

3.6 Are there any restrictions on what type of annuity I can buy using the GAR?

In terms of the type of *annuity* that can be bought using the *GAR*, although the terms of the *plans* do sometimes state that the *GAR* provides a particular type of *annuity*, *Royal London’s* practice is to permit *planholders* to request different types of *annuity* (for example, an *annuity* with escalating payments or an *annuity* with spouse’s *annuity*) without losing the value of the *GAR*.

3.7 Do I get the benefit of the GAR when I buy an annuity through the Royal London Annuity Bureau?

Yes, in fact you only benefit from the *GAR* if you buy an *annuity* through the *Royal London Annuity Bureau*. If you take your retirement benefits in a different form, for example as cash or from a provider who is not on the *Royal London Annuity Bureau*, you currently lose the benefit of the *GAR*.

3.8 Do I get the benefit of the GAR when I transfer my retirement savings to another pension arrangement, either with Royal London or another provider?

No, you only get the benefit of the *GAR* when you use your retirement savings under your *plan* to buy an *annuity* through one of the providers on the *Royal London Annuity Bureau*.

3.9 Do I get the benefit of the GAR when I take cash?

No, you currently lose the benefit of the *GAR* on any cash you take from your retirement savings.

3.10 Do I get the benefit of the GAR when I pass my retirement savings to my family and dependants as an inheritance?

If you buy an *annuity* through the *Royal London Annuity Bureau* you may be able to choose one which continues to a particular dependant, for example your spouse or partner, when you die. However, you currently lose the benefit of the *GAR* if you choose to take your retirement savings in any other way, including cash which you might be able to leave as an inheritance to your family or dependants.

3.11 What factors affect the value of the GAR?

The value of the *GAR* depends on how the *GAR* compares to *standard annuity rates*. The *GAR* becomes less valuable the higher *standard annuity rates* become. *Standard annuity rates* can change (whereas the *GAR* is a fixed rate) and mainly depend on *interest rates* and how long people are expected to live. *Standard annuity rates* tend to increase as *interest rates* increase. However, the longer people are expected to live, the lower *standard annuity rates* tend to be.

3.12 Why do interest rates affect the value of the GAR?

An *interest rate* can be a short-term *interest rate* or a long-term *interest rate*. A short-term *interest rate* is the return received on a short-term investment like cash in a current account with a bank. A long-term *interest rate* is the return received on investments which don't pay back the original amount invested until further into the future – for example, government bonds or gilts. *Standard annuity rates* are determined mainly by long-term *interest rates* rather than by short-term *interest rates*.

If you buy an *annuity*, the provider invests your lump sum at retirement to provide your regular income for life. Since your retirement could be a long period of time, the provider will invest your lump sum at retirement in long-term investments that will provide it with the cash it needs to pay your *annuity*. If the long-term *interest rates* on these types of investments are high when you buy an *annuity*, your *annuity* payments will be higher than if the long-term *interest rates* were low. That's because the provider predicts it can earn more by investing your money when long-term *interest rates* are high.

3.13 What effect would a change in interest rates have on the value of the GAR?

If *interest rates* go up, *standard annuity rates* are likely to increase, causing the *GAR* to become less valuable. On the other hand, if *interest rates* go down, *standard annuity rates* are likely to decrease, causing the *GAR* to become more valuable.

The *Independent Actuary* has considered the effect of *interest rate* movements on the value of the *GAR*. For an increase (decrease) in *interest rates* immediately after the *implementation date* that we would typically expect once in every 10 to 20 years the value of the *GAR* could decrease (increase) by approximately 5-15%.

3.14 Why does how long people are expected to live affect the value of the GAR?

The longer people are expected to live, the longer the period over which they will receive income from annuities they might buy. Therefore, the longer people are expected to live, the lower *standard annuity rates* tend to be.

Since the *GAR* becomes more valuable the lower *standard annuity rates* become, this means that the longer *planholders* are expected to live, the more valuable the *GAR* becomes.

The *Independent Actuary* has considered the effect of changes in life expectancy relative to that assumed in the offer and concludes that the sort of movement in the rate of increase in life expectancy we would typically see once in every 10-20 years wouldn't have a material impact on the value of the *GAR*.

3.15 What are the prospects for how long people are expected to live in the future? Will this continue to increase?

In the UK, people's life expectancies have gradually increased since the 1980s and 1990s, when *GARs* were included in new *Scottish Life* pension plans. They continue to increase, although the rate of increase in life expectancy in the UK has slowed in recent years.

Of course, we don't know how people's life expectancies (including *planholders'* life expectancies) will change in the future, but we have reflected the latest results by the *Continuous Mortality Investigation (CMI)* in calculating the offers being made in order to take account of the fact that those retiring in the medium-to-long-term are likely to have a greater life expectancy on average than those retiring in the short-term.

The *Independent Actuary* has reviewed the assumptions we have made and is comfortable with the assumptions used.

As explained in paragraph 3.13 above, the longer *planholders* are expected to live, the more valuable the *GAR* becomes.

PENSION FREEDOMS

4.1 What changes were made by pension freedoms?

Pension freedoms is the term given to various changes which the government introduced in April 2015 in order to give pension savers greater flexibility when they access their retirement savings. They include:

- introducing the ability for pension savers to take as much of their retirement savings in cash as they wish, up to the *lifetime allowance*, without incurring penal tax charges. Pension savers were previously able to take a tax-free lump sum of up to 25% of their retirement savings at the point when they became entitled to take their pension (sometimes referred to as a 'pension commencement lump sum'). In some circumstances, they were also entitled to take small pension pots as cash. Since 2015, pension savers can take unlimited amounts of cash, either in a single or a series of lump sum withdrawals (known as *uncrystallised funds pension lump sums* or '*UFPLS*'). 25% of each *UFPLS* is payable free of tax: the remaining 75% is taxable as normal pension income at the pension saver's marginal rate of tax, with any amount over the *lifetime allowance* treated as a 'lifetime allowance excess lump sum' and subject to separate tax treatment;
- introducing the ability for pension savers to take out much more flexible *drawdown* plans. Previously, *drawdown* plans were either subject to restrictions on the amount of income that could be drawn down each year or were only fully flexible if the pension saver could prove a minimum level of income from other sources. Since 2015, *drawdown* plans can give pension savers full discretion about the timing and amount of income they wish to draw down. This can also be combined with a tax-free lump sum;
- simplifying the regime for *annuities*, allowing greater flexibility in the types of *annuity* that can be sold; and
- changes to the taxation of death benefits, which included making it more tax-efficient to pass on funds still in *drawdown* plans. For example, prior to 2015, the recipient of a lump sum death benefit payable from a pension saver's *drawdown* funds would be subject to income tax at 55%; since 2015, no income tax would be payable where the pension saver died before age 75, while the rate of income tax payable where the pension saver died after age 75 would, in most cases, be the recipient's marginal tax rate.

Please note that tax rules are subject to change and therefore each of the changes described above may change again in the future.

4.2 What are my options for accessing my retirement savings following the introduction of pension freedoms?

Since 2015, you have had the following options for accessing your retirement savings once you reach minimum pension age (usually 55):

- Buy an *annuity* from an insurance company or, if permitted, take out a pension from your pension scheme. If you buy an *annuity* or take out a scheme pension, you can usually take up to 25% of your retirement savings as a tax-free lump sum.
- Take out a *drawdown* plan. A *drawdown* plan allows you to take an income from your retirement savings, while leaving the rest of the savings invested. As with an *annuity*, you can take up to 25% of your retirement savings as a tax-free lump sum when you take out a *drawdown* pension, subject to the *lifetime allowance*.
- Take some or all your pension savings as cash lump sums over time (*UFPLS*).

4.3 What is the difference between buying an *annuity* and taking out a *drawdown* plan?

If you buy an *annuity* with some or all of your retirement savings, you will be guaranteed a regular income for the rest of your life.

If you take out a *drawdown* plan, your retirement savings will remain invested and you will also be able to choose to take amounts as income at a frequency that suits you (for example, yearly or monthly). You would, however, not be guaranteed a regular income for the rest of your life.

In each case, you would be entitled to take a tax-free cash lump sum, usually up to 25% of your retirement savings, at the point you took out the *annuity* or *drawdown* plan (although some *drawdown* plans allow you to take your tax-free cash entitlement in instalments rather than as one lump sum). You will then be required to pay income tax at your marginal rate on the payments made to you under the *annuity* or amounts of income you take under the *drawdown* plan.

4.4 What is the difference between taking out a *drawdown* plan and taking my retirement savings as cash lump sums?

Taking out a *drawdown* plan and taking cash lump sums (*UFPLS*) from your retirement savings under your current *plan* both give you the flexibility to take cash from your retirement savings in one or more lump sums, of the amounts you want and at a frequency that suits you, while keeping the balance of your retirement savings invested.

The main difference is the way that cash is taxed:

- Someone choosing a *drawdown* plan would be entitled to take a tax-free lump sum (a pension commencement lump sum) of up to 25% of the value of their retirement savings (under the *lifetime allowance*) upfront when they took out the *drawdown* plan (although some *drawdown* plans allow you to take your tax-free cash entitlement in instalments rather than as one lump sum). The rest of the income which they take from the *drawdown* plan would then be taxed as income in the usual way.
- For someone choosing to take one or more *UFPLS* payments from their retirement savings under their *plan*, 25% of each of those lump sums will be tax-free, with the remaining 75% taxed as income in the usual way.

Taking part of your retirement savings as an *UFPLS* does not prevent you from subsequently using the balance of your savings as a *drawdown* plan or using it to buy an *annuity*, together with an associated tax-free lump sum.

Note that, if you intend to contribute to your pension plan in the future, taking benefits from your pension savings could trigger a restriction known as the '*Money Purchase Annual Allowance*'. This could impact on the tax treatment of future pension contributions. Please see section 2.4.6 for further information about the annual allowance and the *Money Purchase Annual Allowance*.

4.5 Was I required to buy an *annuity* before *pension freedoms* came in?

No, the requirement to buy an *annuity* with your retirement savings was removed a number of years ago.

However, until April 2011, pension savers had to start drawing an income from their retirement savings by age 75. They could do this either by buying an *annuity* or by taking out a *drawdown* plan. However, the amount of income you could take each year under a *drawdown* plan was restricted, which meant that, in practice, most pension savers would buy an *annuity* by age 75.

The requirement to start drawing an income from your retirement savings by age 75 was removed in April 2011, but penal rates of tax continued to apply for income above specified levels. This meant that, in practice, most pension savers still bought an *annuity* by age 75 until the changes brought about by *pension freedoms* came in.

4.6 What effect have *pension freedoms* had?

Since *pension freedoms* were introduced in April 2015, annual sales of *annuities* in the UK have declined significantly. Figures available from the *Association of British Insurers (ABI)* show that *annuity* sales are now around 75% lower than just prior to the announcement of *pension freedoms* in March 2014. This decline may be partly due to the extra flexibility offered by *pension freedoms*.

Statistics collected by the UK insurance industry's main trade body, the *ABI*, show that since the introduction of *pension freedoms* in April 2015 up to the start of 2017, the following options were chosen for retirement savings:

- (a) £7,900m has been paid out as cash;
- (b) £19,700m has been newly invested into *drawdown* plans; and
- (c) £11,400m has been used to buy *annuities*.

These statistics show that *drawdown* had become more popular than *annuity* (by some margin) and cash is less popular than buying an *annuity*. *Drawdown* and cash together (at £27.6bn) significantly exceed *annuity* (at £11.4bn). Buying an *annuity* is no longer the most common way to take a pension in the UK.

Despite the introduction of *pension freedoms*, the terms and conditions of your *plan* mean that you still need to use your retirement savings in your *plan* to buy an *annuity* through us in order to receive the benefit of the *GAR*.

4.7 How have *Royal London* customers reacted to *pension freedoms*?

Since *pension freedoms* were introduced in April 2015, *Royal London* has seen a decline in the rate at which its customers (including customers with *GARs*) are choosing to buy *annuities*.

4.8 Can I still take 25% of my retirement savings in tax-free cash?

Yes. If you decide to buy an *annuity* or take out a *drawdown* plan, you can normally take up to 25% of your retirement savings as tax-free cash, subject to the *lifetime allowance*. Prior to buying an *annuity* or taking out a *drawdown* plan you can also take cash lump sums from your retirement savings under your *plan* (*UFPLS*). 25% of these cash lump sums will be payable free of tax.

THE EFFECT OF THE SCHEME ON THE SCOTTISH LIFE FUND

5.1 What is the *Scottish Life Fund*?

The *Scottish Life Fund* is the separate fund within *Royal London* created for the *with profits* planholders of *Scottish Life* when it demutualised and its business was transferred to *Royal London* in July 2001.

The diagram below shows the various funds making up the *Royal London Long Term Fund*.

Royal London Long Term Fund				
Royal London Main Fund	Scottish Life Fund	Royal London CIS Sub-Fund	Royal Liver Sub-Fund	PLAL With-Profits Sub-Fund

5.2 How will the *Scheme* affect the *Scottish Life Fund*?

The financial position of the *Scottish Life Fund* is likely to improve as a result of the *Scheme* being approved. At present, under *Solvency II*, the *Scottish Life Fund* has to hold back a significant amount more than we think will actually be needed to cover the cost of the *GARs*. If the *Scheme* is approved, we will be able to release a proportion of that amount to cover the cost of the increases to retirement savings under the *Scheme* for *planholders* who have not opted out.

We may also be able to achieve a fairer distribution of the estate of the *Scottish Life Fund* amongst its *with profits* planholders over the course of its run-off. Some of the *inherited estate* of the *Scottish Life Fund* will be used to fund and pay part of the costs of the *Scheme*. The *Independent Actuary* considers this to be reasonable in light of the benefits to the *excluded planholders*. This is also a normal use of the *inherited estate* as the working capital of the *Scottish Life Fund*, and distribution of the *inherited estate* is a matter to be determined by the *Royal London Board* in its discretion, rather than an entitlement of *planholders*.

The *Independent Actuary's* report provides a breakdown of the estimated financial impact of the *Scheme* had it been implemented as at 31 December 2017. A summary of the *Independent Actuary's* report is set out in Appendix 2 of this document. You can obtain a copy of the *Independent Actuary's* full report from our website at royallondon.com/GARchoice (or by calling the helpline on 0345 521 0046).

5.3 How significant is the *Scheme* for the *Scottish Life Fund*?

As at 31 December 2017, the *Scottish Life Fund* has liabilities of £2,600m and assets of £3,200m, and approximately 107,000 planholders, of whom approximately 35,000 are *with profits* planholders. 33,000 *planholders*, with plan liabilities of £1,100m (split between £350m in *Scottish Life Fund* investments and £750m in *Royal London Main Fund* investments), are subject to the *Scheme* (although that number could decline as a result of opt-outs).

The *uplifts* are calculated based on the assumption that the *GAR* is exercised on 75% of the *GAR*-eligible retirement savings and cost around £730m in total. This is funded from a combination of the existing best-estimate liability *GAR* reserve of £584m and a share of the additional *Solvency II* reserves that are currently held of around £300m. Further information on the funding of the *uplifts* and the assumptions employed in constructing the offer, including the *GAR* take-up rate assumption, can be found in Section 5 of the *Independent Actuary's* report.

5.4 What effect does the Scheme have on the Scottish Life Transfer Scheme which transferred the business of Scottish Life to Royal London in 2001? Will any of its terms change?

The *Scheme* has no effect on the *Scottish Life Transfer Scheme*. None of the terms of the *Scottish Life Transfer Scheme* will change as a result.

5.5 Does the Scheme affect the date on which the Scottish Life Fund will be merged with the Royal London Main Fund?

The date at which the *Scottish Life Fund* can be merged with the *Royal London Main Fund* is set out in the *Scottish Life Transfer Scheme*. *Royal London* may choose to merge the funds when the value of the *Scottish Life Fund* falls to £500m increased with *RPI* from 2001. *Royal London* must merge the funds when the value of the *Scottish Life Fund* falls to £50m increased with *RPI* from 2001.

5.6 Why is it appropriate that the Scottish Life Fund pay for the costs of the Scheme?

Under the terms of the *Scottish Life Transfer Scheme* which transferred the business of *Scottish Life* to *Royal London*, the cost of providing the *GARs* must be met by the *Scottish Life Fund*. As a result, it is the *Scottish Life Fund* which must set aside the money necessary to meet the cost of the *GARs* whatever the future may bring. The *Scottish Life Fund* (and the *with profits* planholders in the *Scottish Life Fund*) will therefore benefit from the *Scheme*, and therefore it is right that the *Scottish Life Fund* should meet the cost.

The only exceptions to this are the costs and expenses of amendments required to be made to the *Royal London Internal Model* as a result of the *Scheme*. These costs will be allocated between the *Royal London Main Fund* and the *Scottish Life Fund* in proportions determined by the *Royal London Board* with advice from the *With Profits Actuary*.

5.7 Where can I find more information about the financial impact the Scheme would have on the Scottish Life Fund?

The *Independent Actuary's* report provides a breakdown of the estimated financial impact of the *Scheme* on the *Scottish Life Fund* had it been implemented as at 31 December 2017. A summary of the *Independent Actuary's* report is set out in Appendix 2 of this document. You can obtain a copy of the *Independent Actuary's* full report from our website at royallondon.com/GARchoice (or by calling the helpline on 0345 521 0046).

PENSION PLANS TO WHICH THE SCHEME APPLIES

6.1 What plans does the Scheme apply to?

The following types of pension plans are covered by the *Scheme*:

- Personal Pension Plans branded as Talisman and taken out with *Scottish Life* between 1 June 1985 and 30 June 1988 (these are sometimes referred to as retirement annuity contracts and we refer to them as '*Talisman Retirement Annuity Contracts*').
- Personal Pension Plans branded as Talisman and taken out with *Scottish Life* between 1 July 1988 and 1 February 1992 (we refer to these as '*Talisman Personal Pension Plans*').
- Group Personal Pension Plans branded as Talisman and taken out with *Scottish Life* by employees between 1 July 1988 and 1 February 1992 as part of the benefits provided by their employer (we refer to these as '*Talisman Group Personal Pension Plans*').
- Executive Pension Plans branded as Talisman or Hallmark and originally taken out with *Scottish Life* by the trustees of an occupational pension scheme between 1 June 1985 and 1 November 1989 (we refer to these as '*Talisman Executive Pension Plans*'). These plans may still be held by the trustees of the occupational pension scheme, in which case the trustee is the planholder; or they may have been transferred to an individual member of the scheme (for example when the scheme was wound up), in which case the former member is the planholder.

We're referring to all of these plans as the '*plans*' and to you and the other planholders with *plans* as '*planholders*'.

6.2 Have any plans with GARs allocated to the Scottish Life Fund been excluded? Why have these plans been excluded?

Only the *plans* are covered by the *Scheme*. In particular, pension plans which are branded as Talisman, but which were not taken out within the dates shown in paragraph 6.1 above, do not contain **GARs** and are not therefore covered by the *Scheme*.

It may also help you to know that the following plans were originally sold by *Scottish Life* and have **GARs**, but are not covered by the *Scheme*:

- Personal Pension Plans taken out before 1 June 1985;
- Personal Pension Bonus Bonds;
- Personal Pension Bonds;
- Sovereign Plans; and
- Plans taken out by the trustees of occupational pension schemes and known as Protected Growth Individual Allocation Plans and Versatile Retirement Benefit Plans.

The primary reason for *Royal London's* decision to exclude these plans is that they are administered on older administration systems. Limitations with these systems mean that it would be extremely difficult to produce personalised offers for these planholders.

Royal London does have a number of other pension plans with **GARs**. We have, however, looked only at the *plans* in the *Scottish Life Fund* and only the *plans* in this fund which are referred to in paragraph 6.1 above are covered by the *Scheme*.

THE RIGHT TO OPT OUT OF THE SCHEME

7.1 What is the opt-out?

We believe that exchanging the *GAR* for an *uplift* would be the right thing to do for many *planholders*. However, although the *Scheme* is considered to be fair, some *planholders* may be better off keeping the *GAR* because of their personal circumstances – the information contained in your *Planholder circular* and your *personalised offer*, and the advice and guidance that we're making available to you, are intended to help you make your decision.

Because of this, we want to offer *planholders* the opportunity to opt out of the *Scheme*. If you opt out, you'll keep the *GAR* but you won't receive any increase to your retirement savings as a result of the *Scheme*.

7.2 Who can opt out of the Scheme?

The *Scheme* applies to *plans* held by individuals and *plans* held by pension scheme trustees on behalf of scheme members. Both individuals and members of pension schemes will be able to opt out of the *Scheme* and hence retain the benefit of the *GAR*. Members of the *Royal London Personal Pension Scheme* will be able to opt themselves out. Trustees of occupational pension schemes will need to consult their members in relation to the opt-out and take the appropriate action.

You should opt out if you want to keep the *GAR* – opting out is the only way that you can be certain you will. If you vote against the *Scheme* but the *Scheme* is approved by the *planholders* at the *planholder meeting* and then by the *court*, the *GAR* will be exchanged for an increase to your retirement savings.

7.3 Can I vote on the Scheme if I opt out?

You can only vote on the *Scheme* if you withdraw your opt-out.

You can withdraw your opt-out by post or online at any time prior to 12pm on 19 October 2018, but will need to contact us first on 0345 521 0046 if you wish to do so. You can withdraw your opt-out in person if you attend the *planholder meeting*. You will therefore be able to participate in the meeting and vote on the *Scheme*. You will also be able to opt out again at the *planholder meeting*, but if you do decide to opt out, you won't be permitted to vote as well.

7.4 If I must get advice, can I opt out by not taking any action?

Yes, if you *must get advice*, you can effectively opt out by not taking any action. You may, however, want to consider taking advice if you are not sure what you want to do. If you do get advice and your financial adviser confirms that to us as we require, you will then need to opt out if you want to be sure of keeping your *GAR*.

7.5 How do I opt out of the Scheme?

You can opt out of the *Scheme*:

- by post by filling out sections A and C in your *Decision form* and either returning it to us in the pre-paid envelope in your pack, or handing it in to *Electoral Reform Services*, London, N81 1ER; or
- online by visiting ersvotes.com/GAR and logging in using the online voting ID and security code in your *covering letter*; or
- in person at the *planholder meeting* at 11.00am on 23 October 2018.

Even if you opt out, you can still give us feedback on the *Scheme* and we'll take your comments to the *court*.

7.6 I have more than one plan. Can I opt out in respect of one or more of my plans but accept the offer in respect of the others?

No. If you are an individual *planholder* and you decide to opt out of the *Scheme*, you are opting out in respect of all your *plans* which contain a *GAR*. This includes any *Talisman Personal Pension Plans* or *Talisman Group Personal Pension Plans* in which your retirement savings have been invested as a member of the *Royal London Personal Pension Scheme*.

The position for trustees of occupational pension schemes is slightly different: see section 12 for details.

7.7 Will Royal London confirm I've been opted out?

Yes. If you opt out by post, we will write to you to confirm that we have received your *opt-out election* and that you have been opted out of the *Scheme*. If you opt out online, you will receive an online message confirming that we have received your *opt-out election* and that you have been opted out of the *Scheme*.

7.8 How will the Scheme affect me if I opt out?

Your *plan* will stay exactly as it is if you opt out. You'll keep the *GAR* but you won't receive any increase to your retirement savings as a result of the *Scheme*.

If you opt out of the *Scheme* but have *with profits* investments in the *Scottish Life Fund*, you may see some changes in how the fund is managed, even though you are not a party to the *Scheme*. These changes are explained in section 5.

7.9 What is the effect on planholders who accept the offer if some planholders opt out?

If the number of *planholders* who decide to opt out is within the estimates we have used in designing the *Scheme*, then there will be no material impact for the remaining *planholders* if the *Scheme* is approved and implemented.

However, if materially more than the expected number choose to opt out, then the cost to the *Scottish Life Fund* may become disproportionate and it may no longer be fair to other planholders invested in the *Scottish Life Fund* for the *Scheme* to be implemented. It's likely that we'd withdraw the *Scheme* in this event.

7.10 Can I give you my comments on the Scheme if I opt out?

Yes. There is space in your *Decision form* (and on the equivalent online form) for you to add comments.

We'll pass all comments that we receive to the *court* so they know what you have said, even if you opted out.

7.11 Can I change my decision to opt out?

You can withdraw your opt-out by post or online at any time prior to 12pm on 19 October 2018, but you will need to contact us first on 0345 521 0046 if you wish to do so. You can withdraw your opt-out in person if you attend the *planholder meeting*. You will then be able to participate in the meeting and vote on the *Scheme*. You will also be able to opt out again at the *planholder meeting*, but if you do decide to opt out, you won't be permitted to vote as well.

7.12 Can I opt out after the Scheme has been implemented?

In most circumstances you will not be able to change your mind and opt out of the *Scheme* after it has been implemented. Allowing *planholders* to change their minds in this way would undermine the purpose of the *Scheme* and could lead to an unfair outcome for other *planholders*. It is therefore very important that you consider carefully now whether you want to exchange the *GAR* for an *uplift* or you want to opt out and retain the *GAR*.

However, *Royal London* recognises that it may not have a valid address for a limited number of *planholders* and that those *planholders* may therefore not receive the *Planholder circular* and be able to consider whether or not to exchange the *GAR* or opt out. To address any potential concerns about the fairness of the *Scheme* binding such *planholders*, the *Scheme* includes provisions that will enable *Royal London* to reinstate the *GAR* (and remove the *uplift* and the associated investment return) on a *plan*, if the *planholder* gets back in touch with *Royal London* after the *implementation date* and asks that we do so, provided they can show that they were not living at any address to which *Royal London* sent the *Planholder circular*.

UNDERSTANDING YOUR PERSONALISED OFFER

8.1 What does my *personalised offer* show?

Your *personalised offer* shows the *percentage increase* we would expect to apply to your *GAR*-eligible retirement savings if the *Scheme* was implemented on the illustration date and you hadn't opted-out.

We've produced the information in this section on the basis that you've got only one *plan* which is covered by the *Scheme*. If you have more than one *plan*, this section applies equally to each of those *plans*.

8.2 How have you calculated the *uplift to my retirement savings*?

The *percentage increase* reflects how valuable we think the *GAR* is, based on what we expect to happen in the future.

What we expect to happen in the future takes into account certain factors that could affect the value of the *GAR*. These factors include *interest rates* and how long people are expected to live. The *percentage increase* is also based on our assumption that, in the absence of the *Scheme*, *planholders* would choose to use 75% of their *GAR*-eligible retirement savings to buy an *annuity* through us and take the rest as tax-free cash.

A consequence of this assumption is that, if you intend to use more than 75% of your retirement savings that are eligible for *GAR* benefits to buy an *annuity* through us, voting in favour of the *Scheme* might not make financial sense for you. However, it's important to consider all your personal circumstances in combination before deciding whether to opt out or not.

We've based the *percentage increase* on a number of other assumptions too. These include the assumption that no *planholders* will choose to transfer their retirement savings to another pension arrangement, either with *Royal London* or another pension provider, prior to retirement and an assumption about when *planholders* will choose to start taking retirement benefits from their *plans*. The *Independent Actuary's* report contains details of all the assumptions we've based the *percentage increases* and includes the *Independent Actuary's* conclusion on the reasonableness of the approach we've taken in determining these assumptions.

A summary of the *Independent Actuary's* report is set out in Appendix 2 of this document. You can obtain a copy of the *Independent Actuary's* full report from our website at royallondon.com/GARchoice (or by calling the helpline on 0345 521 0046).

8.3 How would the *uplift* be applied to my retirement savings?

If you don't opt out and the *Scheme* is implemented, the *GAR* will be removed but your retirement savings will be increased.

If your *plan* includes a *unit-linked* component, we'll apply the *uplift* through the issue of new units. If your *plan* includes a *with profits* component and you have not reached your chosen retirement date by the *implementation date*, we'll apply an *uplift* to your *asset share* and to any guarantees on the retirement savings in the *with profits* component (excluding the *GAR*).

Note that the value of your *with profits* component becomes the higher of *asset share* and the *guaranteed value* at your chosen retirement date. If you've passed your chosen retirement date, we'll apply an *uplift* to the value of the *with profits* component.

8.4 Would I definitely receive the percentage increase shown in my personalised offer?

Your *personalised offer* shows the *percentage increase* we would expect to apply to your *GAR*-eligible retirement savings if the *Scheme* was implemented on the illustration date and you hadn't opted out.

The value of the *GAR*, which the *percentage increase* is based on, depends on a number of factors, including *interest rates* and our assumptions about how long people will live. There is a risk that these factors change before the *implementation date*, causing the *percentage increase* to be either too high or too low to be considered fair to you and the other *planholders* in the *Scottish Life Fund*. To mitigate this risk, we'll recalculate your *percentage increase* on 30 November 2018 to take account of any changes in the factors affecting the value of the *GAR* that might have occurred by then.

The *percentage increase* to your current *GAR*-eligible retirement savings (current as at the illustration date shown in your *personalised offer*) wouldn't be lower than the minimum percentage increase shown in your *personalised offer*.

8.5 Does the Scheme apply to all of the retirement savings in my plan?

Some *planholders* benefit from the *GAR* on all of the contributions they have paid into their *plan*. Others only benefit from the *GAR* on some of these contributions or part of them. In addition, the *GAR* does not apply to one-off single contributions or to increases in regular contributions that *planholders* make, unless they were agreed with us before 1 January 1995. Your *personalised offer* shows you the percentage of your retirement savings to which the *GAR* applies (as at the illustration date) and, if applicable, the effect of us uplifting any future regular contributions to your *plan*.

8.6 Will any regular contributions I continue to pay into my plan benefit from the Scheme?

If you don't opt out and the *Scheme* is implemented, we'll apply an *uplift* to all future regular contributions to your *plan* to the extent they would have benefited from the *GAR*. We'll apply an *uplift* to each contribution as and when it is paid.

This won't affect the amount which you are required to pay into the *plan*.

If you either restart your regular contributions or increase the level of the regular contributions you pay and the additional contributions would not have been eligible for the *GAR*, we won't apply an *uplift* to those additional contributions. Any contributions paid into your plan after your current chosen retirement date would not be eligible for enhancement.

If the regular contributions you pay into your *plan* are eligible for *GAR* benefits, your *personalised offer* shows the next regular contribution due (as at the illustration date shown in your *personalised offer*) and what we'd expect to *uplift* this to. Any contribution amounts shown in your *personalised offer* do not reflect the effect of charges. As described in this pack, we deduct a charge from each of your contributions. If you don't opt out and the *Scheme* is implemented, any *uplift* to your contributions applied as a result of the *Scheme* would be applied after the deduction of charges. If applicable, the projected retirement savings shown in your *personalised offer* take account of any such *uplifts* to contributions that are made up to your chosen retirement date (as shown in your *personalised offer*).

For full details of the effect that changing your regular contributions has on the *GAR* and any *uplift* we might apply to your regular contributions if the *Scheme* becomes effective and you don't opt out you should refer to our website royallondon.com/GARchoice

8.7 What happens if I increase my regular contributions?

Increases to regular contributions are not eligible for the *GAR* unless they were agreed with us before 1 January 1995. Regular contributions paid after the *implementation date* will only benefit from an *uplift* to the extent they are eligible for the *GAR*.

8.8 Charges or other deductions made under my *plan* terms and conditions may be based on my retirement savings. If the *GAR* is exchanged and my retirement savings increase, will the charges or deductions be higher?

Some of the charges or other deductions that we levy on your retirement savings (including the regular management charge) are calculated as a fixed percentage of those retirement savings. There will be no change to this fixed percentage as a result of the implementation of the *Scheme*. However, since the *Scheme* would increase your retirement savings, then although the rate of, for example, the regular management charge would not change, the rate would apply to a higher amount and therefore the absolute amount of the charge taken (in Pounds Sterling) would increase. For example, if your current regular management charge is 1.0% on retirement savings of £10,000 i.e. a charge of £100, the charge would stay at 1.0% but it would be applied to a higher amount; for example 1.0% of £16,000 i.e. a charge of £160. Similarly, if your *plan* has a *with profits* component and you chose to surrender your *plan* early, any market value reduction that might apply in those circumstances may be higher in absolute terms, since the percentage reduction would be applied to a larger fund value.

If your *plan* has a *with profits* component, is not a *deposit administration plan*, and you have not yet reached your chosen retirement age, you also currently pay a charge in respect of the costs of the *GARs*. This charge applies to all *with profits* plans in the *Scottish Life Fund*, excluding *deposit administration plans*. This charge is calculated as a percentage of the *with profits* component of your retirement savings and is defined in the *Scottish Life Fund Principles and Practices of Financial Management* as 0.49% per annum on plans sold before 1998 and 0.16% per annum on plans sold between 1998 and September 2000. If the *Scheme* becomes effective, we'll stop levying this charge on the *with profits* plans in the *Scottish Life Fund*. A charge may be reintroduced in the future if circumstances change.

HOW THE INTERESTS OF PLANHOLDERS ARE TAKEN INTO ACCOUNT

9.1 What protections are there for *planholders* under the process *Royal London* is following?

There are a number of protections for *planholders* built into the process that we're following, as follows:

- We have appointed Paul Coulthard, an experienced life insurance actuary at Deloitte, to be the *Independent Actuary* to review the *Scheme* and report to the *court* on whether he thinks it is fair to *planholders*. The *Independent Actuary* has developed a number of *fairness criteria* against which to assess the *Scheme*.
- We have worked closely with our regulators, the *FCA* and the *PRA*, over a number of months to develop a proposal that takes proper account of the interests of *planholders*. They have the opportunity to attend the *sanction hearing* if they wish and raise any issues or any concerns they have about the impact the *Scheme* would have on *planholders*.
- The *Scheme* has been subjected to *Royal London's* normal governance processes. Both the *With Profits Actuary* and the *Chief Actuary* have considered the interests of *planholders* in the reports that they have prepared. In addition, the *Scheme* has been reviewed by our *With Profits Committee* and the *Scottish Life Fund Supervisory Committee*.
- The *Scheme* has also been reviewed by the *Royal London Board*. The *Royal London Board* considers that the *Scheme* represents an appropriate offer to put to *planholders*.
- The *court* will consider at the *sanction hearing* whether the *Scheme* is fair to *planholders*. The *court* confirmed at the *convening hearing* that it is appropriate for the *planholders* to vote together in a single group or class.
- *Planholders* can make representations to the *court* either in person or via a representative. We will also submit any comments you give us to our regulators and to the *court*.
- The *Scheme* will only be implemented if a majority in number representing 75% by value of *planholders* voting on the *Scheme* vote in favour.
- *Planholders* who want to keep the *GAR* can opt out of the *Scheme*.

9.2 Does that mean that the *Scheme* is right for all *planholders*?

Although we consider that the basis of the *Scheme* is fair, it is not necessarily right for all *planholders*. Whether it is right for you will depend on your personal circumstances and your views on whether you would prefer to keep the *GAR* or exchange it for an increase in your retirement savings and greater flexibility to take advantage of *pension freedoms*.

It is important to understand the criteria that have been used to consider whether the *Scheme* should be proposed to *planholders*. The *percentage increases* used to determine the *uplifts*, for example, are based on the *economic value* of the *GAR*. The *economic value* of the *GAR* is based on the assumption that the *planholders* will use 75% of their *GAR*-eligible retirement savings to buy an *annuity* with the *GAR*, and take the rest as cash. This assumption is based on the fact that the vast majority of our *planholders* take at least 25% of their *GAR*-eligible retirement savings in cash. You can find a summary of the criteria used to value the *GAR* in the *Independent Actuary's* report which you can find on our website at royallondon.com/GARchoice.

The opt-out is an important factor in the conclusions reached by all those who have considered the interests of *planholders*. This allows you to opt out of the *Scheme* and keep your *GAR*. However, you need to be aware that if you take no action and the *Scheme* is implemented, then you will lose the benefit of the *GAR* and an *uplift* will be applied to your retirement savings (unless you *must get advice* in which case if you take no action you will automatically be opted out).

9.3 Who is the Independent Actuary and what is his opinion about the Scheme?

The *Independent Actuary* is Paul Coulthard. Paul is a fellow of the Institute and Faculty of Actuaries and leads the Actuarial Insurance team at Deloitte. He has previously performed similar independent roles in relation to transfers of insurance business under Part VII of the Financial Services and Markets Act 2000. He has also acted as the Actuarial Function Holder and *With Profits Actuary* to a small mutual and as Chief Risk Officer for two life insurers. Deloitte have direct experience of schemes of arrangement to compromise GARs, having provided the independent actuary for the Phoenix GAR scheme in 2009.

The *Independent Actuary* is supportive of the *Scheme*. A summary of the *Independent Actuary's* report is set out in Appendix 2 of this **Part B**. You can obtain a copy of the *Independent Actuary's* full report from our website at royallondon.com/GARchoice (or by calling the helpline on 0345 521 0046).

9.4 What are the fairness criteria that the Independent Actuary has used to assess the Scheme?

The *Independent Actuary* has used four tests, referred to as the '*fairness criteria*', to assess the fairness of the *Scheme*. These are:

- **the Estate Value Test** – the *inherited estate* of the *Royal London Main Fund* should not benefit from the *Scheme*, unless there is a clear justification for such an impact;
- **the Economic Value Test** – the *uplift* to each *plan* which is not opted out of the *Scheme* should be broadly consistent with the *economic value* of the *GAR* being given up;
- **the Ongoing Feasibility Test** – the *Scheme* should not materially adversely affect the interests of *excluded planholders*, for example as a result of the costs of implementing the *Scheme*, the level of the *uplifts* or any other aspect of the *Scheme* that impacts the management of the company and the *Scottish Life Fund* adversely; and
- **the Adverse Scenario Test** – this considers the likelihood of *planholders* being adversely affected by changes in factors such as *interest rates* or how long people are living in the future.

The *Independent Actuary's* report contains further information about the *fairness criteria* and sets out the *Independent Actuary's* conclusions.

9.5 What does the court do?

If a majority in number representing 75% by value of *planholders* who vote, vote in favour of the *Scheme*, *Royal London* will then ask the *court* to give its approval at the *sanction hearing*. Without *court* approval, the *Scheme* cannot become effective.

In deciding whether to approve the *Scheme* at the *sanction hearing*, the *court* will apply a number of legal tests, which will include assessing whether all necessary steps have been correctly taken and whether the *Scheme* is one which an intelligent and honest person, acting in their own interest, might reasonably approve. If the *court* is satisfied on these matters, it is likely to approve the *Scheme*.

The *sanction hearing* also provides an opportunity for any *planholder* who opposes the *Scheme* to make representations to the *court* about the *Scheme*. However, the *court* is likely to expect any objections about the decision to have only one voting class to have been raised at the *convening hearing* on 25 June 2018.

Please see section 14 for more information about the legal process following the *planholder meeting*.

9.6 Who is the *With Profits Actuary* and what does he think?

Brian Murray was appointed *With Profits Actuary* of *Royal London* in 2016 having previously been involved in the acquisition of *Scottish Life* in 2001 and the management of the *Scottish Life Fund* since 2001.

The *With Profits Actuary* has considered the fairness of the *Scheme* to *Scottish Life Fund with profits* planholders and to *planholders* and is supportive of the *Scheme* given that he considers it fair to both groups.

A summary of his report is set out in Appendix 3 of this **Part B**. You can obtain a copy of the *With Profits Actuary's* full report from our website at royallondon.com/GARchoice (or by calling the helpline on 0345 521 0046).

9.7 Who is the *Chief Actuary* and what does he think?

Shaun Cooper was appointed *Chief Actuary* of *Royal London* in 2013 having previously been the *With Profits Actuary* of Co-Operative Insurance Society Limited (CIS) from 2007 to 2010 and *Chief Actuary* of CIS from 2010 to 2013.

The *Chief Actuary* has considered the financial impacts of the *Scheme* on the *Scottish Life Fund* and various planholder groups within *Royal London*.

The *Chief Actuary* is supportive of the *Scheme*. A summary of his report is set out in Appendix 4. You can obtain a copy of the *Chief Actuary's* full report from our website at royallondon.com/GARchoice (or by calling the helpline on 0345 521 0046).

9.8 What is the *With Profits Committee* and what does it think?

The *With Profits Committee* has been established to consider the interests of *with profits* planholders and advise the *Royal London Board* on the management of *Royal London's* with profits businesses. The *With Profits Committee* comprises the following people:

Sally Bridgeland (Non-Executive Director, *Royal London*)

Jim Gallagher (Independent)

Nick Dumbreck (Independent)

Bridget Rosewell (Independent)

Tim Harris (Deputy Group Chief Executive Officer and Group Chief Financial Officer, *Royal London*)

The *With Profits Committee* originally suggested that *Royal London* should consider offering *planholders* the opportunity to exchange the benefit of the *GAR* for *uplifts* to their retirement savings, and has been involved at all stages in the development of the *Scheme*. The *With Profits Committee* is supportive of the *Scheme*.

9.9 What is the *Scottish Life Fund Supervisory Committee* and what does it think?

The *Scottish Life Fund Supervisory Committee* was established by the *Scottish Life Transfer Scheme* to consider the interests of former *Scottish Life* planholders allocated to the *Scottish Life Fund*. The *Committee* comprises the following people:

Adrian Eastwood (Independent Chairman)

Michael Livingston (Independent)

Stuart Purdy (Independent)

Martin Lewis (Finance Chief Operating Officer, *Royal London*)

Tim Harris (Deputy Group Chief Executive Officer and Group Chief Financial Officer, *Royal London*)

The *Scottish Life Fund Supervisory Committee* is supportive of the *Scheme*.

EFFECT OF STEPS TAKEN BY PLANHOLDERS BEFORE THE SCHEME IS IMPLEMENTED

10.1 What happens if I transfer retirement savings out of my *plan* to another pension arrangement before the *Scheme* is implemented?

You will lose the value of the *GAR* and you will not benefit from any increase if the *Scheme* is approved by *planholders* at the *planholder meeting* and by the *court* at the *sanction hearing* and is then implemented (which we expect to happen on 7 December 2018 at 11.59pm).

If you transfer your retirement savings before the *planholder meeting*, you will also not be entitled to vote on the *Scheme*. *The Electoral Reform Services (ERS)* has been appointed as voting registrar and will review our records when doing its final calculation of the voting results in order to ensure any transfers are reflected.

If you plan to transfer your retirement savings, you might want to delay until at least the outcome of the *planholder vote* is known. If the *Scheme* is approved by *planholders* at the *planholder meeting* and by the *court* at the *sanction hearing* and is then implemented (which we expect to happen on 7 December 2018 at 11.59pm), you would benefit from the increase to your retirement savings if you have not opted out of the *Scheme*. If you are in this situation you should consider speaking to your financial adviser.

10.2 What happens if I take my retirement benefits before the *Scheme* is implemented?

If you take an *annuity* through the *Royal London Annuity Bureau* before the *implementation date*, it will benefit from the *GAR*.

If you take your benefits as cash or transfer them to another pension arrangement so that you can take them as *drawdown* or in another way, you will lose the benefit of the *GAR* and you will not benefit from any increase to your retirement savings if the *Scheme* is approved by *planholders* at the *planholder meeting* and by the *court* at the *sanction hearing* and is then implemented.

If you take your benefits before the *planholder meeting*, you will also not be entitled to vote on the *Scheme*. *ERS* will review our records when doing its final calculation of the voting results in order to take into account any benefits which *planholders* have taken.

If you are planning to take your benefits and intend to take some or all of them as cash or transfer them to another pension arrangement, you might want to delay until at least the outcome of the *planholder vote* is known. If the *Scheme* is approved by *planholders* at the *planholder meeting* and by the *court* at the *sanction hearing* and is then implemented (which we expect to happen on 7 December 2018 at 11.59pm), you would benefit from the increase to your retirement savings if you have not opted out of the *Scheme*. If you are in this situation you should consider speaking to your financial adviser.

10.3 What happens if I switch the investment under my *plan* before the *Scheme* is implemented?

If you don't opt out and the *Scheme* is implemented, the increase we'd make to your retirement savings would be applied in proportion across the investments in your plan on the day the *Scheme* is implemented.

For **with profits** investments, if you have not reached your chosen retirement date by the *implementation date*, we will increase both the *asset share* and the *guaranteed value*. Note that the value of your *with profits* benefits becomes the higher of *asset share* and the *guaranteed value* at your chosen retirement date. If you've passed your chosen retirement date, we'll apply the *uplift* to the value of your *with profits* benefits. For *unit linked* investments, we will increase the unit value through the issue of new units.

10.4 I have been divorced; are there any special considerations I should be aware of?

Divorce proceedings may have resulted in a court issuing a *pension attachment order* in favour of your ex-spouse against your *plan*. If this applies to you, we recommend that you review and consider the terms of the *pension attachment order* when deciding whether you wish to opt out of the *Scheme*, and, if you do not opt out, how you wish to vote, as your ex-spouse may be entitled, either solely or jointly, to vote on the *Scheme* and to decide whether or not to opt out. If you think this may be the case, please draw your ex-spouse's attention to the contents of this pack or get in touch with us so that we can send them their own copy.

10.5 I have recently been declared bankrupt; are there any special considerations I should be aware of?

Since 2000, certain types of pension plans, including all those covered by the *Scheme*, are excluded from a bankrupt's estate. If you have recently been declared bankrupt, you will therefore continue to be the *planholder* and the person entitled to vote on the *Scheme* in relation to your *plan*.

10.6 I have recently set up a power of attorney; are there any special considerations I should be aware of?

Setting up a power of attorney does not change the identity of the *planholder* or affect their right to vote on the *Scheme*. However, a validly appointed attorney will effectively step into the shoes of the *planholder* and, subject to the terms of the power of attorney, will be able to exercise all of the *planholder's* rights on their behalf, including opting out or voting on the *Scheme*.

If you would like your attorney to vote on your behalf, or you are an attorney who has been asked to vote on behalf of a *planholder*, and we have not already seen evidence of the attorney's authority, we will need to do so before we can accept the opt-out or vote. If you think that you may be in this situation, please contact us to discuss what we will need to see.

Either you or your attorney (if we have evidence of their authority) can use your *Decision form* to appoint a *proxy* to vote on your behalf at the *planholder meeting*.

PLANHOLDERS WHO MUST GET ADVICE

*This section gives further information for **planholders** who are legally required to get advice before they can vote on, or participate in, the **Scheme**. Your **covering letter** confirms if this applies to you. Throughout this pack, when we refer to opting out of the **Scheme**, we're including **planholders** who **must get advice** but whose financial adviser has not sent us an **advice confirmation slip**, and who cannot therefore be permitted to participate in the **Scheme**.*

*Please see the section 'Helping you make your decision' in **Part A of your Planholder circular** for details on the options for getting guidance and advice, including details about the support we're providing.*

You need to make sure that you allow enough time to get the advice that you need, and for your financial adviser to return an **advice confirmation slip to us by post or email by 12pm on 19 October 2018, or your vote won't count. You can also deliver the **advice confirmation slip** completed by your financial adviser to the *planholder meeting*.**

11.1 Why must I get advice?

For some **planholders** there's a legal requirement that they **must get advice** before they can exchange a guarantee applying to their retirement savings for something else – in this case, exchanging the **GAR** for an increase to their retirement savings. These are **planholders** who '**must get advice**'.

This advice must be provided by a financial adviser who is authorised by the **FCA** and who is able to advise on the conversion or transfer of pension benefits – see paragraph 11.6 below.

11.2 Who must get advice?

Your **covering letter** will confirm if you **must get advice**.

You may be in this category if your **plan** is a **Talisman Retirement Annuity Contract** which you took out for yourself, or if it is a **Talisman Executive Pension Plan** which was taken out by trustees of an occupational pension scheme, to provide scheme benefits for you, and was later assigned to you.

If you have one of these **plans** and its value was over £30,000 when we produced your **personalised offer**, you **must get advice** to be able to vote on, or participate in, the **Scheme**. If only some of your retirement savings in your **plan** benefit from a **GAR**, we only valued that part of your retirement savings for the purposes of the £30,000 threshold.

The following table summarises which types of **planholder must get advice** in order to participate in the **Scheme**:

Plan type		Must I get advice?
Name used in this guide	Full description	
<i>Talisman Retirement Annuity Contracts</i>	Personal Pension Plans branded as Talisman and taken out with <i>Scottish Life</i> between 1 June 1985 and 30 June 1988	YES, if your <i>plan</i> value is over £30,000. There is no legal requirement to obtain advice if your <i>plan</i> value is £30,000 or less.
<i>Talisman Personal Pension Plans</i>	Personal Pension Plans branded as Talisman and taken out with <i>Scottish Life</i> between 1 July 1988 and 1 February 1992	NO
<i>Talisman Group Personal Pension Plans</i>	Group Personal Pension Plans branded as Talisman and taken out with <i>Scottish Life</i> between 1 July 1988 and 1 February 1992	NO
<i>Talisman Executive Pension Plan</i> held by trustee	Executive Pension Plans branded as Talisman or Hallmark and taken out with <i>Scottish Life</i> by the trustees of an occupational pension scheme between 1 June 1985 and 1 November 1989	NO
<i>Talisman Executive Pension Plan</i> assigned to member	As above, but subsequently assigned to the former member so that they now hold the plan in their own name instead of the benefits being provided through an occupational pension scheme.	YES, if your <i>plan</i> value is over £30,000. There is no legal requirement to obtain advice if your <i>plan</i> value is £30,000 or less.

Note: References to ‘your *plan* value’ in the above table are references to only that part of your *plan* value which is eligible for the *GAR*.

11.3 When does Royal London decide if the value is over £30,000?

We calculated the value shortly before we produced your *personalised offer*, in accordance with the legal requirements.

11.4 Why don't all the *planholders* have to get advice?

Under pensions law, *planholders* must get independent financial advice if they:

- have a contractual right to a *GAR* under a contract directly with *Royal London*; or
- are a member of an occupational or personal pension scheme and the rules of that scheme entitle them to a *GAR*.

Most of the *planholders* – those with an interest in the *Talisman Personal Pension Plans* and the *Talisman Group Personal Pension Plans* – are members of the Royal London Personal Pension Scheme (No 2), which used to be known as The Scottish Life Personal Pension Scheme (we refer to this as the ‘*Royal London Personal Pension Scheme*’) and their *plans* were actually taken out for them by the trustee of that scheme.

The benefits of these *planholders* are determined by the rules of the *Royal London Personal Pension Scheme* which don't refer to the *GAR*. It's therefore the trustee, rather than these *planholders*, that has the direct contractual right to the *GAR*. As a result, these *planholders* don't have to get advice.

11.5 Is there a risk I'm being treated unfairly because I don't have to get advice?

No. Our offer treats all *planholders* equally, regardless of whether they *must get advice* or not. As explained in the '**Helping you make your decision**' section of **Part A of your Planholder circular**, we will make a significant contribution to the cost of advice even if you are not a *planholder* who *must get advice*.

11.6 If I must get advice, who can I get advice from?

You will have to get advice from a financial adviser who is authorised by the *FCA* and who is able to advise on the conversion or transfer of pension benefits. The advice provided by *JLT* (see the '**Helping you make your decision**' section in **Part A of your Planholder circular**) would satisfy this requirement. If you prefer to use a different financial adviser, please bear in mind that not all financial advisers have permission from the *FCA* to advise on the conversion or transfer of pension benefits. Your financial adviser will be able to confirm to you whether they can do this. It is your responsibility to make sure that your financial adviser has the necessary permission to advise on such matters before they incur any costs, as *Royal London* will only pay for advice from a financial adviser who has the necessary permission.

Before the *GAR* can be exchanged for the increase to your retirement savings, your financial adviser will be required to provide a written confirmation to *Royal London* that they have permission to advise on the conversion or transfer of pension benefits and that they have given you advice regarding the *Scheme*.

11.7 If I must get advice, when should I do that?

We recommend you get advice as soon as possible so you can discuss the *Scheme* with your chosen financial adviser, provide them with any information that they may need from you, take time to consider what they say and decide what to do next. Your financial adviser must confirm to us that you've been provided with advice by post or email by 12pm on 19 October 2018 for any vote you cast on the *Scheme* to count. You can also deliver the *advice confirmation slip* completed by your financial adviser to the *planholder meeting*. (However, if we receive the *advice confirmation slip* by 30 November 2018, we will include you in the *Scheme* unless you have opted out.)

11.8 If I must get advice how will you know I've received it?

We must get a completed *advice confirmation slip* from your financial adviser. You will only be allowed to vote on the *Scheme* if we receive this written confirmation on or before 12pm on 19 October 2018, if sent by post or email, or if you deliver it to the *planholder meeting*. (However, if we receive the *advice confirmation slip* by 30 November 2018, we will include you in the *Scheme* unless you have opted out.)

If you receive advice from *JLT* they'll confirm this to us directly.

If you're using your own financial adviser, they can confirm they've given you advice by returning the *advice confirmation slip* included in this pack and also available on our website at adviser.royallondon.com/GARchoice. If there is a financial adviser listed against your *plan* on our records, we'll also have sent them a letter which includes the *advice confirmation slip*.

11.9 If I must get advice, what happens if Royal London doesn't receive confirmation I've been given advice?

We won't be able to exchange the *GAR* for an increase to your retirement savings, unless we get confirmation from your financial adviser that they've given you advice, even if the *Scheme* is approved by the *court*. The pensions law requirements we've mentioned mean that written confirmation must come from your financial adviser. Unfortunately, we can't accept this confirmation from you.

If we don't receive an *advice confirmation slip* from your financial adviser by 12pm on 19 October 2018 then any vote cast by you on the *Scheme* will not be counted, unless you deliver the *advice confirmation slip* to the *planholder meeting*. (However, if we receive the *advice confirmation slip* by 30 November 2018, we will include you in the *Scheme* unless you have opted out.)

11.10 If I must get advice and do so, what happens if I then don't vote or opt out of the Scheme?

If we receive an *advice confirmation slip* from your financial adviser by 30 November 2018 and the *Scheme* is implemented, the *GAR* will be removed from your *plan* unless you have opted out. It is therefore very important that, if you obtain financial advice and decide that you want to keep the *GAR*, you indicate on your *Decision form* (or online) that you want to opt out of the *Scheme*.

11.11 Do you need to know what advice I was given?

No, we don't need to know what your financial adviser recommended that you do.

11.12 Do I need to follow that advice?

No, although you do need to think very carefully about whether you'll get the outcome that's right for you if you choose to ignore the advice you are given.

11.13 How will my financial adviser know what they have to do if I must get advice?

Where we have a note of your financial adviser on our records, we'll write to them to give them details of the *Scheme* and to confirm that you *must get advice*. We'll also give details of how they can tell us if they've given you advice. It's up to you if you want to use the financial adviser we have on our records, or another financial adviser.

If you appoint a new financial adviser, they can find all the details they'll need on our financial adviser website adviser.royallondon.com/GARchoice

If you ask *JLT* to provide you with financial advice, they'll know how to confirm to us that you've received advice from them.

11.14 If you're treating all planholders fairly, why do those who don't have to get advice have to contribute to the cost of taking advice?

We want as many *planholders* as possible to be able to vote on the *Scheme* at no cost to them. *Planholders* who *must get advice* wouldn't be able to vote (and if they did their vote wouldn't count) if they didn't get advice. This is why we've made sure as many of these *planholders* as possible have a route to financial advice that's free.

Other *planholders* are able to vote on the *Scheme* without having to get advice, but to make sure the cost of advice is manageable if they do need support, we're offering to contribute a significant amount towards the cost of that advice. You can find details about the amount *Royal London* will contribute in the '*Helping you make your decision*' section in *Part A of your Planholder circular*.

Certain *planholders* may be faced with particularly complex issues or may identify themselves as being 'vulnerable', for example as a result of disability (either mental or physical), terminal illness or having problems reading and understanding written materials. *Royal London* is committed to supporting customers with these additional needs including as part of this *Scheme* process. If you feel you might benefit from additional assistance in this way please contact us and let us know your circumstances. We may be able to offer additional help and support.

It's important to note that the contribution we're making towards the cost of advice comes from the *Scottish Life Fund*. We have to strike a balance of keeping the cost of taking advice manageable for all *planholders*, while not acting in a way that is unfair to the *Scottish Life Fund* or that could have a negative impact on *with profits* planholders.

11.15 Why is Royal London treating my plan as if it's been assigned to me by the trustees of my pension scheme?

If your *plan* has been formally assigned to you by the trustees of your occupational pension scheme, you will usually have signed a deed of assignment. This may have happened when you left employment or if your employer's occupational pension scheme was wound up. Sometimes, however, a pension scheme employer is also the trustee of the pension scheme. If, in that example, the employer is dissolved before it has dealt with the pension scheme benefits there's no one to act as trustee. In that case we'll be treating your *plan* as if it had been transferred to you. We think this is fair as it means that pension scheme members in this situation can decide for themselves what to do with their retirement savings when their scheme no longer has a trustee.

11.16 If I have more than one plan which is covered by the Scheme, how do you calculate whether I must get advice?

The requirement to get advice is based on the value of an individual plan. So you *must get advice* if at least one of your *plans* is a *Talisman Retirement Annuity Contract* or an *Assigned Talisman Executive Pension Plan* and the value of the retirement savings in that *plan* that benefit from the *GAR* was more than £30,000 on the valuation date.

However, it is important to remember that (unless you are the trustee of an occupational pension scheme) the decision you take in relation to the *Scheme* applies to all of your *plans* (you cannot choose to opt out of one *plan* but not others).

11.17 I am no longer resident in the UK; can I get advice from a financial adviser based where I live?

If you *must get advice*, that advice must come from a financial adviser who is appropriately authorised by the *FCA*. We would strongly recommend that **all planholders** get the advice they need from a financial adviser authorised by the *FCA*.

We will only contribute to the cost of your advice if that advice has been given by a financial adviser who is authorised by the *FCA* who has permission to advise on the conversion or transfer of pension benefits and who is based in the UK.

Unfortunately, *JLT* is unable to provide you with advice if you are resident outside the UK.

INFORMATION FOR TRUSTEES OF OCCUPATIONAL PENSION SCHEMES

It's important that you read this section if you're the trustee of an occupational pension scheme which holds a *Talisman Executive Pension Plan*. It will help you to understand why we're writing to you, your responsibilities and what you need to do to make sure you act in the best interests of the members of your pension scheme who are covered by a *plan* with a *GAR*. However, we can't advise you, so if you're in any doubt about what to do next you must consult your pension scheme's legal or financial advisers.

12.1 What are my general responsibilities to the members of my pension scheme?

The role of trustee is a very important one. You're key to your scheme members getting the right outcome when they come to take their retirement benefits from your pension scheme and you should be acting in their best interests. If you're unsure about your general responsibilities, you should refer to your pension scheme's professional advisers and look at the information on the *Pensions Regulator's* website at www.thepensionsregulator.gov.uk/trustees/

12.2 How will I know what is best for the members of my pension scheme?

You first of all need to understand our offer and what it would mean for the members of your pension scheme who are covered by a *plan* with a *GAR*. The letter we sent you with your pack confirms who they are.

We would expect you to discuss our offer with these members and take their views into account. You can choose to opt out, vote for or vote against the *Scheme*. You can make decisions in different ways for different members. This way you can take into account the individual circumstances of each member rather than having to make a decision that applies to all of them.

12.3 One of the members of my pension scheme has left employment, how can I discuss your offer with them?

Your pension scheme records should show your members' addresses. We know that if a member leaves employment with the employer that set up the pension scheme, they may forget to tell you if they change address. However, you should take appropriate action to try to find them if you have decided to discuss our offer with your members. Some options for doing that are explained on the *Pensions Regulator* website, for example at thepensionsregulator.gov.uk/trustees/administration-in-your-dc-scheme

If you're not sure of the extent of your responsibilities, you should consult your pension scheme's legal or financial advisers.

12.4 What happens if a member won't engage with me?

If a member who is covered by a *plan* with a *GAR* will not engage with you to enable you to discuss our offer with them, you will need to make your decision without taking their views into account. You will, of course, need to act in the best interests of your members when making the decision. You can choose either to opt the member out of the *Scheme* or to vote for or against the *Scheme*. If you consider it is in a member's best interests to retain the *GAR*, we would expect you to opt them out of the *Scheme* rather than to vote against the *Scheme*. If you take no action and the *Scheme* is approved, the *GAR* available

for the member will be removed and the retirement savings in the *plan* you hold for them will be increased. You would need to be ready to explain to your member(s) why you had taken this course of action and why you believe that this was consistent with your duties as a trustee. If this situation arises, you may wish to consult your pension scheme's legal or financial advisers.

12.5 What information should I give the members to consider?

Although you are the *planholder*, all of the information in this pack will be relevant to your members who are covered by *plans* with a *GAR*. We've provided a separate *personalised offer* for each of these members which you can give to them if you decide to discuss our offer with them. The rest of the pack is available online at royallondon.com/trusteeGAR.

12.6 Who will advise the members on what is right for them?

Each member of your pension scheme who is covered by a *plan* with a *GAR* will be able to get the guidance and advice that they need in the same way that individual *planholders* can. We'll contribute the same amount to the cost of advice for each of those members as we do for our individual *planholders*. Guidance provided through *JLT's* guidance helpline is also free for members (though they may have to pay if they seek guidance from another financial adviser).

If you choose to discuss our offer with your members, you should make them aware of the guidance and advice available to them.

12.7 Will Royal London contribute to the cost of any legal or other advice the trustees need to take?

No. We'll only contribute to the cost of financial advice given directly to your scheme members.

12.8 Do any of my scheme members have to get advice?

No. Because the *GAR* promise is in our contract with you and is not a promise that we made directly to the members, they don't fall into the category of people who *must get advice*. However, we're making available guidance and advice to your scheme members.

12.9 What will happen if I assign a plan to a member of my pension scheme before the planholder meeting?

You should contact us before you do so and we will discuss with you what will happen.

12.10 Should I consult the other members of my pension scheme who don't benefit from a plan which is covered by the Scheme?

No. The decision you're being asked to make only directly affects the members whose names are given in the *covering letter* we sent with this pack and we've provided *personalised offers* for.

12.11 If my pension scheme has more than one member who benefits from a plan which is covered by the Scheme, how do I opt out or vote if the members don't all want the same thing?

Your *Decision form* allows you to choose the option which is right for each individual member.

If you decide to opt out of one or more of your members, you'll need to complete the *Decision form* in respect of those members and return it to us by 12pm on 19 October 2018, or alternatively you can opt them out online by 12pm 19 October 2018.

If you decide to vote in respect of one or more of your members, you can vote by post or in person at the *planholder meeting*, but even if you intend to vote in person please complete and return the *Decision form* by 12pm on 19 October 2018 in case you cannot attend the *planholder meeting*. Alternatively you can vote in respect of them online by 12pm on 19 October 2018.

If you decide to vote against the *Scheme* for at least one of your members and to vote for the *Scheme* for at least one of your members, you'll be allowed to cast two votes, one for the *Scheme* and one against the *Scheme*. However, we'll determine the value of each of those votes for the purposes of the 'by value' vote by reference to the value of the *GARs* of the members in respect of whom you voted. This will allow different decisions for different members to be reflected in the overall vote result.

If you decide not to opt a member out but instead vote against the *Scheme* for them, and the *Scheme* is then implemented, the *GAR* will automatically be exchanged for an increase to that member's retirement savings. Please consider whether this is what you and the member want. If you want to make sure that the *GAR* is kept you should opt the member out of the *Scheme*.

12.12 What will happen if I don't take any action?

If you ignore this very important communication and the *Scheme* is approved, any *GARs* covering your members will be removed and the relevant retirement savings will be increased. Please note that it's your responsibility to act in the best interests of your members. If you have ignored those responsibilities and the member is disadvantaged by the *Scheme*, it is likely that the *Pensions Regulator* and the *Pensions Ombudsman* would find that you had acted in breach of your responsibilities.

12.13 Are there any legal formalities I should be aware of when making my decision?

You may need to get advice from your legal advisers about the specific decision-making formalities that apply to your pension scheme. It is important that your pension scheme documentation doesn't prevent you from making this sort of decision. (As a general rule, the standard *Royal London* documentation does not contain restrictions on this type of decision-making, but your scheme rules may contain different provisions.) We'd also expect trustees to be comfortable that there were not conflicts of interests at play and to think about whether any changes would be needed to their *Statement of Investment Principles* (if applicable) as part of the decision making process. Finally, trustees will want to make sure that their decisions are documented properly – for example, that the decision is properly minuted or that any decision made by a corporate trustee is in line with the articles of association.

12.14 What should I do if special circumstances apply to my pension scheme, for example it is in winding up or the employer has gone into insolvency?

If any unusual circumstances apply to your pension scheme, we'd suggest you take professional advice.

THE PLANHOLDER MEETING AND VOTING ON THE SCHEME

13.1 What is the *planholder meeting*?

The offer is being implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006 – we refer to this as the *Scheme*.

In order to be implemented, the *Scheme* needs to be approved by a majority in number representing 75% by value of *planholders* voting in person, by post or online. It will also need to be approved by the *court* (see section 14 for further information on the *court*'s role). In addition, the *Scheme* is subject to the following confirmations from the *Independent Actuary*, which will be required after the *court* has sanctioned the *Scheme*:

- the review of, and any adjustments to, the *percentage increases* after the *sanction hearing* was undertaken on a basis consistent in all material respects with the methodology originally used to calculate the increases as at 30 April 2018; and
- that the *Scheme* continues to satisfy the *fairness criteria*.

The *planholder meeting* is the meeting at which *planholders*' votes will formally be cast. You don't need to attend the meeting in person in order to vote – you can also vote by appointing a *proxy* to vote on your behalf, either by post or online.

The meeting will also provide *planholders* with the opportunity to consider and discuss the *Scheme* amongst themselves and with representatives of *Royal London*.

The *planholder meeting* will be held on 23 October 2018 commencing at 11.00am, at

Amba Hotel Charing Cross,
Strand,
London
WC2N 5HX.

13.2 Who can vote on the *Scheme*?

All *planholders* who've not opted out of the *Scheme* can vote on it. However, if you *must get advice* and we have not received your financial adviser's confirmation by post or email by 12pm on 19 October 2018, any vote you have cast won't be counted (unless you deliver the *advice confirmation slip* to the *planholder meeting*). However, as long as we receive the *advice confirmation slip* by 30 November 2018, we will include you in the *Scheme* unless you have opted out.

Planholders refers to the creditors in respect of the *GARs*. Under the Companies Act 2006, the *Scheme* is an arrangement between *Royal London* and its creditors in respect of the *GARs*, and it is these creditors who can vote on the *Scheme*. The legal holder or holders of the *plans* to which the *Scheme* applies will therefore be entitled to vote on the *Scheme* as *planholders*.

A number of the *plans* to which the *Scheme* applies are managed by the trustees of pension schemes, through which scheme members save for retirement and benefit from a *GAR*. These *plans* can be divided into two groups as follows:

- *plans* issued to *Royal London* as trustee under the *Royal London Personal Pension Scheme*, namely the *Talisman Personal Pension Plans* and *Talisman Group Personal Pension Plans*; and
- *Talisman Executive Pension Plans* held by the trustees of occupational pension schemes.

The legal holder of these *plans* is the trustee and some special arrangements therefore apply to these *plans* so that the views of scheme members can be taken into account, as explained in paragraphs 13.3 and 13.4 below. *Royal London* intends to abstain in the vote because of its conflict of interest as trustee of the *Royal London Personal Pension Scheme* and proposer of the *Scheme*.

The entitlement of *planholders* to vote will be determined as at the date of the *planholder meeting*, so if your *plan* has terminated on or before the date of the *planholder meeting*, you will not be entitled to vote. This may happen, for example, if you transfer your retirement savings to another pension arrangement, or if you choose to take your retirement benefits under the *plan*.

13.3 How will the views of members of the *Royal London Personal Pension Scheme* be taken into account on the *planholder* vote on the *Scheme*?

We want to ensure that the members of the *Royal London Personal Pension Scheme* whose benefits are invested in a *Talisman Personal Pension Plan* or a *Talisman Group Personal Pension Plan* which contains a *GAR* are able to attend the *planholder meeting* and that their views are taken into account, both on the *vote by number* and the *vote by value* (see paragraph 13.5 below). This is because there are around 29,000 *Talisman Personal Pension Plans* and *Talisman Group Personal Pension Plans* which contain a *GAR* (out of a total of approximately 33,000 pension plans to which the *Scheme* potentially applies). Taking account of the views of these *Royal London Personal Pension Scheme* members on both the *vote by value* and the *vote by number* will therefore make a significant difference, and we think it is important that we do so. However, in order to vote on the *Scheme*, these *Royal London Personal Pension Scheme* members must be creditors of *Royal London* in respect of the *GAR*.

To ensure that this is the case, we have executed a legal document in favour of the *Royal London Personal Pension Scheme* members called a '*deed poll*' under which they have become creditors of *Royal London* in respect of the *GAR*.

13.4 How will the views of members of occupational pension schemes which hold *Talisman Executive Pension Plans* be taken into account on the *planholder* vote on the *Scheme*?

Where *Talisman Executive Pension Plans* are held by the trustees of occupational pension schemes, only the trustees will vote. We expect the trustees to get the views of their affected members and we will allow them to reflect those views on the '*vote by value*' by casting votes both for and against the proposal if necessary.

On the *vote by number*, trustees will cast one vote (for or against) except where there is disagreement between scheme members who benefit from a *Talisman Executive Pension Plan*, when they can cast one vote for and one vote against (if they wish). We think that is a fair approach as nearly 95% of the occupational pension schemes have only one or two members covered by a *Talisman Executive Pension Plan*.

See section 12 for further information.

If a *Talisman Executive Pension Plan* has been transferred to the individual member of a pension scheme (for example when the scheme was wound up), the former member is now the *planholder* and will be entitled to vote.

13.5 What majority is required for the *Scheme* to be approved?

The *Scheme* will only become effective if a majority in number representing at least 75% by value of those voting at the *planholder meeting* (either in person or by *proxy*) vote in favour of the *Scheme* and the *court* approves the *Scheme*.

This means that there are two tests, both of which must be met in order for the *Scheme* to be approved at the *planholder meeting*:

- more than half by number of the *planholders* who vote must be in favour of the *Scheme* (we refer to this as the '*vote by number*'); and

- each *planholder's* vote is assigned a value. This value is based on the value of the *uplift* that will be applied to the *planholder's plan* if the *planholder* doesn't opt out and the *Scheme* is implemented. The total value of the votes cast by the *planholders* who vote in favour of the *Scheme* must represent at least 75% of the total value of the votes cast by all the *planholders* who vote (we refer to this as the '*vote by value*').

For example, if 10,000 *planholders* vote and the total aggregate value of their *GARs* is £100 million, then at least 5,001 of them would have to vote in favour of the *Scheme*, and the total value of the *GARs* held by those 5,001 *planholders* would have to be at least £75 million.

The *Scheme* is also subject to approval by the *court* (see section 14 for further information on the *court's* role).

13.6 What happens if I vote against the Scheme?

If you *must get advice* but don't do so, your vote will not count and you'll be treated as if you had opted out. If you *must get advice* and your financial adviser confirms to us that advice has been given by 30 November 2018, then the rest of this section will apply to you. The rest of this section will also apply to you if you are not subject to the *mandatory advice requirements*.

If you vote against the *Scheme* but the *Scheme* is implemented, then the *GAR* will be removed from your *plan* and your retirement savings will be increased. This is because the *Scheme* will be binding on all *planholders* to which it applies, even if you vote against the *Scheme* or don't vote at all. It is for this reason that, if you want to be sure of keeping the *GAR*, you should opt out.

13.7 How does Royal London calculate the value of the GAR for voting purposes?

We'll use the value of the *uplift* which we expect each *planholder* to receive as the value of the *GAR* for voting purposes. This makes allowance for any increase we'll apply to future contributions you might pay that are eligible for *GAR* benefits. We've assumed that any such contributions would continue to be paid up to the selected retirement age on your *plan*. We think this way of calculating the value of the *GAR* for voting purposes is appropriate as it reflects the value of the *GAR* that would be exchanged under the *Scheme*.

Your voting value is shown on your *Decision form*. We'd only consider recalculating your voting value if the values of *planholders' plans* change significantly by the time of the *planholder meeting*, for example because of fluctuations in investment returns. Your voting value might also change if you transfer retirement savings to another pension arrangement or take benefits from your *plan*.

You can read more about the way in which we calculated the increase to your retirement savings in the *Independent Actuary's* report which is online at royallondon.com/GARchoice

13.8 Who will manage the formal vote and the planholder meeting?

We have appointed *Electoral Reform Services (ERS)* as voting registrar. *ERS* are a highly regarded and independent firm of registrars. They have a well-established history working as both Independent Scrutineers and Independent Assessors for a wide range of financial institutions and public companies. All *Decision forms* will be returned to them, and they'll manage the online voting. *ERS* will also attend the *planholder meeting* to ensure that the voting at the meeting is properly managed, and will provide evidence to the *court* about how the vote was carried out.

If you don't complete the *Decision form* properly or in full, *ERS* or *Royal London* will try to contact you and ask you to confirm your decision. However, if that is not possible, we may make certain assumptions about your intention (see paragraph 13.18 for details). We also retain a general discretion to decide whether to count a *Decision form* which has not been completed properly as valid for the purposes of opting out of, or voting on, the *Scheme*.

13.9 How do I vote on the Scheme?

You can vote on the *Scheme*:

1. by attending and voting (in person or by *proxy*) at the *planholder meeting*;
2. by voting by post; or
3. by voting online.

Voting by post or online involves appointing a *proxy* to attend the *planholder meeting* and vote on your behalf. The chairman of the *planholder meeting* can act as your *proxy* if you don't want to appoint anyone else.

To vote by post, please complete and sign section B and C in your *Decision form* and return it to us in the pre-paid envelope in your pack or hand it in to *Electoral Reform Services*, London, N81 1ER.

To vote online, visit ersvotes.com/GAR and log in using the online voting ID and security code on the front page of your *covering letter*.

Please return your *Decision form* or go online to record your decision as soon as possible and in any event no later than 12pm on 19 October 2018. Alternatively, you can hand the *Decision form* (and the *advice confirmation slip* if you are a *planholder* who *must get advice*) to the Chairman of the *planholder meeting* before it starts. **It's important as many votes as possible are cast so the court can be sure there's a fair representation of planholder opinion.** So please vote by completing and returning your *Decision form* or by visiting ersvotes.com/GAR online even if you intend to make it along to the *planholder meeting*.

If you do come to the *planholder meeting*, we'll count the vote you submit there, rather than any vote made before it.

Our formal notice of the *planholder meeting* is at Appendix 5 and can also be found online at royallondon.com/GARchoice. We'll also advertise details of the *planholder meeting* in the press.

13.10 Do I have to appoint a proxy?

If you want to vote on the *Scheme* you must appoint a *proxy* unless you know you'll be attending the *planholder meeting* in person. Even if you intend to come to the *planholder meeting*, you should vote either by post or online beforehand, so your vote will be counted even if your plans change and you can't attend the *planholder meeting*.

13.11 Who can I appoint as my proxy?

You can appoint the chairman of the *planholder meeting* to act as your *proxy*. *Royal London's* Chairman will act as chairman of the *planholder meeting* (or if he is unable to attend, an appropriate alternative will be appointed). He'll vote on your behalf, in the way you've indicated on your *Decision form*.

However, you don't have to appoint the chairman; you can appoint someone else by providing their details on the *Decision form*. If you appoint someone other than the chairman, you need to know that they'll attend the *planholder meeting*. If neither you nor your *proxy* attends and you haven't voted by post or online, your vote won't count.

13.12 When a planholder or their proxy comes to the planholder meeting, do they need to bring anything?

If you're coming to the *planholder meeting* you should bring the invitation included in your pack. If you have appointed a *proxy* who's not the chairman of the *planholder meeting*, they should bring the invitation and evidence of their identity such as their driving licence or passport.

13.13 If I vote for your offer and the Scheme is implemented, what will happen to my plan?

On the *implementation date*, which is expected to be 7 December 2018, we'd remove the *GAR* from your pension plan and increase your retirement savings. Your *personalised offer* shows the *percentage increase* we'd expect to apply to your *GAR*-eligible retirement savings if the *Scheme* was implemented on the illustration date and you hadn't opted out. The *percentage increase* we'd end up applying could be different from this (see section 8 for more details).

If you *must get advice* you will keep the *GAR* unless we have received an *advice confirmation slip* by 30 November 2018 no matter how you have voted.

13.14 If I vote against your offer and the Scheme is implemented, what will happen to my plan?

On the *implementation date*, which is expected to be 7 December 2018, we'd remove the *GAR* from your *plan* and increase your retirement savings. Your *personalised offer* shows the *percentage increase* we'd expect to apply to your *GAR*-eligible retirement savings if the *Scheme* was implemented on the illustration date and you had not opted out.

If you *must get advice* we'd remove the *GAR* from your *plan* and increase your retirement savings if we'd received confirmation that advice was given by 30 November 2018, no matter how you have voted.

This is why, if you want to make sure you keep the *GAR*, it's important that you opt out of the *Scheme* by completing sections A and C of your *Decision form* and returning it to us. You can also opt out online.

Please see section 7, 'The right to opt out of the *Scheme*', for further details on the opt-out.

13.15 If I must get advice and my adviser submits an advice confirmation slip but I don't vote on the Scheme, what will happen?

If we receive an *advice confirmation slip* by 30 November 2018, you will be included in the *Scheme*. If you want to be sure of keeping the *GAR* you should opt out.

13.16 If I don't do anything and the Scheme is implemented, what will happen to my pension plan?

If you *must get advice*, your *plan* will not change and you will keep the *GAR*.

For all other *planholders* we would, on the *implementation date*, remove the *GAR* from your pension plan and increase your retirement savings. Your *personalised offer* shows the *percentage increase* we'd expect to apply to your *GAR*-eligible retirement savings if the *Scheme* was implemented on the illustration date and you had not opted out.

This is why, if you want to make sure you keep the *GAR*, it's important that you opt out of the *Scheme* by completing sections A and C of your *Decision form* and returning it to us. You can also opt out online.

Please see section 7 for further details on the opt-out.

13.17 I have more than one plan. Does this entitle me to cast separate votes for each of my plans or opt out of one and vote on another?

No, individual *planholders* with more than one *plan* which contains a *GAR* will be entitled to only one vote on the '*vote by number*' covering all the *plans* included in their *personalised offer*. On the '*vote by value*', your vote will reflect the aggregate value of the *GAR* on all your *plans*. If you decide to opt out of the *Scheme*, you are opting out in respect of all your *plans* which contain a *GAR*.

The position for trustees of occupational pension schemes is slightly different: see section 12 for details.

13.18 Can I vote in person at the *planholder meeting* if I have voted by post or online?

Yes, if you vote at the *planholder meeting*, it is that vote which will count.

13.19 What happens if I don't complete the *Decision form* properly?

If you don't complete the *Decision form* properly or in full, *ERS* or *Royal London* will try to contact you and ask you to confirm your decision. However, if that is not possible, we may make certain assumptions about your intention, applying the following rules:

- (a) if the *Decision form* is unsigned but the opt out section is complete, it shall be treated as an opt out;
- (b) if the *Decision form* is unsigned but the vote section is complete, it shall be treated as spoiled;
- (c) if the *Decision form* is signed and the *planholder* has elected to both opt out and vote, it shall be treated as an opt out;
- (d) if the *Decision form* is unsigned and the *planholder* has elected to both opt out and vote, it shall be treated as an opt out; and
- (e) if the *Decision form* is signed but the *planholder* has not elected to either opt out or vote, it shall be treated as spoiled.

13.19 Can I get help to complete the *Decision form*?

Yes. If you need help to complete the *Decision form*, you can call the free guidance service on 0345 521 0046.

13.20 Why aren't holders of other *Royal London* plans allowed to vote on the *Scheme*?

Only the *planholders* of plans to which the *Scheme* applies are allowed to vote on the *Scheme* – see section 6 for further details on which *plans* the *Scheme* applies to. The holders of other *Royal London* plans ('*excluded planholders*') are not allowed to vote on the *Scheme*.

Royal London considers that the impact of the *Scheme*, if it is implemented, on most *excluded planholders* will be negligible. This is because the *Scheme* will not result in any changes to the *asset shares* or plan values of any *excluded planholders*, nor will it change any of the guaranteed benefits of *excluded planholders*. The *Scheme* will also result in a small improvement to *Royal London's* overall financial position.

In addition, the *Scheme* is likely to result in fairer distributions of the *inherited estate* of the *Scottish Life Fund* amongst *excluded planholders* with *with profits* investment in the *Scottish Life Fund*, and strengthen the fund's overall financial position. The use of some of the *inherited estate* of the *Scottish Life Fund* to fund and pay part of the costs of the *Scheme* is considered to be reasonable by the *Independent Actuary* in light of the benefits to the *excluded planholders*. This is also a normal use of the *inherited estate* as the working capital of the *Scottish Life Fund*, and distribution of the *inherited estate* is a matter to be determined by the *Royal London Board* in its discretion, rather than an entitlement of *planholders*.

Royal London also considers that it is only *planholders* of plans to which the *Scheme* applies who will be materially affected by the *Scheme* and it is therefore appropriate for them to decide the matter rather than a larger group.

Royal London asked the *court* to agree that only *planholders* should be able to vote on the *Scheme* and that they should vote in a single class. The *court* approved this request at the *convening hearing* on 25 June 2018.

13.21 Why is there just one class of *planholders* voting at the *planholder meeting*?

If the rights of *planholders* who might be affected by the *Scheme*, or the treatment of their rights under the *Scheme*, are so different as to make it impossible for them to vote together in their common interest, they must be divided into groups (called classes) for the purposes of voting on the *Scheme*. Each of these classes would then vote in separate meetings.

As set out in the pack sent to *planholders* in February 2018, at the *convening hearing* on 25 June 2018, we asked the *court* to agree that there only needs to be one class of *planholder* voting on the *Scheme*.

The rationale for only seeking to convene a single meeting of *planholders* to vote on the *Scheme* is that all *planholders* have the same or substantially similar rights which are affected by the *Scheme*. The right being affected is the *planholder's* right to the benefit of a *GAR*, which the *Scheme* proposes to remove in exchange for an increase to the retirement savings of *planholders* to whom the *Scheme* applies.

The plans to which the *Scheme* applies are not identical and not all *planholders* have the benefit of exactly the same type of *GAR*. For example, the actual level of the *GAR* varies between different categories of *plan*, while the ages at which *planholders* can retire and receive the benefit of the *GAR* also varies between different categories of *plan*. The *GARs* will also have different values at different retirement ages and, in some cases, depending on whether you are male or female. However, we have largely taken these differences into account in our determination of the increases to retirement savings to be offered to *planholders* and we therefore consider that the *planholders* can vote together in a single class.

The *Independent Actuary* has considered these differences and the effect of the *Scheme* on the *GARs* and is satisfied that, from an actuarial perspective, the use of a single voting class for the purposes of the *planholder meeting* is fair and reasonable. See Appendix 2 for further details.

At the *convening hearing* on 25 June 2018, the *court* agreed with our request and ordered that a single meeting of *planholders* be convened for the purposes of considering and, if thought appropriate, approving the *Scheme*.

13.22 Will the *Scheme* definitely go ahead if the majority of *planholders* voting, vote for it?

We'd expect the *Scheme* to go ahead if the necessary majority of *planholders* vote for it, provided the *court* sanctions the *Scheme* at the *sanction hearing* (see section 14).

However, we need to ensure that enough *planholders* want to give up the *GAR* for the cost of the *Scheme* to be fair, not just for *planholders* covered by the *Scheme*, but also for all *with profits* planholders in the *Scottish Life Fund*.

Because the result of the *Scheme* vote depends on the number of *planholders* who vote, it is very important that enough *planholders* do respond to us – either to vote or to opt out. Both the *court* and our regulators will want to know that enough *planholders* have actually voted for the *Scheme*.

If the number of *planholders* who opt out is higher than we expect, going ahead with the *Scheme* might be unfair to *with profits* planholders who didn't vote for the *Scheme*.

As a result, the *Scheme* will only proceed if the *Independent Actuary* is satisfied that the *Scheme* continues to meet the *fairness criteria*.

THE SANCTION HEARING AND WHAT HAPPENS AFTER THE PLANHOLDER MEETING

14.1 When will the results of the *planholder* vote be announced?

We expect to have the outcome of the *planholder* vote confirmed to us by *ERS* within two or three days of the *planholder* meeting on 23 October 2018. We'll publish the outcome of the *planholder* meeting on our website.

14.2 What happens after the *planholder* meeting?

If *planholders* approve the *Scheme* by the necessary majority, the *court* will be asked to sanction the *Scheme*. The *Court* hearing at which the *court* does this is referred to as the *sanction hearing*. The *Scheme* cannot take effect until it has been sanctioned by the *court* at the *sanction hearing*.

If the necessary majority is not obtained, we will not proceed with the *Scheme*.

14.3 When's the *sanction hearing*?

We currently expect the *sanction hearing* to be held at the High Court of England and Wales, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL on 12 November 2018. We will post the date of the *sanction hearing* on our website at royallondon.com/GARchoice

14.4 What does the *Court* do?

Without *court* approval, the *Scheme* cannot be implemented. The key matters that the *court* will consider in deciding whether the *Scheme* should be sanctioned are as follows:

- Whether all statutory requirements have been satisfied, in particular whether the necessary majority of *planholders* has voted in favour of the *Scheme*.
- Whether it was appropriate for all *planholders* to vote together as a single class and whether *planholders* were fairly represented by those who voted. In assessing this, the *court* will consider the number of *planholders* who voted.
- Generally, whether an intelligent and honest person, acting in their own interest, might reasonably approve the *Scheme*.

In considering this last matter, the *court* will take into account all of the comments received in relation to the *Scheme*. We'll make sure all comments we've received from *planholders* are passed to the *court*. The *court* will also hear what anyone who wishes to attend the hearing has to say and consider any updates from those involved in the process including the *Independent Actuary*.

14.5 How can I tell the *court* what I think?

You can give us any comments you have in the box provided on your *Decision form* or online at ersvotes.com/GAR. Alternatively, you can contact us with your comments at ersvotes.com/GAR. We'll pass all comments we receive relating to the *Scheme* to the *court*.

You can also attend the *sanction hearing* and give your comments to the *court* in person or via a representative.

14.6 Who can attend the *sanction hearing*?

All *planholders* and anyone else with an interest in the *Scheme* can attend the *sanction hearing*.

14.7 Who can speak at the *sanction hearing*?

All *planholders* and anyone else with an interest in the *Scheme* can ask to speak at the *sanction hearing*, either personally or via a representative.

14.8 Why does the High Court of Justice in London consider the *Scheme* when most of the *plans* are written under Scots Law?

The correct court to consider a scheme of arrangement under the Companies Act 2006 is the court which has jurisdiction to wind up the company which is proposing the *Scheme*. As *Royal London* is an English registered company, that is the English Courts. There is no potential for unfair treatment as the impact of the *Scheme* is the same under both English and Scottish law.

14.9 When will I know what the *court* decision is?

We expect to hear the outcome at the end of the *sanction hearing*. Once we know the decision of the *court* we'll post it online at royallondon.com/GARchoice

You should be aware that the *Scheme* is subject to the following confirmations from the *Independent Actuary*, which will be required after the *court* has sanctioned the *Scheme*:

- that the review of, and any adjustments to, the *percentage increases* after the *sanction hearing* was undertaken on a basis consistent in all material respects with the methodology originally used to calculate the increases as at 30 April 2018; and
- that the *Scheme* continues to satisfy the *fairness criteria*.

Only if those conditions are satisfied will the *Scheme* be implemented.

If the *Scheme* is implemented and your pension plan is covered by the *Scheme*, then we'll write to you in January 2019 confirming the details of the increase that's been made to your retirement savings.

14.10 What happens if the *Scheme* isn't sanctioned by the *court*?

We will confirm that online at royallondon.com/GARchoice. No increases to your retirement savings will be added to your *plan* and you will keep the benefit of the *GAR*.

14.11 What happens if the *Scheme* is sanctioned by the *court*?

If the *court* sanctions the *Scheme*, it will become effective on the date on which a copy of the *Court Order* is filed with the *Registrar of Companies*.

The *GARs* will only be removed from the terms of *plans* to which the *Scheme* applies and the increases to retirement savings added to those *plans* if the *Scheme* is implemented. This is subject to the confirmations, from the *Independent Actuary* described in paragraph 14.9.

Only if those conditions are satisfied will the *Scheme* be implemented.

14.12 Which plans would be affected by the change?

If the *Scheme* is implemented, then we will remove the *GAR* from the *plans* of all *planholders* who did not opt out.

There is, however, one important exception. If you are a *planholder* who *must get advice*, we will not remove the *GAR* from your *plan* unless we have received an *advice confirmation slip* from your financial adviser. Your *covering letter* will confirm if you *must get advice*. Your financial adviser must return the *advice confirmation slip* to us by 12pm on 19 October 2018 for your vote to count or you can deliver it to *the planholder meeting*. (However, if we receive the *advice confirmation slip* by 30 November 2018, we will include you in the *Scheme* unless you have opted out.) We do not need to know what that advice was or whether you followed it. We only need to know that advice was given to you.

If you opt out, you will keep the *GAR* on your *plans*.

14.13 Which planholders will keep the GAR if the Scheme is implemented?

If the *Scheme* is implemented, only two categories of *planholder* will keep the *GAR*:

- all *planholders* who have opted out of the *Scheme*; and
- *planholders* who *must get advice*, if we haven't received confirmation from their financial adviser by 30 November 2018 that they provided advice to them.

In order for the *Scheme* to be implemented, it must be approved at the *planholder meeting* and by the *court* at the *sanction hearing*, and the conditions described in paragraph 14.9 must be satisfied after it has been sanctioned by the *court*.

14.14 If the Scheme is implemented when will the change take effect?

We plan to remove the *GAR* from the *plans* covered by the *Scheme* and increase their retirement savings on 7 December 2018 at 11.59pm (i.e. on the *implementation date*).

If the *Scheme* is implemented and your *plan* is covered by the *Scheme*, then we'll write to you in January 2019 confirming the details of the increase that's been made to your retirement savings.

MORE INFORMATION

15.1 Where can I get more information?

The following documents that we've mentioned in your *Planholder circular* are available online at royallondon.com/GARchoice:

- The *Scheme* document
- The *Independent Actuary's* report
- The *With Profits Actuary's* report
- The *Chief Actuary's* report
- *Royal London's* latest audited accounts and financial statements
- *The Principles and Practices of Financial Management*, and the short version of this document, which *Royal London* will adopt if the *Scheme* goes ahead

Pages 19 and 20 of **Part A of your *Planholder circular*** tell you how to get guidance or advice on the *Scheme* and the effect the *Scheme* would have on your retirement savings.

15.2 Is the pack you sent me earlier in the year still relevant?

We've included all of the relevant information about our offer in your pack. The formal terms of the *Scheme* are given in Appendix 1. However, you might also find it helpful to remind yourself of what we said in the pack we sent you earlier this year.

15.3 Would the *Scheme* change the amount of compensation I would receive for my *plan* in the event that *Royal London* became insolvent?

As a large UK insurance company, *Royal London* is required to comply with the *Solvency II* solvency regime. This regime requires insurance companies to hold capital against the risks they face in their business that is expected to be sufficient to cover losses of a severity that is expected to happen only once every 200 years. In addition, *Royal London* operates its own internal capital framework, which requires it to hold additional capital over and above the regulatory requirements. As a result, the likelihood of *Royal London* becoming insolvent is extremely small. We also expect that *Royal London's* financial position would improve as a result of the *Scheme* going ahead.

In the unlikely event that *Royal London* became (or was about to become) insolvent, the potential outcomes for our planholders would be complex and difficult to predict with accuracy. There may be a range of actions which we could take to restore *Royal London's* solvency, which could potentially include proposing a second scheme to reduce or remove any remaining *GARs* and any other guarantees. If it was not possible for us to restore *Royal London's* solvency position, however, there are certain protections in place, in the form of assistance to *Royal London* or compensation for planholders from the *Financial Services Compensation Scheme* (the '*FSCS*').

In the event of *Royal London's* insolvency (or potential insolvency), the *FSCS* might first seek to secure continuity of insurance cover for planholders, for example by transferring some of *Royal London's* business to other insurers. However, if this were not possible, the *FSCS* can pay compensation to cover planholders' losses and, in the context of long-term insurance benefits (such as those held by *planholders* covered by the *Scheme*), there is no limit on the amount of this compensation.

In these circumstances, the *FSCS* will calculate the liability of *Royal London* under a plan's terms as it would be valued in a liquidation of *Royal London*. The precise manner in which pension plans such as the *plans* would be valued is untested and therefore uncertain. However, we would expect the amount payable to include an amount in respect of the present value of any options which a *planholder* has under their *plan*, including any guarantee such as a *GAR*. At the same time, although we would expect the amount payable under *unit-linked* pension plans to reflect the value of the investments held in the relevant linked funds, the value of *with profits* benefits for compensation purposes might not include any final bonus payable on the plan (because such bonuses are not part of the guaranteed value of the plan).

The overall effect of this is that there is a chance that the compensation that may be available to *planholders* under the *FSCS* may be altered if the *Scheme* goes ahead and they don't opt out, particularly where they have *with profits* benefits.

You can find out more about *FSCS* at fscs.org.uk



15.4 What are Royal London's Principles and Practices of Financial Management (PPFM)?

Our *PPFM* sets out the principles and practices by which *Royal London* manages its *with profits* funds. They are technical documents but we have consumer friendly versions. Copies of our *PPFM* and *CFPPFM* for both the *Royal London Main Fund* and the *Scottish Life Fund* can be found on our website at royallondon.com

15.5 Will the PPFM for the Scottish Life Fund change if the Scheme is approved?

We may adjust the practices we use in managing the *Scottish Life Fund*, but the principles that we apply will not change. We would confirm any changes to the practices in early 2019 when we next update our *PPFM*.

15.6 Will the PPFM for the Royal London Main Fund change if the Scheme is approved?

No, we do not expect to make any changes to the *PPFM* for the *Royal London Main Fund* as a result of the *Scheme*.

15.7 Has Royal London written to all of the planholders?

We have written to every *planholder* covered by the *Scheme* for whom we have an address held on our records. A minority of the *planholders* have changed address and not told us, but to try to bring the *Scheme* to their attention and to publish the date of the *sanction hearing*, we have placed notices in a range of daily and Sunday newspapers.

Section 7.12 gives details of the option available to *planholders* for whom we didn't hold the correct address when we issued the *planholder circular*.

15.8 What happens if I don't return my Decision form using the pre-paid envelope or deliver it by hand to Electoral Reform Services?

Royal London retains a discretion to accept completed *Decision forms*, including *opt-out elections*, which are not returned using the pre-paid envelope or delivered by hand to *Electoral Reform Services* – for example, if you send your completed *Decision form* to *Royal London's* registered office. However, if you do this, your *Decision form* may not get to the right team or be processed in time, which may mean that we are not able to take your views into account. If you lose your pre-paid envelope or need any help returning your form by the deadline, please get in touch with our helpline on 0345 521 0046.

THE TERMS OF THE SCHEME

This section summarises the formal terms of the *Scheme*. It's a very important part of your *Planholder circular* and you should read it carefully.

The *Scheme* is a scheme of arrangement under Part 26 of the Companies Act 2006. As such, the *Scheme* is subject to approval by *planholders* to whom it applies at the *planholder meeting* by a majority in number representing 75% by value of those *planholders* voting in person, by post or online. The *Scheme* is also subject to sanction by the *court* in London at the *sanction hearing* and will become effective when the order of the *court* sanctioning the *Scheme* is registered by *Royal London* with the *Registrar of Companies* in England and Wales.

The *Scheme* is being proposed by *Royal London* to *planholders* and the *court* has approved the convening of the *planholder meeting*, which will be held at Amba Hotel Charing Cross, Strand, London WC2N 5HX at 11am on 23 October 2018. *Royal London* may, however, withdraw the *Scheme* at any time prior to the *sanction hearing* if for any reason it decides not to proceed.

1. Introduction

- 1.1 Under the terms of the *Scheme*, *Royal London* is offering *planholders* a choice, either to opt out of the *Scheme* and keep their *plans* as they are, or to give up the substantial benefit of their *guaranteed annuity rate (GAR)* in exchange for substantial and immediate increases in their retirement savings.
- 1.2 The *Scheme* applies to pension plans of the following types:
 - (a) *Talisman Retirement Annuity Contracts*;
 - (b) *Talisman Personal Pension Plans*;
 - (c) *Talisman Group Personal Pension Plans*;
 - (d) *Talisman Executive Pension Plans* (which include executive pension plans marketed under the Hallmark brand); and
 - (e) *Assigned Talisman Executive Pension Plans*.

Plans must be in force on the *implementation date* in order to qualify for the *uplifts*.

The *Talisman Personal Pension Plans* and the *Talisman Group Personal Pension Plans* are held by *Royal London* as trustee for members of The Royal London Personal Pension Scheme (No 2) (formerly known as The Scottish Life Personal Pension Scheme) (the '*Royal London Personal Pension Scheme*'). The *Talisman Executive Pension Plans* are held by trustees of occupational pension schemes for their scheme members. The *Talisman Retirement Annuity Contracts* and the *Assigned Talisman Executive Pension Plans* are held by individuals and, accordingly, the participation of the holders of these *plans* in the *Scheme* is subject to their compliance with the *mandatory advice requirements*.

- 1.3 The persons to whom the *Scheme* applies, and on whom it will be binding when it is implemented, are the following:
 - (a) the holders of the *Talisman Retirement Annuity Contracts*;
 - (b) the members of the *Royal London Personal Pension Scheme* in respect of the *Talisman Personal Pension Plans* and the *Talisman Group Personal Pension Plans*;

- (c) the trustees of the occupational pension schemes who have taken out *Talisman Executive Pension Plans*;
- (d) the holders of the *Assigned Talisman Executive Pension Plans*; and
- (e) *Royal London* as the holder of the *Talisman Personal Pension Plans* and the *Talisman Group Personal Pension Plans* in its capacity as trustee of the *Royal London Personal Pension Scheme*.

The *Scheme* applies to the members of the *Royal London Personal Pension Scheme* in respect of the *Talisman Personal Pension Plans* and the *Talisman Group Personal Pension Plans* by virtue of the *deed poll* entered into by *Royal London*. The reasons for the execution of the *deed poll* are explained in paragraph 4 below.

The participation in the *Scheme* of certain holders of the *Talisman Retirement Annuity Contracts* and the *Assigned Talisman Executive Pension Plans* is subject to compliance with the *mandatory advice requirements*.

- 1.4 The *GARs* will be removed from *plans* and increases added to retirement savings when the *Scheme* is implemented, which is expected to be at 11.59pm GMT on 7 December 2018 (the '*implementation date*'). This is subject to the following confirmations from the *Independent Actuary*, which will be required after the *court* has sanctioned the *Scheme*:
 - (a) that the review of, and any adjustments to, the increase to retirement savings made after the *sanction bearing* was undertaken on a basis consistent in all material respects with the methodology originally used to calculate the increases as at 30 April 2018; and
 - (b) that, following completion of the review of the increases referred to in paragraph 1.4(a) above, that the *Scheme* continues to satisfy the *fairness criteria*.

The *implementation date* may be delayed from 7 December 2018 to a date and time specified by *Royal London* if these conditions are not satisfied by 31 March 2019. If the *implementation date* is delayed, *Royal London* will notify the regulators and comply with their requirements as to notification of its *planholders* of the delay. The *Scheme* will lapse and none of its terms shall take effect unless the *implementation date* falls on or before 30 April 2019.

2. Right to opt out of the *Scheme*

- 2.1 If the *Scheme* is implemented, it will be binding on all *planholders* to whom it applies. As explained above in paragraph 1.1, *planholders* will be able to opt out of the *Scheme* and hence retain the right to benefits based on the *GAR*. Any *planholder* who opts out of the *Scheme* will not be entitled to vote on the *Scheme*.
- 2.2 Other than *Royal London*, all the persons to whom the *Scheme* applies, listed in paragraph 1.3 above, are entitled to submit *opt-out elections* in respect of the *Scheme*. It is expected that trustees of occupational pension schemes will consult their members on the opt out and they are permitted to submit an *opt-out election* for each member. Each member of the *Royal London Personal Pension Scheme* for whom a *Talisman Personal Pension Plan* or *Talisman Group Personal Pension Plan* has been taken out is entitled to submit an *opt-out election* in respect of the plans that they are interested in.

Holders of the *Talisman Retirement Annuity Contracts* or *Assigned Talisman Executive Pension Plans* with *GAR*-eligible benefits of over £30,000 are deemed to be opted out of the *Scheme* until they have complied with the *mandatory advice requirements*. They will also have the right to opt out after complying with the *mandatory advice requirements* if they wish.

- 2.3 A *planholder* other than the trustees of an occupational pension scheme must opt out in respect of all, but not some only, of the *plans* he holds or in which he is interested, to which the *Scheme* applies. As explained above, trustees of occupational pension schemes are permitted to submit an *opt-out election* for each of their scheme members.

- 2.4 *Royal London* recognises that there may be a small group *planholders* for whom it may not have a valid current address. Since these *planholders* may not receive a copy of the *Planholder circular* and may therefore not have the opportunity to submit an *opt-out election* prior to its implementation, the *Scheme* includes a provision which will entitle these *planholders* to opt out on a retrospective basis if they contact *Royal London* and ask to have the *GAR* reinstated, provided they can provide evidence to demonstrate that they were not living at any address to which *Royal London* sent the *Planholder circular*. Any such request must be in respect of all the *planholders' plans*, not some only, and must be made within three months of the *planholder* being sent a copy of the *Planholder circular* and a *personalised offer*. If a *planholder* requests to have the *GAR* reinstated, *Royal London* will reinstate the *GAR* and, at the same time, remove the *uplift* together with the investment returns attributable to the *uplift* in the period between the *implementation date* and when the *GAR* is reinstated.

3. Increases to retirement savings under the *Scheme*

3.1 Increases set out in personalised offers

Planholders will receive a *personalised offer* in their pack for each *plan* they have showing the *uplift* that we currently expect to provide if the *Scheme* had been implemented at the illustration date and they hadn't opted out (please see paragraph 2 above on opting out of the *Scheme*). The increase shown in the *personalised offer* is subject to review and adjusted after the *sanction hearing* to take account of changes in economic and other factors (such as changes in *interest rates*) since their calculation on 30 April 2018.

The increases in retirement savings have been calculated by reference to a number of factors, including the terms of the *GAR* which apply to each *plan* type, the age and gender of the *planholder*, their anticipated retirement savings on the *implementation date* and the extent to which the *GAR* applies to their retirement savings. Details of the *percentage increases* applicable to different plan types and *planholders* of different ages are set out in paragraph 10 below.

You should note that if and to the extent that you take benefits from your *plan*, or transfer your retirement savings to another pension arrangement prior to the *implementation date*, you will lose all or part of the *uplift* shown in your *personalised offer*. Any switches made prior to the *implementation date* will be taken into account in relation to the allocation of increases to retirement savings to the plans to which the *Scheme* applies.

3.2 Allocation of the *uplifts*

The increases in retirement savings will be applied to both *with profits* and *unit-linked* investment of any plans to which the *Scheme* applies (on the basis that the *GAR* applies irrespective of how the *plan* is invested). For *with profits* investment, the increases will increase both the *asset share* and *guaranteed value* of the plan (unless the *planholder* is past their chosen retirement date, in which case the increase will be applied to the value of the *with profits* benefits). For *unit-linked* investment, the increases will increase the *unit-linked* value through the issue of new units.

Increases will also be applied to regular premiums paid after the *implementation date* in respect of *plans* to which the *Scheme* applies as and when those regular premiums are paid, and to the extent that the *GAR* would have applied to those premiums in the absence of the *Scheme*.

4 *Planholders who can vote on the Scheme*

- 4.1 As explained above, the *Scheme* is subject to approval by *planholders* to whom it applies at the *planholder meeting*. This approval must be by a majority in number of the *planholders* who vote on it. That majority must also represent at least 75% of the total value of all of the votes cast. The value of a vote cast will be based on the value of the offer being made to each individual *planholder*. *Planholders* who opt out will not be able to vote on the *Scheme* (an *opt-out election* can, however, be withdrawn by post or online at any time prior to 12pm on 19 October 2018, or in person at the *planholder meeting* and in this situation, the *planholder* will be able to vote).

Under the Companies Act 2006, the *Scheme* is an arrangement between *Royal London* and its creditors in respect of the *GARs*, and it is these creditors who can vote on the *Scheme*. The legal holders of the *plans* to which the *Scheme* applies are creditors of *Royal London* for these purposes and will therefore be entitled to vote on the *Scheme* as *planholders*.

As explained above, a number of *plans* to which the *Scheme* applies are managed by pension scheme trustees, through which scheme members save for retirement and benefit from a *GAR*. These *plans* can be divided into two groups as follows:

- (a) *plans* issued to *Royal London* as the trustee of *Royal London Personal Pension Scheme*, namely the *Talisman Personal Pension Plans* and the *Talisman Group Personal Pension Plans*; and
- (b) the *Talisman Executive Pension Plans* issued to the trustees of occupational pension schemes.

The legal holder of these *plans* is the trustee.

- 4.2 As there are around 29,000 *Royal London Personal Pension Scheme* members who benefit from a *GAR* (out of a total of approximately 33,000 *planholders* to whom the *Scheme* applies), *Royal London* considers it appropriate that the *Royal London Personal Pension Scheme* members should be able to attend the *planholder meeting* and be taken into account on both the number and value components of the vote. However, in order to vote on the *Scheme*, the *Royal London Personal Pension Scheme* members must be creditors of *Royal London* in respect of the *GAR*. *Royal London* has therefore executed a *deed poll* in favour of the *Royal London Personal Pension Scheme* members under which they are creditors in relation to the *GAR*.
 - 4.3 In relation to the *Talisman Executive Pension Plans* held by trustees of occupational pension schemes, only the trustees will vote. We would expect the trustees to get the views of their affected members and we would allow them to reflect those views on the *vote by value* by casting votes both for and against the *Scheme* if necessary. On the *vote by number*, trustees will cast one vote (for or against) except where there is disagreement between scheme members who benefit from a *Talisman Executive Pension Plan*, when they will be able to cast one vote for and one against. We think that is a fair approach as nearly 95% of the occupational pension schemes have only one or two members covered by a *Talisman Executive Pension Plan*.
 - 4.4 The persons who are entitled to vote on the *Scheme* are those persons listed in paragraph 1.3 above. *Royal London* will not vote on the *Scheme* at the *planholder meeting*, as a result of the conflict of interest it has as both the issuer of the *plans* which are subject to the *Scheme* and trustee of the *Royal London Personal Pension Scheme*.
- 5 Allocation of the cost of the increases to retirement savings to the *Scottish Life Fund***
- 5.1 The cost of the increases to retirement savings of *plans* to which the *Scheme* applies will be met from *Scottish Life Fund*, predominantly through the release of reserves held to meet the cost of the *GARs* allocated to the *Scottish Life Fund*, with the balance met from the *inherited estate* of the *Scottish Life Fund*.
 - 5.2 The allocation of the increases to retirement savings may result in transfers of assets from the *Scottish Life Fund* to the *Royal London Main Fund*. This is because linked funds for the *plans* to which the *Scheme* applies have been established in the *Royal London Main Fund*. In addition, *planholders* wishing to switch from *linked* investment into *with profits* investment switch into *with profits* investment in the *Royal London Main Fund* (*planholders* can therefore be invested in *with profits* investment in the *Scottish Life Fund* and *with profits* investment in the *Royal London Main Fund*).

6 **Transfer from the *Royal London Main Fund* to the *Scottish Life Fund***

Under the *Scottish Life Transfer Scheme*, charges for investment management and administration of plans allocated to the *Scottish Life Fund* are transferred from the *Scottish Life Fund* to the *Royal London Main Fund*. As a result of the allocation of the increases to retirement savings to plans under the *Scheme*, the amount of the charges for investment management and administration to be transferred from the *Scottish Life Fund* to the *Royal London Main Fund*, on or after the *implementation date*, will increase. The *Royal London Main Fund* will therefore transfer an amount in consideration of this expected increase to the *Scottish Life Fund*. Further adjustments will be made in consideration of increases in the guarantee costs and capital requirements in the *Royal London Main Fund* as a result of the *Scheme*. This amount will be calculated and transferred as soon as reasonably practicable after the *implementation date*. The amount transferred will be reviewed in light of *planholder* persistency between the *implementation date* and the first anniversary of the *implementation date*, and may be adjusted by a further transfer between the *Scottish Life Fund* and the *Royal London Main Fund* if there is a material difference between actual and expected persistency in that period.

7 **Costs and expenses**

Except for costs and expenses of amendments in relation to the *Royal London Internal Model*, the costs and expenses of preparing and carrying the *Scheme* into effect, including the costs and expenses of the *Independent Actuary*, shall be allocated to the *Scottish Life Fund*.

The costs and expenses of amendments required to be made to the *Royal London Internal Model* as a result of the *Scheme*, shall be allocated between the *Royal London Main Fund* and the *Scottish Life Fund* in such proportions as determined by the *Royal London Board* having regard to advice from the *With Profits Actuary*.

8 **Modification or additions to the *Scheme***

Royal London may consent on behalf of the *planholders* to whom the *Scheme* applies to any modification of or addition to the *Scheme* or to any further condition or provision affecting the same which, prior to its sanction of the *Scheme*, the *court* may approve or impose.

Royal London may make minor and/or technical amendments to the terms of the *Scheme* at any time after it has been sanctioned (including amendments to correct manifest errors) that may be approved by the *Royal London Board* having regard to advice from the *With Profits Actuary*, provided that the regulators have been notified of the same at least 60 days in advance of the amendment being made and have not objected (unless the regulators have confirmed their non-objection prior to that date).

9 **Governing law**

The *Scheme* is governed by, and construed in accordance with, English law.

10 **Percentage increases to plans**

The *percentage increases* which *Royal London* expects to apply to the *plans* to which the *Scheme* applies are set out below. These *percentage increases* are subject to amendment in accordance with the procedure summarised in paragraph 1.4 above.

The *percentage increases* apply to the portion of the retirement savings held under a *plan* to which the *GAR* applies – they do not necessarily apply to the entire *plan*. The extent to which the *percentage increase* applies to the retirement savings held under a *plan* is explained in the *planholder's personalised offer*.

Age last birthday	Talisman Executive Pension Plan	Talisman Retirement Annuity Contract	Talisman Personal Pension Plan	Talisman Personal Pension Plan PR	Talisman Executive Pension Plan	Talisman Retirement Annuity Contract	Talisman Personal Pension Plan	Talisman Personal Pension Plan PR
	F	F	F	F	M	M	M	M
40								
41			58%	81%			68%	68%
42			57%	81%			68%	67%
43			57%	80%			67%	67%
44			56%	79%			66%	66%
45		67%	56%	79%			66%	66%
46		67%	55%	78%		80%	65%	65%
47	59%	66%	54%	77%	65%	79%	64%	64%
48	58%	65%	53%	76%	65%	78%	64%	63%
49	57%	64%	53%	75%	64%	77%	63%	62%
50	57%	64%	52%	74%	63%	76%	62%	61%
51	56%	63%	51%	73%	62%	76%	61%	61%
52	55%	62%	51%	72%	61%	75%	60%	60%
53	55%	62%	50%	71%	61%	74%	60%	59%
54	54%	61%	50%	70%	60%	73%	59%	58%
55	54%	60%	49%	69%	59%	72%	58%	57%
56	53%	60%	49%	68%	59%	72%	58%	56%
57	53%	60%	48%	68%	58%	70%	56%	55%
58	53%	60%	48%	67%	57%	70%	56%	55%
59	53%	60%	48%	67%	57%	70%	56%	55%
60	53%	60%	48%	66%	56%	70%	56%	55%
61	53%	60%	48%	66%	56%	70%	56%	54%
62	53%	60%	48%	66%	56%	70%	56%	53%
63	53%	60%	48%	66%	56%	70%	56%	53%
64	53%	60%	48%	66%	56%	70%	56%	53%
65	53%	60%	48%	66%	56%	70%	56%	53%
66	53%	60%	48%	66%	56%	70%	56%	53%
67	53%	60%	48%	66%	56%	70%	56%	53%
68	53%	60%	48%	66%	56%	70%	56%	53%
69	53%	60%	48%	66%	56%	70%	56%	53%
70+	53%	60%	48%	66%	56%	70%	56%	53%

SUMMARY OF THE INDEPENDENT ACTUARY'S REPORT

The following summary of the Independent Actuary's Report uses terminology that is defined in the Independent Actuary's Report.

Introduction

The purpose of this appendix is to provide planholders and other interested parties with a summarised version of my Report as the Independent Actuary on the proposed scheme of arrangement (the 'Scheme') relating to plans with Guaranteed Annuity Rates ('GARs') in the Scottish Life Fund ('SLF').

The Scheme involves The Royal London Mutual Insurance Society Limited ('RLM' or the 'Company') offering certain planholders with GARs ('Eligible Planholders') a choice: to give up the substantial benefit of the GAR in exchange for a substantial and immediate increase to their current retirement savings (the 'uplift'), or to opt out of this process and keep their plans as they are (the 'Offer').

A GAR gives a planholder the right to purchase an annuity at a guaranteed rate. For example if the GAR is 100, the planholder is entitled to a minimum annuity of £100 per annum for every £1,000 in his or her retirement fund. Without a GAR, people wishing to purchase an annuity would do so at the market rates then available. The GARs which apply to the plans in the SLF are significantly better than the standard annuity rates currently available in the market and are, therefore, valuable to the planholders who have them.

Changes made to tax law in 2015 by the UK government provide people approaching and currently in retirement with greater choice with regards to accessing their retirement savings in a flexible manner. These changes are referred to as 'Pension Freedoms'. By taking the GAR, planholders receive a greater annual income from an annuity than they would if market annuity rates applied. However, this increased value can only be accessed if benefits are taken in the form of an annuity sourced through Royal London – the value cannot be accessed by a planholder who wishes to take advantage of the options available under Pension Freedoms.

My role is to provide an independent opinion to the Court on the fairness of the Offer to planholders. I have been appointed to the role by RLM, but my overriding duty is to the Court and my appointment was communicated to, and no objections were received from, the Financial Conduct Authority ('FCA') and Prudential Regulation Authority ('PRA') in their role as regulators of RLM.

This is intended to be a standalone summary of my report, but planholders may wish to read my full report ('my Report'), available at royallondon.com/GARchoice which provides more details of the Scheme and its likely effect on planholders, and a more comprehensive explanation of my conclusions. My Report also sets out my terms of reference, the reliances and limitations of my work and how I believe my work complies with relevant professional actuarial standards.

I have prepared my Report, and this summarised version of my Report, with the intention that it, and my actuarial work underlying it, should meet the requirements of the Technical Actuarial Standards TAS 100 and TAS 200 (which cover, respectively, general principles for technical actuarial work and insurance specific principles). I believe that it does so in all material respects. In addition, Actuarial Professional Standard ('APS') X3, issued by the UK Actuarial Profession in January 2015, provides guidance on the role of an Actuary as an Expert Witness. I have had regard to this guidance while preparing my Report.

Overall Conclusion on the Fairness of the Scheme

I have considered the Offer and whether it is, in my view, fair as a whole to the various groups of planholders within the Company. My conclusion is that it is fair to put forward the proposed Scheme based on the following reasons:

- The Offer gives Eligible Planholders the option to benefit from the value of their GAR while also taking advantage of the options available under Pension Freedoms;
- I have considered the assumptions used to calculate the value of the uplift that would be made under the Offer and believe that they are appropriate for that use, noting that they reflect RLM's experience and other data. The uplifts have been calculated using these assumptions by performing an assessment of the expected value of the GARs to planholders;
- I believe that the Offer is a fair offer to make overall, but that it is not likely to be favourable to every individual policyholder, given that there will be differences in their specific circumstances, particularly where the individual expects to use the full value of their retirement savings to buy an annuity using the GAR;
- Under the terms of the Offer, the outcome will be binding on all planholders to which it applies whether they vote for it or not. The Company is therefore providing planholders with the opportunity to opt out of the Offer. I believe that this is an important feature of the Offer, as it is the only way for Eligible Planholders to be sure of retaining their GAR;
- RLM has considered the size of the uplifted plan values, relative to the cost of buying an annuity on the open market over the period September 2016 to February 2018. It found that, on average, the uplifted plan values were only slightly lower than the cost. This is helpful in providing support for the fairness of the uplifted values;
- The Company's communications are intended to support customers in making an informed decision as to whether it is likely to be in their best interest to opt out or not. Examples of Eligible Planholders who would be likely to be worse off under the Scheme are provided and the communications are designed to help planholders to make a decision on the outcome which they consider best for them. The Company will also provide free guidance and access to heavily subsidised advice, should Eligible Planholders decide that it is required;
- To support my assessment, I have specified certain 'Fairness Criteria', which cover the potential implications of the Offer for all groups of planholders of the SLF and Royal London Main Fund. I am satisfied that these have been met; and
- I have not identified any actuarial matter relating to the proposed voting structure that I believe is likely to impact on the fairness of the Offer.

Purpose of the Scheme

Changes made to tax law in 2015 by the UK government provide people approaching (and currently in) retirement with greater choice with regards to accessing their retirement savings in a flexible manner. Since the introduction of these Pension Freedoms, data suggests that planholders have used less of their savings to buy an annuity and correspondingly have taken more in the form of cash or regular withdrawals.

The proposed Scheme provides the Eligible Planholders to whom the Offer will be made with the opportunity to better access the flexibility afforded by Pension Freedoms. Currently, Eligible Planholders are only able to benefit from their GARs when they source an annuity through Royal London. This means that they are faced with a difficult choice between giving up their GARs for the flexibility provided by Pension Freedoms, or giving up flexibility so they can get the benefit of their GAR by buying an annuity.

If it is approved, the Scheme will provide Eligible Planholders who do not choose to opt out, or are not automatically opted out as a result of not having taken mandatory advice (if this condition applies to them), with an uplift to their retirement savings, which they will benefit from whether they decide to take an annuity or not.

In addition to this, the Scheme will result in a reduction in the level of risk in the SLF. This will support the efficient management of the SLF as it runs off by avoiding the need to hold as much risk capital in the fund, and reduce the likelihood of the Company having to apply management actions, which could be detrimental to the level of benefits payable to planholders in the future. It is also expected to result in a fairer distribution of the Estate of the SLF.

The Terms of the Offer

The Scheme must be approved by a majority of planholders by number, representing at least 75% in value, who do not opt out (or who are not automatically opted out) and who vote at the Scheme Meeting (in person or by proxy). The Scheme must be sanctioned by the Court, and I am required to confirm that the Offer, updated, where applicable to reflect the financial conditions at that time and any revisions to the other assumptions underlying the Offer, continues to meet my Fairness Criteria before it is implemented.

Under the terms of the Offer, the outcome will be binding on all planholders to which it applies, whether they vote for it or not, unless they choose to opt out. Therefore, the ability to opt out is an important feature of the Scheme and my considerations, as it provides planholders with the option to keep their plans as they are.

Impact of the Scheme on Planholders

I have considered separately the impact of the Scheme on various groups of planholders within the SLF and Royal London Main Fund.

In order to assess the fairness of the Scheme on these groups, I have set out a series of Fairness Criteria. In particular, I have identified four tests which must be satisfied. These are:

- Does the Royal London Main Fund not benefit from the Scheme, unless there is a clear rationale?
- Does the Offer represent a fair assessment of the value of the GAR foregone?
- Does the Offer have no adverse implications for planholders not eligible for, or who choose to opt out of, the Offer?
- Does the Offer expose planholders to no greater risk of adverse outcomes and, if not, is that reasonable and clearly explained to planholders?

Having considered each of these in detail, I am satisfied that the Offer is fair to each group of planholders and that it is reasonable to make the Offer to the relevant planholders.

Notwithstanding this, there will be certain planholders who, depending on their individual circumstances, may benefit from choosing to opt out of the Scheme. For example, for a planholder who is in significantly better than average health and intends to use all of their retirement savings to purchase an annuity, the value of the GAR may exceed the value of the flexibility offered by the Scheme. On the contrary, for a planholder in poor health and who intends to take all of their retirement savings as a lump sum, the GAR will not apply and the Offer will increase the level of the lump sum payment, all else being equal. As a result, it is of critical importance that the communications relating to the Offer are clear and support planholders to make the decision that they consider best for them.

Planholder Communications

The Company has provided preliminary information to all contactable Eligible Planholders through an initial mailing designed to gauge appetite for the Scheme. As at 13 April 2018, the end of the Appetite Mailing response period, the Company had received a response rate of 30% to the Appetite Mailing, with 83% of respondents providing a positive response. The Company has decided to proceed to make the Offer in part due to this positive response from Eligible Planholders.

The planholder communication of which this summary forms a part includes details of the planholder's Offer and information on how to vote or opt out of the Scheme. Specifically, personalised impacts are provided to Eligible Planholders, as well as information to help support planholders to make an informed decision about whether to accept the Offer.

I have reviewed the proposed planholder communications and believe that the documents are likely to help planholders understand the Offer and what it will mean for them.

Where no contact details are held for Eligible Planholders, the Company has taken steps to trace and re-contact these customers, including using third party tracing services. For those who cannot be contacted, the Company will offer these planholders the option to retrospectively opt out of the Scheme, should they re-engage.

Advice and guidance

Through an arrangement with JLT Benefit Solutions Ltd, an independent financial advisor, RLM is proposing to provide Eligible Planholders with free guidance and, where these planholders wish to take independent advice, meet all but £100 of the cost of basic advice. Alternatively, the Company will make an equivalent contribution to the cost of an individual getting advice from a different advisor.

For certain Eligible Planholders, in order to take part in the Scheme, it will be mandatory to obtain appropriate financial advice. The Company will meet the full cost of basic advice (or an equivalent contribution, should the planholder wish to take advice from a different advisor) for those who require mandatory advice.

I believe that the approach RLM has proposed is fair, taking into consideration the requirements of certain Eligible Planholders.

Taxation

On the basis of the analysis provided by the Company, I have not identified any significant concerns regarding the fairness of the Scheme in relation to tax issues.

There is a risk that certain planholders may exceed their Lifetime Allowance, depending on the value of the uplifts to their retirement savings. I believe it is important that planholders are made aware of this possibility to allow them to consider this in deciding whether to opt out of the Scheme or not. The Company has included information highlighting this in the Planholder Mailing packs and this topic is covered within the free guidance offered by the Company.

I would also expect planholders to seek tax advice specific to their own personal circumstances, where appropriate.

Costs of the Scheme

The majority of the costs and expenses incurred in preparing and implementing the Scheme will be borne by the SLF, with the exception of a small level of specific costs which will be allocated between the SLF and the Royal London Main Fund. Having reviewed this, I believe that the proposed treatment of the costs and the funding of advice is fair.

SUMMARY OF THE WITH PROFITS ACTUARY'S REPORT

The following summary of the With Profits Actuary's Report uses terminology that is defined in the With Profits Actuary's Report.

Context for this report

Royal London is proposing to make an offer to certain former-Scottish Life pension customers (the 'Eligible Planholders'). In return for giving up an annuity guarantee, known as a guaranteed annuity rate or GAR, they will receive an increase to their current plan value and corresponding increases to eligible contributions made in future. If approved, this change will be achieved through a legal process known as a Part 26 Scheme of Arrangement. Such a Scheme has been used in the past for the restructuring of life insurance businesses and is subject to strict legal requirements and regulatory oversight. This report gives my views on the Scheme as Royal London's With Profits Actuary. It will be made available to the Court and to planholders who may be affected by this change, alongside reports from Royal London's Chief Actuary and an Independent Actuary.

The reports from the Chief Actuary (CA) and Independent Actuary (IA) are written in formal language and cover some of the legal aspects in depth, as is typical of such reports. In this report I have tried to focus on conveying the essential elements of the Scheme in language that should be more accessible to a lay audience, particularly for those planholders whose rights and interests would be materially affected if the Scheme proceeds. Where I have described some of the more technical aspects in simpler language than the CA and IA reports this is deliberate and does not indicate any difference of view on the underlying process of the Scheme. I have read the CA and IA reports and I am supportive of their conclusions and rationale. There is nothing in their reports that represents a difference of substance from the views I express in this report.

Effect of the Scheme on guaranteed annuity rate planholders

There are around 33,000 planholders who benefit from Guaranteed Annuity Rates (GARs) in the Scottish Life Fund who will be given the opportunity to exchange the GARs for an increased plan value, and an increase to the value of eligible contributions made in future. Individuals will be asked to vote 'for' or 'against' the Scheme and will have an opportunity to opt out of the Scheme and retain the GAR regardless of the result of the overall 'for' and 'against' vote. In order to opt out, individuals will have to take positive action to notify Royal London that they wish to opt out. Otherwise, if the Scheme is implemented, all of those who have not opted out will lose the benefit of the GAR in exchange for increased values.

Critical in this process is the recognition that those who do not engage will follow the decision of those that vote on the Scheme. It is therefore essential that individuals have sufficient information, and in a sufficiently engaging format, to understand the consequences and be encouraged to participate actively. I have reviewed the communications materials and I believe they strike a good balance, between enough information and too much, to achieve this aim.

Despite these efforts Royal London's expectation is that a substantial number of individuals will be passive and will therefore end up following the decision of those who vote on the Scheme. Given this, it is important that the terms of the Scheme, in particular the increases to plan values that will be offered in return for planholders giving up the value of the GARs, are fair to planholders as a whole. The valuation of the GARs uses genuine best-estimates for the key assumptions on future interest rates and

future longevity trends. By genuine best-estimates I mean assumptions that do not have any explicit or implicit margin for prudence. This approach avoids bias in the offer in favour of either GAR or non-GAR policyholders. The level of the offer has been set assuming that individuals use 75% of their eligible fund value to purchase an annuity on guaranteed terms. This is at or above the rate observed in practice for the majority of planholders. Since the introduction of Pension Freedoms, experience indicates that planholders with similar plans use around 66% of their fund on average to buy an annuity, and best-estimate reserves have been established on that basis. The remainder is taken as cash, or transferred into another arrangement.

As a result I believe the uplifts to retirement savings are fair to the Included Planholders when looked at on average. It is important that those for whom the Scheme may represent less than the actuarial value they expect to obtain from the GAR can appreciate the consequence of remaining passive. Those intending to use more than 75% of their eligible fund to purchase an annuity on guaranteed terms are more likely to fall into this category. The latest experience indicates that a small proportion of policyholders, around 14% by number, take more than 75% of their fund as an annuity. These policyholders tend to have larger than average pot sizes and will appreciate the magnitude of the decision from the individual illustrations. The communication materials, and access to guidance and advice, are an important protection for planholders who may be better off opting out. I also regard the availability of the opt-out as a critical component of the Scheme as this allows planholders to take account of their personal circumstances and retain the benefit of the GAR even if the Scheme is implemented.

Royal London has a choice about the approach to non-responders. They could be opted-out of the Scheme and keep what they have or, the route being followed in practice, they could be included in the group of policyholders having their GAR exchanged for a higher policy value. This point has been considered carefully and I am happy with the approach being taken for the following reason. Those who do not engage with the process are likely to have smaller pots in the main, and based on Royal London's experience of comparable plans, are more likely to cash-in their policy and hence lose the value of their GAR altogether. By including them in the Scheme these policyholders will have a value for the GAR forced into their plan. This will result in better policyholder outcomes for the 60% of policyholders by number, who are likely to cash-in.

It is the case that disengaged policyholders who would ultimately have taken their entire pot as an annuity will receive an uplift that does not fully reflect that choice. This does not mean that they necessarily 'lose out' – particularly if interest rates rise from the calculation date to the date they take their retirement proceeds. They also have more flexibility, which has an intrinsic value.

We cannot tell in advance which category each policyholder will fall into. Given that, I think it is better to take the approach that benefits the many, giving them the value of the GAR on a 75% take-up rate, rather than leave them with no value for their GAR. The clear protection for those who would take more than 75% of their fund as an annuity is the quality of the communication materials.

Two groups that are in a different position are the small group of policyholders for whom Royal London has no address details and the group of policyholders for whom the address Royal London holds is incorrect, but no mail has been returned as 'goneaway'. These policyholders will, in the main, still be better off having their GAR exchanged, if they ultimately cash in their plans. However, they will not receive the communication materials and will not see the factors that would indicate whether they should opt out, if that is the best course of action for them. As a result, any policyholder who is able to demonstrate that they were not living at any address to which Royal London sent the communication materials will be given the opportunity to reinstate their GAR and have the uplift removed. Should any such policyholder re-connect with Royal London, they will be provided with the communication materials and will then have 3 months in which to decide whether to have their GAR reinstated and the uplift removed.

Effect of the Scheme on with profit planholders in the Scottish Life Fund

If the Scheme proceeds it will reduce the risks within the Scottish Life Fund materially. This will allow a more equitable and more certain distribution of the 'Inherited Estate'. The 'Inherited Estate' is the excess of assets in the fund over a realistic assessment of the liabilities attributed to the fund.

The with profit planholders in the Scottish Life Fund are, collectively, entitled to the Inherited Estate as it becomes available. It only becomes available for distribution when the fund can exceed its capital requirements sufficiently to protect planholders who are due to claim in future against the effects of reasonably foreseeable adverse events. At present, the level of capital requirements in respect of longevity increases and potential interest rate reductions are very high, which is slowing the rate at which and certainty with which the Inherited Estate can be distributed.

The basis used for calculating the offer to Eligible Planholders, assuming that they will use 75% of their fund to purchase an annuity on guaranteed terms, is more than the current best estimate reserve held for GARs in the fund. In effect, the with profits planholders will be giving up some of the Inherited Estate in order for the Scheme to be proposed and implemented. This can only be fair to the with profits planholders if it improves the equity of treatment between generations of with profits planholders and/or reduces the risks associated with future Inherited Estate distributions.

The analysis of these fairness aspects is complex and is set out later in my report. In summary, I am content that the Scheme, if it applies to a sufficient majority of Eligible Planholders, will produce a more stable distribution of the Inherited Estate and will remove much of the risk associated with the future distributions. If a large number of planholders opt out of the Scheme then the benefits are reduced. The implementation of the Scheme is subject to a condition that the Independent Actuary confirms, after the Court has approved the Scheme at the Sanction Hearing scheduled for Monday, 12 November 2018, that the Scheme continues to produce fair outcomes overall. In considering whether to provide that confirmation, the Independent Actuary will consider, amongst other factors, whether the level of opt-outs is so high that the impact of the Scheme on with profits planholders would be expected to be detrimental.

Overall conclusions

I cover a number of more detailed points in the body of my report. However, my conclusions on the Scheme and the way in which the Scheme is being put forward are as follows:

- The Scheme provides a genuine best estimate of the value of the GAR based on available information and reasonable assumptions, including Royal London's experience since the introduction of Pension Freedoms of what planholders use their retirement savings for.
- The value offered for the GAR is fair and capable of being understood by planholders. In particular, the calculation of the uplifts to plan value based on 75% of the value of the GAR is reasonable, given that the vast majority of planholders take at least 25% of their fund as cash. The communications to planholders are fair and balanced.
- The impact of the Scheme on the with profits planholders in the Scottish Life Fund should be positive.
- The process being followed is fair to those who participate and those that do not. The Scheme has been reviewed by the Independent Actuary, it has also been subject to rigorous internal review, and planholders may opt out of the Scheme and thereby take account of their own personal circumstances and views on the benefits of the Scheme.
- There should be no material consequences to planholders outside the Scottish Life Fund, either positive or negative.

Accordingly, I am supportive of the Scheme being put to planholders in its current form.

SUMMARY OF THE CHIEF ACTUARY'S REPORT

The following summary of the Chief Actuary's Report uses terminology that is defined in the Chief Actuary's Report.

Background

The Scottish Life Fund was formed in 2001 following the acquisition of The Scottish Life Assurance Company (Scottish Life) by Royal London. As at 31 December 2017 there were c.107,000 plans within the Scottish Life Fund, including with-profits, unitised with-profits, deposit administration and non-profit plans.

As at 31 December 2017, c.34,000 of the plans within the Scottish Life Fund had a GAR attached to them, and c.33,000 of these (the Eligible Plans) are to be offered the GAR compromise. These GARs were originally written in the 1980s and 1990s, and given the higher interest rates and shorter life expectancies at the time, the terms underlying their calculation were relatively generous compared to the calculation basis employed today. As a consequence, the GARs are now very valuable and provide planholders with an income in retirement that is often materially greater than the equivalent open market rate that could be purchased with the plan fund value. However, these planholders will only benefit from their GAR if they buy an annuity through Royal London.

Pension Freedoms were introduced by the UK Government in April 2015. Prior to this, most pension savers would use the bulk of their defined contribution pension savings to purchase an annuity, since fully flexible drawdown products were only accessible to those who could demonstrate a minimum level of income from other sources and any cash taken in excess of an initial tax-free 'pension commencement lump sum' (which could be up to 25% of an individual's pension savings under the lifetime allowance) would be subject to penal tax rates. The changes introduced in April 2015 allow individuals over the age of 55 much more flexibility over how they draw their pension savings, subject to the marginal rate of income tax. This was achieved by removing restrictions on drawdown products, to enable all pension savers to draw down income after minimum pension age without any restrictions on the amount or timing of such drawdown income or any requirements to demonstrate they had another form of income; and by introducing a new type of lump sum, called an 'uncrystallised funds pension lump sum', which allows pension savers to take all of their retirement savings in cash (either as one lump sum or in multiple lump sums, and subject to the lifetime allowance) without incurring penal tax charges. These changes mean that there is now a genuine alternative to buying an annuity available to all pension savers.

Since the introduction of Pension Freedoms, more people choose to access their retirement fund by taking out a drawdown plan or taking cash than by buying an annuity. However, any Royal London planholder with a GAR will forgo the value of their GAR on any part of their retirement fund that they don't use to purchase an annuity. The Scheme enables planholders to take better advantage of Pension Freedoms, as the full value of their pensions savings, including the value of the Uplift applied under the Scheme, is accessible upon retirement regardless of how they choose to access their savings.

GARs are the core issue for the Scottish Life Fund and increase the risk profile of the fund. There are significant risks associated with GARs, which include exposure to increasing longevity, falling interest rates and increasing GAR take-up rates. Exposure to these risks requires Royal London to retain more of the Scottish Life Fund Estate, restricting distributions to with-profits planholders within the Scottish Life Fund. In addition, the Capital Coverage Ratio (CCR) as at 31 December 2017 was 169%, which is below the internal target of 211% that Royal London aim to hold.

The proposed Scheme would enable planholders to take better advantage of Pension Freedoms, whilst also addressing some of the issues faced by the Scottish Life Fund.

The Scheme

Royal London is proposing to offer c.33,000 plans in the Scottish Life Fund the opportunity to exchange their GAR for an Uplift to their plan value. The Uplift will be calculated as the expected Economic Value of the GAR attached to their plan.

The process for implementing the Scheme is summarised as follows:

- An initial mailing, referred to as the appetite mailing was sent to all Eligible Planholders to provide an outline of the Scheme and to seek feedback on whether they are likely to support the Scheme. This mailing included notice of the date of the initial Court hearing (the ‘Convening Hearing’) so that Eligible Planholders can attend and give their views to the Court in person or through a representative. As a result of the interest expressed following the appetite mailing by Eligible Planholders in the Scheme, Royal London has decided to put a formal offer to Eligible Planholders.
- The Convening Hearing was held on 25 June 2018 and at the hearing the Court approved the convening of a meeting (the ‘Planholder Meeting’) and the sending of a circular and other documents containing detailed information on the Scheme to planholders.
- Eligible Planholders will be able to opt out of the Scheme by post or online until 19 October 2018 at 12 noon or in person at the planholder meeting, and if they do, their GAR will remain unchanged. This is an important right as the Scheme will be binding on all Eligible Planholders who do not opt out, irrespective of whether they vote for or against the Scheme, or do not vote at all.
- Any planholders who opt out of the Scheme will not be permitted to vote. Planholders who had previously submitted an opt-out but then wish to participate in the vote can do so by notifying us by post or online before 19 October 2018. Alternatively planholders who had submitted an opt-out can withdraw their opt-out in person at the planholder meeting on 23 October 2018.
- Planholders will have a period of three months before the Planholder Meeting to decide what to do – whether to opt out and, if they decide not to opt out, whether to vote for or against the Scheme.
- A three-step process will be available to aid Eligible Planholders in coming to a decision, which includes:
 - a detailed information pack including personalised illustration;
 - a freephone guidance service; and
 - access to subsidised independent advice.
- The Scheme will go ahead if:
 - of the Eligible Planholders voting in person or by proxy (including postal and online votes) at the Planholder Meeting a majority by number, who together represent 75% by value (where value is based on the Uplift applied to plan values), vote in favour of the Scheme;
 - the Scheme is subsequently sanctioned by the Court;
 - and the Independent Actuary confirms that the Scheme continues to satisfy his Fairness Criteria allowing for any necessary adjustments made to uplifts, for example in order to allow for changes in economic conditions or longevity assumption changes that occur between the formal mailing and 14 November 2018.
- If the Scheme goes ahead, those who did not opt-out of the Scheme will have their GAR removed from their plan in exchange for an Uplift applied to their current plan value, any guaranteed benefits and any eligible future premiums.

- If the Scheme goes ahead, planholders who opted-out will retain their GAR but will not have their plan value increased by the Uplift.
- If the overall vote is not in favour of the Scheme then it will not proceed and the Eligible Plans will be unchanged.
- Royal London may withdraw the Scheme at any time prior to the Sanction Hearing.

Consequences of the Scheme

For Included Plans (Eligible Plans that do not opt-out of the Scheme), their GAR will be removed and an Uplift, calculated in line with the Scheme will be applied to their current plan value, as well as any guaranteed benefits and eligible future premiums regardless of how the individual planholder voted.

For all other plans, including Opted-Out Plans, any GARs that apply will remain unchanged and no Uplift will be applied. The only way for Eligible planholders to be certain that their GAR will be unchanged is therefore to opt-out.

It has been decided that any potential impacts of the Scheme on the Royal London Main Fund should be neutralised. An inter-fund transfer will be effected between the Scottish Life Fund and the Royal London Main Fund with the aim of achieving this.

As at 31 December 2017 the Royal London Main Fund bore a burn-through cost in relation to the Scottish Life Fund, which was calculated as £2.6m on an Embedded Value basis and also resulted in an increase in the SCR of the Royal London Main Fund on a Solvency II basis. The risks associated with the Scottish Life Fund are expected to reduce, therefore it is expected that the burn-through cost will significantly reduce. However, given the relative size of the Royal London Main Fund compared to the burn-through cost, this impact is immaterial.

In addition to the above, the benefits of the Scheme are as follows:

- for Eligible Planholders, they will have the opportunity to take better advantage of Pension Freedoms, as the full value of their pension savings, including the value of the Uplift applied under the Scheme, is accessible upon retirement regardless of how they choose to access their savings;
- the Scheme is expected to result in a more stable, less risky Scottish Life Fund, which would lead to lower capital requirements;
- this should enable an earlier and fairer distribution of the Scottish Life Fund Estate to Scottish Life Fund with-profits planholders; in addition
- although there are no immediate plans to alter the investments backing asset shares and the Scottish Life Fund Estate, the Scheme is expected to enable greater investment freedom of the Scottish Life Fund Estate. Whilst the Scheme will result in an initial fall in the value of the Scottish Life Fund Estate, the greater investment freedom may enable higher distribution of the Scottish Life Fund Estate to Scottish Life Fund with-profits planholders.

There are also some potential disadvantages of the Scheme:

- Included Planholders will no longer have a GAR, therefore, should interest rates reduce or life expectancy increase beyond that assumed in the offer at the point of retirement, Included Planholders may find that they cannot replicate the benefits they would have otherwise been entitled to if they had opted out of the Scheme. Conversely, an increase in interest rates or reduction in life expectancy would mean that Included Planholders should be able to secure a higher level of income than they would have been entitled to under the GAR; and

- the overall size of the Scottish Life Fund Estate will be reduced (as a result of the costs of the Scheme being charged to the Scottish Life Fund and the use of an adjusted GAR take-up rate in the Offer Basis) therefore, all else being equal, total payouts to with-profit planholders over the lifetime of the fund will be lower as a result. In particular, with-profit planholders retiring in the long term will receive a lower distribution from the Scottish Life Fund Estate than if the Scheme did not go ahead. This however, has to be balanced against the current restricted distribution to planholders retiring in the short term, the fairer and more secure distribution of the Scottish Life Fund Estate which results from the Scheme and the greater stability of the Scottish Life Fund as a result of the Scheme.

Chief Actuary's opinion

The focus of my report is to assess the financial impacts of the Scheme on the Scottish Life Fund, and also the impacts on the various planholder groups within Royal London. I also consider the financial impacts of the Scheme on the wider business including the Royal London Main Fund.

Overall, it is my opinion that the Scheme represents the most appropriate approach to addressing the most significant issues affecting the Scottish Life Fund, and it aligns with the company aim of managing the business in a way that benefits Royal London planholders.

I believe that the planholder communications provide sufficient information to allow Eligible Planholders, including Verified Gone-Away Included Planholders who subsequently reengage with Royal London and can evidence that they were not living at any address to which Royal London sent the mailings, to make an informed decision as to whether they opt-out, or vote for or against the Scheme.

In an environment where pensions legislation enables significantly greater flexibility in how pension benefits can be taken, the Scheme allows Eligible Planholders to benefit from the value of their GAR regardless of how they choose to access their pensions savings.

In addition, I believe the Scheme is structured in such a way that it is fair to the various planholder groups.

It is my opinion that the Scheme does not have a materially adverse impact on the financial position of either the Scottish Life Fund or the Royal London Main Fund and does not threaten the solvency or security of either of these funds. In fact, the solvency and security of the SL Fund should improve as a result of the Scheme.

I have read both the With-Profit Actuary's and Independent Actuary's reports and there is nothing contained within the respective reports that represents a substantial difference to the views I express in this report.

LEGAL NOTICE OF THE PLANHOLDER MEETING

IN THE HIGH COURT OF JUSTICE

NO. CR-2017-000587

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)

IN THE MATTER OF
THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED
AND
IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that, by an order dated [] 2018 made in the above matters, the Court has directed a meeting (the '**Meeting**') be convened of Planholders (as defined in the planholder circular accompanying this notice) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the '**Scheme of Arrangement**') pursuant to Section 899 of the Companies Act 2006 proposed to be made between The Royal London Mutual Insurance Society Limited (the '**Company**') and the Planholders (as defined therein) and that such Meeting be held at Amba Hotel Charing Cross, Strand, London WC2N 5HX on 23 October 2018 at 11.00am at which place and time all the Planholders are invited to attend.

A summary of the Scheme of Arrangement and a copy of the planholder circular required to be provided pursuant to Section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms part.

Planholders may vote in person at the Meeting or they may appoint another person as their proxy to attend and vote on their behalf. A proxy may be appointed by completing the Decision Form enclosed with this notice and returning it to Electoral Reform Services, London, N81 1ER no later than 12pm on 19 October 2018 or online by visiting ersvotes.com/GAR and logging on using the online voting ID and security code provided to each Planholder no later than 12pm on 19 October 2018. A proxy need not be a planholder of the Company. The appointment of a proxy does not preclude a Planholder from attending and voting at the Meeting.

By the said order, the Court has appointed Rupert Pennant-Rea, the Chairman of the Board of Directors of Royal London, or, if for any reason he is unable to act, such other person appointed in accordance with the said order to act as the Chairman of the Meeting and has directed the Chairman to report the result of the Meeting to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated []

Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG

GLOSSARY

Term	Definition
ABI	The Association of British Insurers which is the UK insurance industry's main trade body.
Advice confirmation slip	The form which your appropriately authorised financial adviser must complete and send to us confirming that they have provided you with advice and requesting payment of <i>Royal London's</i> contribution for this.
Annuity	You can use your retirement savings to buy a regular income known as an <i>annuity</i> . This is a one-off decision which will pay you a guaranteed regular income for the rest of your life.
Asset share	The accumulation of premiums paid into a <i>with profits</i> plan after deducting charges which may include amounts to cover expenses and tax and after crediting or debiting amounts to reflect the investment returns achieved by the fund.
Assigned Talisman Executive Pension Plans	Talisman Executive Pension Plans which have been assigned (or treated by <i>Royal London</i> as having been assigned) to the members of occupational pension schemes.
CFPPFM	A customer friendly version of our <i>Principles and Practices of Financial Management (PPFM)</i> .
Chief Actuary	The individual with responsibility for the actuarial function of <i>Royal London</i> . This involves ensuring that the risks that <i>Royal London</i> are exposed to are well understood and monitored on a regular basis to ensure <i>Royal London</i> is able to meet its liabilities to <i>planholders</i> , and its regulatory capital requirements.
Continuous Mortality Investigation (CMI)	The Continuous Mortality Investigation carries out research into mortality rates and produces practical tools that are widely used by actuaries.
Convening hearing	Where the <i>court</i> is asked to approve the convening of a <i>planholder meeting</i> . Our <i>convening hearing</i> was on 25 June 2018.
Court	The High Court of Justice in London, which will consider and, if thought fit, approve the <i>Scheme</i> at the <i>sanction hearing</i> .
Court Order	The order of the <i>court</i> sanctioning the <i>Scheme</i> .
Decision Form	The form that <i>planholders</i> can use to opt out from or vote by post on the <i>Scheme</i> .
Deed poll	A legal document <i>Royal London</i> has executed in favour of the <i>Royal London Personal Pension Scheme</i> members under which they have become creditors of <i>Royal London</i> in respect of the <i>GAR</i> .
Defined benefits	Where a defined level of benefit on death or retirement is promised to members of an occupational pension scheme. Defined benefits are sometimes referred to as final salary benefits.

Term	Definition
Defined contribution	Where the benefits payable to an individual member of a defined contribution pension plan are calculated by reference to contributions paid into the plan in respect of that member, increased or reduced by the investment return achieved.
Deposit Administration plan	A type of plan which receives smoothed investment returns but does not participate in the profits or losses of <i>Royal London</i> .
Drawdown	A type of plan which allows an income to be taken from retirement savings while leaving the rest of the retirement savings invested. The income will vary depending on the amount you choose to take out each year and investment performance. It isn't guaranteed for life. As the rest of your savings stay invested, both the income payments and the value of your plan may go down.
Economic value	A measure of value of the plan benefits to the <i>planholder</i> , expressed in terms of today's value. This is based on our best estimate of the value of the <i>GAR</i> allowing for future <i>interest rates</i> and expected improvements to life expectancy and is used to derive the value of the offer made to each <i>planholder</i> .
Enhanced annuity	A type of plan which pays a higher retirement income than a standard annuity to people with, for example, certain medical conditions which may reduce how long they are expected to live. Enhanced annuities are also known as impaired life annuities, ill health annuities or smoker annuities.
Electoral Reform Services (ERS)	The Electoral Reform Services have been appointed as the voting registrar. All <i>Decision forms</i> will be returned to them, and they'll manage the online voting. ERS will also attend the <i>planholder meeting</i> to ensure that the voting at the meeting is properly managed, and will provide evidence to the <i>court</i> about how the vote was carried out.
Excluded planholders	The holders of <i>Royal London</i> plans who are not allowed to vote on the <i>Scheme</i> .
Explanatory Statement	The statement relating to the <i>Scheme</i> prepared by <i>Royal London</i> pursuant to Section 897 of the Companies Act 2006 and which is made up of Part A and Part B of the <i>Planholder circular</i> .
Fairness criteria	A set of four tests used by the <i>Independent Actuary</i> to assess the fairness of the <i>Scheme</i> to various groups of <i>planholders</i> .
Financial Conduct Authority (FCA)	The <i>Financial Conduct Authority</i> is one of <i>Royal London's</i> regulators. Its objectives are to secure an appropriate degree of protection for consumers, to protect and enhance the integrity of the UK's financial system, and to promote effective competition in the interest of consumers.
Financial Services Compensation Scheme(FSCS)	A scheme which can provide compensation to investors when UK-authorized financial services companies become insolvent and are unable to pay claims made against them.

Term	Definition
Guaranteed annuity rate (GAR)	The <i>guaranteed annuity rate</i> in your <i>plan</i> was designed to make sure that you receive a minimum level of annuity income at retirement if <i>standard annuity rates</i> are below the <i>guaranteed annuity rates</i> . Currently, the <i>guaranteed annuity rate</i> usually gives you a higher income than you'll get if you buy an <i>annuity</i> elsewhere. If you choose it, when you retire, we'll arrange for one of the providers from the <i>Royal London Annuity Bureau</i> to provide you with an <i>annuity</i> at the same level as the guaranteed amount.
Guaranteed value	The guaranteed sum assured in respect of any <i>with profits</i> benefits as increased by any declared bonuses. In the case of unitised <i>with profits</i> benefits, this guaranteed value will be determined by reference to unit value.
Implementation date	The date the <i>Scheme</i> will be implemented and the <i>GARs</i> will be removed from the <i>plans</i> in exchange for increases added to retirement savings.
Independent Actuary	We've appointed an Independent Actuary to look at the <i>Scheme</i> and report to the <i>court</i> on whether he considers it's fair to planholders. The Independent Actuary's duty is to the <i>court</i> , and our regulators have confirmed that he is sufficiently independent to take on this important role.
Inherited estate	The fair market value of assets less the realistic value of the fund's liabilities. For a closed fund like the <i>Scottish Life Fund</i> this can be used to improve returns for <i>with profit planholders</i> .
Interest rates	An interest rate can be a short-term interest rate or a long-term interest rate. A short-term interest rate is the return received on a short-term investment like cash in a current account with a bank. A long-term interest rate is the return received on investments which don't pay back the original amount invested until further into the future – for example, government bonds. <i>Standard annuity rates</i> are determined mainly by long-term interest rates.
JLT	JLT Benefit Solutions Limited which is an independent financial adviser.
Lifetime allowance	The limit on the total value of an individual's pension arrangements before additional tax charges are triggered.

Term	Definition
Mandatory advice requirements	<p>Under the Pension Schemes Act 2015, the trustees or managers of a pension scheme must check that their member has received appropriate financial advice from an <i>FCA</i> authorised adviser before converting any ‘safeguarded benefits’ into flexible benefits, if the value of the member’s rights to those safeguarded benefits is greater than £30,000.</p> <p><i>Planholders</i> with <i>Talisman Retirement Annuity Contracts</i> and the <i>Assigned Talisman Executive Pension Plans</i> are subject to these <i>mandatory advice requirements</i> if the value of their <i>GAR</i>-eligible retirement savings is greater than £30,000. We also refer to these as <i>planholders</i> who <i>must get advice</i>.</p>
Money Purchase Annual Allowance (MPAA)	<p>Since 6 April 2015 a reduced annual allowance in respect of money purchase pension contributions, known as the money purchase annual allowance, applies to individuals who have flexibly accessed their money purchase pension benefits.</p>
Must get advice	<p><i>Planholders</i> who are subject to the <i>mandatory advice requirements</i> must get appropriate financial advice from an <i>FCA</i> authorised adviser before they can participate in the <i>Scheme</i>.</p>
Mutual organisation	<p>A mutual organisation is a company which doesn’t have shareholders. <i>Royal London</i> is owned by customers who are members. The profits of a mutual are distributed amongst its customers and members, or reinvested to give better returns or lower charges for their services.</p>
Opt-out election	<p>A notice given to <i>Royal London</i> in accordance with requirements specified by <i>Royal London</i> stating that a <i>plan</i> shall not be subject to the <i>Scheme</i>.</p>
Pension attachment order	<p>A <i>Court Order</i> which redirects part or all of the member’s pension benefits to an ex-spouse or ex-civil partner when it comes into payment. This is sometimes referred to as an earmarking order.</p>
Pension freedoms	<p>The name given to various changes which the government introduced in April 2015 in order to give pension savers greater flexibility when they access their retirement savings. These include the option for pension savers to take as much of their retirement savings in cash as they wish without incurring penal tax charges and permitting more flexible <i>drawdown</i> plans that allow pension savers to access as much of their retirement savings each year as they wish.</p>
Pensions Ombudsman	<p>An independent organisation set up by law to investigate complaints about pension administration.</p>
Pensions Regulator	<p>The Pensions Regulator is the UK regulator of workplace pension schemes.</p>
Percentage increases	<p>The percentage increases used to determine the <i>uplifts</i> to retirement savings and regular contributions, as the case may be.</p>

Term	Definition
Personalised offer	The offer included in your pack which shows the expected effect of our offer on your retirement savings. This is subject to review and adjustment shortly before the <i>implementation date</i> in light of any changes in economic and other factors.
Plan	Plans are pension plans which include the benefit of the <i>GAR</i> if an <i>annuity</i> is taken through the <i>Royal London Annuity Bureau</i> and are covered by the <i>Scheme</i> . <i>Talisman Retirement Annuity Contracts</i> , <i>Talisman Personal Pension Plans</i> , <i>Talisman Group Personal Pension Plans</i> and <i>Talisman Executive Pension Plans</i> are plans. When we refer to your plan in your <i>Planholder circular</i> we are referring to all your plans if you have more than one.
Planholders	The term we are using to describe <i>planholders</i> with <i>plans</i> which are covered by the <i>Scheme</i> .
Planholder circular	Part A and Part B together form your <i>Planholder circular</i> . Part A provides key information and Part B provides detailed information on the <i>Scheme</i> . These documents should be read alongside your <i>personalised offer</i> .
Planholder meeting	The meeting of <i>planholders</i> convened by the <i>court</i> to consider and, if thought fit, to approve the <i>Scheme</i> .
Planholder vote	The vote of <i>planholders</i> in person or by <i>proxy</i> at the <i>planholder meeting</i> on whether to approve the <i>Scheme</i> . The <i>Scheme</i> will only be implemented if a majority by number representing at least 75% by value of those voting at the <i>planholder meeting</i> vote in favour of the <i>Scheme</i> . ‘Value’ for this purpose is based on the value of the <i>uplift</i> we expect <i>planholders</i> to receive in exchange for the <i>GAR</i> and is shown on your <i>Decision form</i> .
Prudential Regulation Authority (PRA)	The Prudential Regulation Authority is one of <i>Royal London’s</i> regulators. The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
Principles and Practices of Financial Management (PPFM)	A document describing how a <i>with profits</i> fund is managed.
Protected higher amount	The level of the <i>lifetime allowance</i> was previously higher than its current level of £1,030,000. It was possible to protect this higher level in certain circumstances when the level was reduced.
Protected Rights	The benefits accrued when individual members chose to contract out of the <i>State Second Pension (S2P)</i> .
Protected Rights fund	That part of your retirement savings built up from contributions paid as a result of contracting out of the <i>State Second Pension (S2P)</i> .

Term	Definition
Proxy	A proxy is someone appointed by you to vote on your behalf at the <i>planholder meeting</i> , if you're not able to attend the meeting yourself. Your proxy votes on your behalf, in the way you've indicated on your <i>Decision form</i> . The chairman of the <i>planholder meeting</i> can act as your proxy if you don't want to appoint anyone else.
Registrar of Companies	The Registrar of Companies for England and Wales is an official appointed by the secretary of state who is responsible for managing the incorporation and administration of companies in England and Wales.
Royal London	The Royal London Mutual Insurance Society Limited.
Royal London Annuity Bureau	If you buy an <i>annuity</i> through <i>Royal London</i> , the annuity income isn't provided by us. Instead, we offer you access to a wide selection of companies who provide annuities through the Royal London Annuity Bureau. We sometimes refer to it as our annuity bureau.
Royal London Board	The board of directors of <i>Royal London</i> .
Royal London Group	The Royal London Mutual Insurance Society Limited and its subsidiaries.
Royal London Internal Model	A bespoke model developed by <i>Royal London</i> , and approved by the <i>PRA</i> , in order to calculate the amount of capital the company must hold under the <i>Solvency II</i> regulations.
Royal London Long Term Fund	The long-term business fund of <i>Royal London</i> .
Royal London Main Fund	The main business fund within <i>Royal London</i> which comprises a number of separate sub-funds.
Royal London Personal Pension Scheme	The Royal London Personal Pension Scheme (No 2), which used to be known as The Scottish Life Personal Pension Scheme.
Retail Price Index/RPI	A measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a representative sample of retail goods and services.
Sanction hearing	A meeting of the <i>court</i> to sanction the <i>Scheme</i> .
Scheme	A scheme of arrangement is a legally binding compromise or arrangement between a company and its members or creditors available under Part 26 of the Companies Act 2006. It involves the giving up of a benefit in return for something of value. In our case, our <i>planholders</i> (who as a legal matter are creditors for the purposes of the Scheme) will be giving up the benefit of the <i>GAR</i> in return for increases to their retirement savings.
Scottish Life	The Scottish Life Assurance Company.
Scottish Life Fund	The separate fund within <i>Royal London</i> created for the <i>with profits</i> planholders of <i>Scottish Life</i> when it demutualised.

Term	Definition
Scottish Life Fund Supervisory Committee	This committee monitors the management of the <i>Scottish Life Fund</i> .
Scottish Life Transfer Scheme	The insurance business transfer scheme made under Schedule 2C to the Insurance Companies Act 1982 under which the entire business of <i>Scottish Life</i> was transferred to <i>Royal London</i> .
Solvency II	The Solvency II Directive (2009/138/EC), an EU directive that codifies and harmonises the EU insurance regulation.
Standard annuity rates	The rates at which individuals can convert a lump sum at retirement into a regular income guaranteed for life. These rates are based on a number of factors. The most important ones are long-term <i>interest rates</i> and how long people are expected to live. The specific medical conditions of the individual aren't taken into account in the <i>standard annuity rates</i> that they would be offered.
State Second Pension (S2P)	An earnings-related scheme paid on top of your basic state pension.
Statement of Investment Principles	A written statement of investment principles drawn up by the trustees of a scheme which sets out the principles governing how decisions about investments must be made.
Talisman Executive Pension Plans	The Executive Pension Plans branded as Talisman or Hallmark and originally taken out with <i>Scottish Life</i> by the trustees of an occupational pension scheme between 1 June 1985 and 1 November 1989. These <i>plans</i> may still be held by the trustees of the occupational pension scheme, in which case the trustee is the <i>planholder</i> , or they may have been transferred to an individual member of the scheme (for example when the scheme was wound up), in which case the former member is the <i>planholder</i> . They are a type of <i>plan</i> .
Talisman Group Personal Pension Plans	Group Personal Pension Plans branded as Talisman and taken out with <i>Scottish Life</i> by employees between 1 July 1988 and 1 February 1992 as part of the benefits provided by their employer. They are a type of <i>plan</i> .
Talisman Personal Pension Plans	Personal Pension Plans branded as Talisman and taken out with <i>Scottish Life</i> between 1 July 1988 and 1 February 1992. They are a type of <i>plan</i> .
Talisman Retirement Annuity Contracts	Personal Pension Plans branded as Talisman and taken out with <i>Scottish Life</i> between 1 June 1985 and 30 June 1988. They are a type of <i>plan</i> .
Uncrystallised funds pension lump sums (UFPLS)	A cash withdrawal taken directly from your retirement savings other than from a <i>drawdown</i> plan.

Term	Definition
Unit linked	A unit linked fund is divided into units of equal value. The price of each unit depends on the value of the assets of the unit linked fund. If a plan is unit linked, the value of the benefits is measured by the number and price of units from the unit linked fund allocated to the plan.
Uplift	The increase to your retirement savings and regular contributions, which will be applied to your <i>plan</i> in exchange for the <i>GAR</i> if the <i>Scheme</i> goes ahead and you've not opted out.
Vote by value	<p>Each <i>planholder's</i> vote has been assigned a value, as set out in their <i>Decision form</i>. This value is based on the value of the <i>uplift</i> that will be applied to the <i>planholder's plan</i> if the <i>planholder</i> doesn't opt out and the <i>Scheme</i> is implemented.</p> <p>The total value of the votes cast by the <i>planholders</i> who vote in favour of the <i>Scheme</i> must represent at least 75% of the total value of the votes cast by all the <i>planholders</i> who vote. We refer to this as the '<i>vote by value</i>'.</p>
Vote by number	More than half by number of the <i>planholders</i> who vote must be in favour of the <i>Scheme</i> .
With Profits Actuary	The actuary responsible for advising the directors of <i>Royal London</i> on the discretionary aspects of <i>with profits</i> business.
With Profits Committee	The With Profits Committee exists to consider the interests of all the <i>Royal London Group's</i> customers. It exercises independent judgement when advising the <i>Royal London Board</i> on how to treat them fairly.
With profits	With profits is a type of pooled arrangement under which the money you invest is pooled together with money from other people and invested in <i>Royal London's with profits</i> fund. Instead of receiving direct investment returns, for example dividends, rents, interest and capital appreciation, with profits planholders receive bonuses.



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