Royal London (Scottish Life) GAR Compromise Scheme

Supplementary Report of the Chief Actuary

October 2018

Contents

1 Introduction

Purpose of report

1.1 I prepared a previous report dated May 2018 (the “Report”) in my capacity as Chief Actuary of The Royal London Mutual Insurance Society Limited (“Royal London”, the “Company”, or “we”), in which I considered the impact of the proposed Scheme of Arrangement under the terms of Part 26 of the Companies Act 2006 (the “Scheme”). Under this Scheme, certain planholders with guaranteed annuity rates (“GARs”) within the Scottish Life Fund of Royal London will be made an offer to exchange their GAR for an immediate increase to their current plan value (the “Uplift”).

1.2 The Report, alongside other key documents associated with the Scheme, was presented to the High Court of England and Wales (the “Court”) at a Convening Hearing on 25 June 2018. At this hearing the Court approved the convening of a meeting (the “Planholder Meeting”) at which the planholders that have been offered the Uplift (the “Eligible Planholders”) were able to vote for or against the Scheme (either in person at the Planholder Meeting or by proxy, including votes cast by post or online). Eligible Planholders were also able to opt-out of the Scheme (by post, online, or in person at the Planholder Meeting) and thereby retain the GAR.

1.3 The Planholder Meeting took place on 23 October 2018, and at the meeting, as set out in paragraph 2.4, the necessary majority of Eligible Planholders (namely a majority by number representing at least 75% by value of those voting) voted in favour of the Scheme.

1.4 The Scheme will now proceed if:

- the Scheme is 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 to allow for changes in economic conditions or longevity assumption changes up to 14 November 2018 (the “Percentage Increase Review Date”).

1.5 As stated above, the Scheme is required to be sanctioned by the Court, and a Sanction Hearing has been scheduled for 12 November 2018. Upon the Scheme being sanctioned by the Court and confirmation from the Independent Actuary that the Scheme continues to satisfy his fairness criteria at the Percentage Increase Review Date, the Scheme is expected to take effect on 7 December 2018 (the “Implementation Date”).

1.6 This report (the “Supplementary Report”) has been prepared to supplement the Report and will be presented to the Court at the Sanction Hearing. The purpose of this Supplementary Report is to provide an updated assessment of the likely effect of the proposed Scheme and to consider whether or not the conclusions reached in the Report remain unchanged after taking account of updated Royal London financial information and any other significant relevant developments since the Report was issued, including the outcome of the Planholder Meeting and any objections received from planholders in relation to the proposed Scheme.

1.7 This Supplementary Report is written for the Royal London Board in my capacity as Chief Actuary for Royal London. This Supplementary Report may also be used by the Independent Actuary, the With-Profits Actuary, the Scottish Life Supervisory Committee, the Court, the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”).

1.8 This Supplementary Report should be read in conjunction with the Report. For the avoidance of doubt, any capitalised terms used in this Supplementary Report have the same meanings and definitions as those in the Report unless otherwise defined in this Supplementary Report.

Regulatory and professional guidance

1.9 The Financial Reporting Council ("FRC") has issued standards which apply to certain types of actuarial work. I have prepared this Supplementary Report with the intention that it, and the work underlying it, should meet the requirements of Technical Actuarial Standards TAS 100 (Principles for Technical Actuarial Work) and TAS 200 (Insurance). I believe that this Supplementary Report and my work underlying it do so in all material respects.

1.10 This Supplementary Report has also been subject to peer review in line with Actuarial Standard APS X2.

1.11 To help ensure fairness, an Independent Actuary has been appointed to provide an independent report to the Court on the fairness of our offer.

2 Executive summary

Background

2.1 The Scheme proposed by Royal London is for certain planholders with GARs within the Scottish Life Fund of Royal London, who were made an offer to exchange their GAR for an immediate increase to their current plan value. The vote on whether or not to progress with the Scheme occurred at the Planholder Meeting on 23 October 2018. In the weeks leading up to the Planholder Meeting, Eligible Planholders were able to vote for or against the Scheme, or were able to opt-out of the Scheme altogether.

2.2 The Scheme will now progress subject to the Court sanctioning the Scheme and confirmation from the Independent Actuary that the Scheme continues to satisfy his fairness criteria.

2.3 Previously, I considered the impact of the Scheme on all affected planholders and documented my findings in the Report, using figures as at 31 December 2017. The purpose of this Supplementary Report is to provide an updated assessment of the likely effect of the proposed Scheme and to consider whether or not the conclusions reached in the Report remain unchanged. The updated Royal London financial information and any other significant relevant developments since the Report was issued, including the outcome of the Planholder Meeting and any objections received from planholders in relation to the proposed Scheme, were taken into account when writing this Supplementary Report.

Planholder response

2.4 The Planholder Meeting was held on 23 October 2018. Of the Eligible Planholders voting in person or by proxy at the Planholder Meeting, 10,546 voted in favour of the Scheme, representing 98.4% of Eligible Planholders that voted by count and 98.8% by value. Therefore, the voting criteria for the Scheme to proceed have been met.

2.5 In total, as at 23 October 2018, Royal London had received 14,923 responses to the Scheme, representing 48.6% of Eligible Planholders by count. The responses at that date were split as follows:

- 10,546 votes in favour of the Scheme;
- 170 votes not in favour of the Scheme;
- 4,207 planholders had opted-out of the Scheme;
- 443 planholders that were required to take advice either did not respond or failed to provide evidence of having taken advice, and are therefore expected to be opted-out of the Scheme;
- as a result, a total of 15% of Eligible Plans by count and 22% of Eligible Plans by value are expected to be opted-out of the Scheme.

2.6 Despite extensive tracing carried out by Capita and LexisNexis, as at 1 October 2018 Royal London had been unable to verify the addresses held in respect of the holders of 3,282 Eligible Plans and was therefore unable to send these planholders personalised information about the Scheme, including illustrations of the potential impact of the Scheme on their plan value. However, Royal London did send further re-engagement letters and copies of the planholder circular to the holders of 1,675 of these Eligible Plans (where Royal London had a high level of confidence about the new address identified by LexisNexis's tracing) and also engaged the DWP to send a further re-engagement letter to the holders of a further 1,519 of these Eligible Plans.

2.7 Royal London initially anticipated an opt-out rate of 10% of Eligible Planholders by value. Based on the number of Eligible Planholders that had opted-out at the time of writing, Royal London revised its expected opt-out rate for the purposes of the financial analysis in this report to 20% by value ahead of the result of the Planholder being known.

2.8 Based on the position at the date of the Planholder Meeting, the scheme opt-out rate is currently expected to be 15% by count and 22% by value (this figure may subsequently change by a small amount as a result additional planholders who must take advice doing so before 30 November). While the figures included in this Supplementary Report are based on an expected opt-out rate of 20%, the current expected opt-out rate of 22% is broadly in line with the revised estimation. I am therefore comfortable that the analysis contained in this Supplementary Report remains appropriate. Overall, the opt-out rate is higher than originally anticipated, but is still significantly below the threshold at which the financial benefits of the Scheme are compromised.

2.9 In total, as at the date of the Planholder Meeting, around 5% of Eligible Planholders had used financial advice when deciding how to vote for the Scheme, compared to an estimate of 15%. Although the take up of advice has been lower than expected, I am satisfied that the formal mailings sent to Eligible Planholders contained sufficient information to make planholders aware of the advice service and subsidies offered. Additionally, there have been 6,612 calls made to the dedicated helpline provided by Royal London by Eligible Planholders with general queries on the Scheme.

2.10 In total, since the date of the Convening Hearing, 87 objections were raised in relation to the Scheme by 80 separate Eligible Planholders (4 of whom had also raised objections prior to the Convening Hearing). The objections have been reviewed on a weekly basis and will be submitted to the Court as part of Royal London's Court submissions. I am comfortable that the objections raised do not indicate the presence of any material issues with the Scheme.

2.11 In total there were 90 complaints raised by Eligible Planholders in relation to the Scheme, primarily relating to administration issues. All complaints have been addressed.

2.12 Since the formal mailing several Eligible Planholders that were at unverified addresses or were Gone-Away Planholders have reengaged with Royal London reducing the number of Verified Included Planholders to 1,607 as at the date of the Planholder Meeting.

Financial update

2.13 The Uplifts provided in this Supplementary Report have been updated from those provided in the Report in line with 30 June 2018 financial figures and prevailing market conditions. The Uplifts will be subject to review prior to the Scheme Implementation Date to reflect the financial conditions as at 14 November 2018. I am comfortable that the mechanism used to calculate the final Uplifts is appropriate.

2.14 The Uplift factors communicated to 86 PR Eligible Planholders were approximately 4% lower than they should have been for males and approximately 2% higher than they should have been for females. This was due to an error in the spreadsheet used to calculate the Uplifts, which related to the valuation of the GAR rates for joint-life annuities. To avoid any detriment to the male 86 PR Eligible Planholders, their Uplifts have been amended to correct this error. I am comfortable this action is appropriate as a fair Uplift is being offered to male 86 PR Eligible Planholders and while female 86 PR Eligible Planholders may receive slightly more than fair value, the Independent Actuary's fairness criteria continue to be met. Additionally given the With Profits Committee and the Scottish Life Supervisory Committee agree this approach is fair I am comfortable that the cost be borne by the Scottish Life Fund.

2.15 Based on the estimated opt-out rate of 20% of Eligible Planholders by value, the direction and magnitude of the projected Scottish Life Fund and Royal London Main Fund balance sheet movements as a result of the Scheme are similar to those stated in the Report. The Scheme results in a considerable strengthening of the Scottish Life Fund CCR and a similar CCR for the Royal London Main Fund as prior to the Scheme.

2.16 The Estate of the Scottish Life Fund decreases as a result of the Scheme. The impact as at 30 June 2018 is consistent with that as at 31 December 2017.

2.17 The inter-fund transfer has reduced slightly from 31 December 2017 to 30 June 2018. Overall, the conclusions I reached within the Report regarding the inter-fund transfer remain unchanged, and I still consider the inter-fund transfer to be an effective mechanism for offsetting the impact of the Scheme on the Royal London Main Fund.

2.18 The overall cost to the Scottish Life Fund of subsidising the cost of advice for Eligible Planholders will reduce as a result of a lower number of Eligible Planholders taking advice than estimated. Overall, given the costs of implementing the Scheme were broadly as expected, the conclusions I reached within the Report regarding the costs of implementing the Scheme, including the allocation of these costs, remain unchanged.

2.19 Overall, the conclusions I reached within the Report regarding the financial impact of the Scheme on the Scottish Life Fund and the Royal London Main Fund remain unchanged.

Fairness to policyholders

2.20 Based on the information as at 30 June 2018, the four policyholder fairness tests as specified by the Independent Actuary all continue to be met. Therefore, I am comfortable that the Scheme remains fair to the various planholder groups.

2.21 In addition, having reviewed the updated financial information, and considered the updated Uplift amounts, I am satisfied that there are no changes to the expected impacts of the Scheme on the various planholder groups from those described in the Report.

2.22 Royal London monitored the potential impact on voting values of movements in factors that affect the Uplifts that occurred between the date of the calculation of those voting values and the Planholder Meeting. I am satisfied that the impact of these movements was not sufficiently material to cause the calculated voting values to be inappropriate. I am also satisfied that the impact of correcting the error that was identified in the spreadsheet used to calculate the Uplifts for 86 PR Eligible Planholders was not sufficiently material to cause the calculated voting values to be inappropriate.

Conclusion

2.23 Overall, having considered any relevant developments since the Report was issued, the updated financial information, and the outcome of the planholder communications, I am satisfied that the conclusions I drew in the Report in relation to the financial impact of the Scheme and the impact on the various planholder groups remain unchanged.

3 Key developments

Introduction

3.1 In this section I outline any relevant developments in relation to the Scheme that have occurred since the Report was issued, including the outcome of the Planholder Meeting and changes to the Uplifts calculated under the Scheme.

3.2 In section 6 I consider whether any of these developments affect the analysis I performed in the Report in relation to the consequences of the Scheme. In section 7 I provide an overall view on whether these developments affect any of the conclusions that I reached in the Report.

Outcome of the Planholder Meeting

3.3 The Planholder Meeting was held on 23 October 2018. The purpose of the Planholder Meeting was for Eligible Planholders (excluding those that had opted-out and those who were required to take advice but failed to do so) to cast their vote either for or against the Scheme. Eligible Planholders were able to vote either in person at the Planholder Meeting, or by proxy, including by post or online.

3.4 One of the requirements for the Scheme to proceed is that, of the Eligible Planholders voting in person or by proxy at the Planholder Meeting, a majority by number representing at least 75% in value must vote in favour of the Scheme. The result of the vote held at the Planholder Meeting was that 10,546 Eligible Planholders that voted were in favour of the Scheme representing 98.4% of Eligible Planholders that voted by count and 98.8% by value. Therefore, the voting criteria for the Scheme to proceed have been met.

3.5 Royal London initially estimated an opt-out rate of 10% of Eligible Planholders by value. Based on the number of Eligible Planholders that had opted-out at the time of writing (including those who voted against the Scheme) and the Eligible Planholders that were required to take advice but failed to do so, Royal London revised its expected opt-out rate for the purposes of the financial analysis in this report to 20% by value.

3.6 Based on the position at the date of the Planholder Meeting, the scheme opt-out rate is expected to be 22% by value (assuming that those planholders who voted against the Scheme subsequently correct their decision to an opt-out). While the figures included in this Supplementary Report are based on the expected opt-out rate at time of writing of 20%, the actual opt-out rate of 22% is broadly in line with the revised estimation. I am therefore comfortable that the analysis contained in this Supplementary Report remains appropriate. Overall, the opt-out rate is higher than originally anticipated, but is still significantly below the threshold at which the financial benefits of the Scheme are compromised.

3.7 The Report previously stated the financial figures using opt-out rates of 10% and 30%. Updated figures as at 30 June 2018 using opt-out rates of 10%, 20% and 30% are provided in Appendix B.

Scheme

3.8 I provided an outline to the Scheme in section 4 of the Report. There have been no material changes to the purpose or structure of the Scheme since it was presented to the Court at the Convening Hearing on 25 June 2018, and it remains applicable to the same planholders that it did when I considered the Scheme in the Report.

3.9 The following minor changes have been made to the Scheme since it was presented to the Court at the Convening Hearing on 25 June 2018:

- the definition of 'Verified Goneaway Included Planholder' was clarified and a duplicate definition of 'Solvency Capital Requirement' was removed.
- the percentage increases in Schedule 3 have been updated to reflect the correction of an error in the calculation of the Uplifts for male 86 PR Eligible Planholders and related changes have also been made to the definition of 'Included Planholder' and clause 9.3 of the Scheme (which deals with the inter-fund transfer between the Royal London Main Fund and the Scottish Life Fund). Paragraphs 3.20 to 3.31 below provide more information about this correction.

- several key dates have now been confirmed.

Calculation of the Uplifts

3.10 The Uplifts proposed under the Scheme based on the 30 June 2018 position are set out in the table below.

3.11 As detailed in my initial Report the construction of the offer has taken into account a number of factors and required several assumptions. Having reviewed experience observed since the Scheme was presented to the Court at the Convening Hearing on 25 June 2018, Royal London has determined that the methodology and assumptions used to construct the offer remain appropriate. The Independent Actuary agrees with this conclusion. The Independent Actuary Report included extensive detail of the methodology and assumptions adopted in Section 5 of his Report.

3.12 This table will be subject to review and adjustment prior to the Implementation Date, as discussed in paragraphs 3.15 to 3.19 below.

Age	Talisman Executive Pension Plan	Talisman Retirement Annuity Contract	86 AR	86 PR	Talisman Executive Pension Plan	Talisman Retirement Annuity Contract	86 AR	86 PR
	F	F	F	F	M	M	M	M
40								
41			57%	80%			68%	73%
42			57%	80%			67%	72%
43			56%	79%			66%	72%
44			56%	78%			66%	71%
45		67%	55%	78%			65%	71%
46		66%	54%	77%		79%	64%	70%
47	58%	65%	54%	76%	65%	78%	64%	70%
48	58%	65%	53%	75%	64%	78%	63%	69%
49	57%	64%	53%	74%	63%	77%	62%	68%
50	56%	63%	52%	73%	63%	76%	62%	67%
51	56%	63%	51%	72%	62%	75%	61%	66%
52	55%	62%	51%	71%	61%	74%	60%	66%
53	55%	61%	50%	71%	60%	74%	60%	65%
54	54%	61%	50%	70%	60%	73%	59%	64%
55	54%	60%	49%	69%	59%	72%	58%	63%
56	53%	60%	49%	69%	59%	72%	58%	62%
57	53%	60%	49%	68%	58%	71%	56%	62%
58	53%	60%	49%	68%	58%	71%	56%	62%
59	53%	60%	49%	67%	57%	71%	56%	62%
60	53%	60%	49%	66%	57%	71%	56%	62%
61	53%	60%	49%	66%	57%	71%	56%	60%
62	53%	60%	49%	66%	57%	71%	56%	60%
63	53%	60%	49%	66%	57%	71%	56%	60%
64	53%	60%	49%	66%	57%	71%	56%	60%
65	53%	60%	49%	66%	57%	71%	56%	60%
66	53%	60%	49%	66%	57%	71%	56%	60%
67	53%	60%	49%	66%	57%	71%	56%	60%
68	53%	60%	49%	66%	57%	71%	56%	60%
69	53%	60%	49%	66%	57%	71%	56%	60%
70	53%	60%	49%	66%	57%	71%	56%	60%
71	53%	60%	49%	66%	57%	71%	56%	60%
72	53%	60%	49%	66%	57%	71%	56%	60%
73	53%	60%	49%	66%	57%	71%	56%	60%
74	53%	60%	49%	66%	57%	71%	56%	60%
75	53%	60%	49%	66%	57%	71%	56%	60%

Worked example

3.13 In section 4 of the Report I provided a worked example of a typical plan for each of the product types included within the Scheme, and the associated plan size before and after the Scheme based on the Uplifts included within the Report.

3.14 The table below provides an updated worked example based on the latest Uplifts set out in paragraph 3.12 above.

Plan type	Current Age	Sex	Eligible rate*	Uplift	Plan value (pre-Scheme)	Plan value (post-Scheme)
Talisman Executive Pension Plan	60	M	0.94	57%	£57,000	£87,541
Talisman Executive Pension Plan	57	F	0.95	53%	£37,000	£55,630
Talisman Retirement Annuity Contract	59	M	0.95	71%	£37,000	£61,957
Talisman Retirement Annuity Contract	58	F	0.96	60%	£27,000	£42,552
86 AR	54	M	0.98	59%	£40,000	£63,128
86 PR	54	M	0.98	64%	£40,000	£65,088
86 AR	52	F	0.98	51%	£24,000	£35,995
86 PR	52	F	0.98	71%	£24,000	£40,699

* this is the percentage of the plan value which could be used to purchase a GAR at retirement, and is therefore eligible for the Uplift.

Recalculation of the Uplifts

3.15 As outlined in section 5 of the Report, changes to the outlook for future longevity improvements and movements in interest rates between the formal planholder mailing and the Implementation Date will necessitate the recalculation of the Uplifts under the Scheme, in order to ensure the continued fairness of the Scheme to all planholder groups. To allow sufficient time for the Uplifts to be recalculated ahead of the Implementation Date, a Percentage Increase Review Date has been agreed, at which the recalculation of the Uplifts will be performed. The Percentage Increase Review Date has been set to 14 November 2018, which is after the Sanction Hearing but before the Implementation Date. The recalculation of the Uplifts would take into account longevity assumptions and interest rates as at the Percentage Increase Review Date.

3.16 Any changes to the Uplift factors calculated at the Percentage Increase Review Date will be subject to a maximum reduction of 10% from the Uplift factors used in the formal mailing. For example, an Uplift factor of 160% would not be reduced to lower than 90% of 160% (i.e. 144%), and Royal London retains the right to abandon the implementation of the Scheme if there are severe interest rate movements during the period between the formal mailing and the Percentage Increase Review Date that would result in the Scheme causing material detriment to any group of planholders. A reduction of 10% in the Uplift factors calculated at the Percentage Increase Review Date from the Uplift factors in the formal mailing is broadly equivalent to the effect of a 1% rise in interest rates over the same period.

3.17 Since the Uplifts were calculated for the formal mailing Royal London has monitored interest rate movements to assess the potential impact that changes in interest rates may have on the final Uplifts. Interest rates have increased to some extent over this period with the maximum increase reaching around 0.25% at some points. This would correspond to a reduction in Uplift factors of up to 3% on average. However, at the time of writing, interest rates have since fallen back to a position where they are virtually unchanged in comparison to those used to calculate the original offer.

3.18 The Uplifts calculated for the formal mailing were based on the CMI 2017 model (which recognises the recent slowdown in mortality improvements) with an assumed long-term improvement rate of 1.5%, as it was anticipated that the use of this model would be approved for use in future regulatory capital calculations. Royal London intends to use the CMI 2017 model for longevity improvements for its year end 2018 regulatory capital calculations (with an assumed long-term improvement rate of 1.5%). This will be used as the basis for the longevity assumption when calculating the final Uplifts on the Percentage Increase Review Date.

3.19 Overall, interest rate movements have remained well below the 1% threshold and the longevity assumption used for the Uplifts is unchanged. If the Uplifts were to be recalculated based on current interest rates and the current longevity assumption, I would not expect any material change between these Uplifts and the Uplifts calculated for the formal mailing. It is important to note that this position may change, potentially materially, between now and the Percentage Increase Review Date. However, I would not anticipate the movement in Uplift factors to breach the 10% reduction cap, nor would the movement in interest rates be large enough to prevent Royal London from implementing the Scheme. In addition, I am comfortable that Royal London has the appropriate mechanism in place to calculate the final Uplifts as at the Percentage Increase Review Date.

Additional considerations

3.20 After my Report to the Court an error was identified in the Uplifts being calculated for 86 PR Eligible Planholders, due to the joint life annuity aspect of their underlying GARs. This resulted in male 86 PR Eligible Planholder Uplift factors being approximately 4% lower than they should have been and female 86 PR Eligible Planholder Uplift factors being approximately 2% higher than they should have been.

3.21 Royal London has considered how to best ensure fairness between different groups of planholders when taking account of the error and how to communicate the error to planholders consistent with the Principles 6 and 7 as set out in 2.1.1 of the PRIN handbook. In doing so, Royal London has consulted with its legal advisors and understands that the key test is whether an affected planholder would change their decision based on the new information.

3.22 To avoid any detriment to the male 86 PR Eligible Planholders their Uplifts have been amended to correct this error. Those male 86 PR Included Planholders will therefore receive an Uplift which is greater (all else being equal) than that communicated in the formal mailing. There is no reason to believe this information would alter these planholders' decisions and therefore Royal London does not view it as necessary to reissue the offer reflecting the increased uplift as a result of the error for this male PR86 Included Planholders.

3.23 As some PR86 male 86 PR Eligible Planholders may have already opted-out of the Scheme based on the Uplift communicated in the formal mailing, which contained the error, Royal London will write to those male planholders impacted offering them the option to withdraw their opt-out should their final uplifts be higher than those communicated in the formal mailing. I am satisfied that this approach treats these customers fairly and allows those planholders who may wish to change their decision based on the new information to do so.

3.24 Given that correcting female 86 PR Eligible Planholder Uplifts would result in a reduction in the Uplift previously communicated in the formal mailing (all else being equal), Royal London has proposed to maintain the error when their Uplifts are recalculated.

3.25 The cost to the Scottish Life Fund in honouring this basis for female 86 PR Eligible Planholders is around £6m. This would only have an impact of around 0.5% on the future distribution of the estate, which would equate to an impact of less than £100 on average across the c.60,000 policies entitled to Scottish Life Fund Estate distributions.

3.26 The Scheme is being run solely for the benefit of the Scottish Life Fund with no benefit to other funds, e.g. the Royal London Main Fund, other than, in that instance, a second order reduction in burn through cost. Accordingly, Royal London believes that it is appropriate that this additional cost of the Scheme be borne by the Scottish Life Fund. I am satisfied that it is fair for the Scottish Life Fund to bear this additional cost. The With Profits Committee, the Scottish Life Supervisory Committee and the With-Profits Actuary have also agreed that this is a fair approach.

3.27 An alternative approach could have been to re-issue the female 86 PR formal mailing allowing for a reduction in the Uplifts. This would have passed the cost of the error to the female 86 PR planholders rather than the Scottish Life Fund Estate while continuing to offer fair value for the GAR being given up. Royal London considers that given the complexity of the decision planholders are being asked to make that issuing an updated offer and requesting planholders to resubmit their decision part way through the voting window is likely to cause confusion. This approach could also undermine planholders' confidence in the scheme and could ultimately therefore lead to delays in the implementation of the Scheme. Re-running the scheme would carry a significant cost likely to be in excess of the £6m cost of honouring the existing basis.

3.28 Any delays to the implementation of the Scheme would also delay the benefits to Scottish Life With Profit planholders maturing in the near future while the risk that the Scheme becomes unviable due to interest rate movements in the meantime also increases.

3.29 Royal London also considered offering a retrospective opt-out to female 86 PR Included Planholders allowing them to opt-out after the Planholder Meeting thereby allowing the Scheme to be implemented within current timescales. Royal London believes that such an approach is unlikely to be accepted by the Court given that allowing a significant proportion of the Eligible planholders voting in favour of the Scheme to subsequently opt-out would interfere with the voting result declared at the Planholder Meeting calling the result into question. This issue doesn't exist for male 86 PR planholders being allowed to withdraw their opt-out as they are being handled outside of the Scheme.

3.30 Even if this approach were to be accepted by the Court the volume of potential retrospective opt-outs from female 86 PR planholders is likely to cause significant servicing issues. The process in place to retrospectively opt-out Gone-Away planholders is heavily reliant on manual intervention and it would not be practical to open this up to c. 9,000 female 86 PR planholders.

3.31 I am comfortable the proposed action to address the error for male 86 PR planholders is appropriate as a fair Uplift is being offered and those who may previously have opted-out as a result of the error will have the option to withdraw their opt-out. Additionally while female 86 PR Eligible Planholders may receive a slightly higher Uplift than they should have, I am comfortable that this does not have a material impact on the Scheme as the Independent Actuary's fairness criteria continue to be met. The additional cost to the Scottish Life Fund Estate of £6m is immaterial and the Scottish Life Supervisory Committee, the With Profits Committee and the With Profits Actuary all agree that honouring the original basis for female 86PR uplifts is appropriate and proportional.

3.32 The alternative approaches considered to address the error for female 86 PR Uplifts present significant risks to delivery of the project and therefore the benefits accruing to GAR planholders and to the Scottish Life With Profits planholders through increased estate distributions. I am therefore supportive of the proposed approach for addressing the error.

4 Updated financial information

Introduction

4.1 In this section I provide updated financial information as at 30 June 2018, including updated Scottish Life Fund plan information, updated pre-Scheme and post-Scheme balance sheets for both the Scottish Life Fund and the Royal London Main Fund, and any other relevant financial updates.

4.2 In section 6 I consider whether the updated financial information affects the analysis I performed in the Report in relation to the consequences of the Scheme. In section 7 I provide an overall view on whether the updated financial information affects any of the conclusions that I reached in the Report.

Scottish Life Fund

Plan information

4.3 The table below sets out the number of plans, fund value and base GAR reserve as at 30 June 2018 for all products within the Scottish Life Fund.

Product	Plan count	Fund value £m	GAR reserve £m
Plans with GARs and included within the Scheme			
Talisman Executive Pension Plan*	622	26	12
Talisman Retirement Annuity Contract	3,609	112	59
86 AR & PR**	28,164	908	456
Sub-total	*32,395*	*1,046*	*527*
Plans with GARs but excluded from the Scheme			
PPPOL	500	24	15
VRBP	386	6	4
PP Bonus Bond	16	1	1
PP Bond	37	1	1
Sovereign Plan	32	1	1
PGIA	29	1	1
Sub-total	*1,000*	*34*	*22*
Plans without GARs			
Non-GAR	70,970	1,133	-
Total	**104,365**	**2,212**	**549**

* Talisman Executive Pension Plan includes 13 plans branded as Talisman Hallmark Executive Pension Plan
** 86 (AR & PR) includes 27,963 Talisman Personal Pension Plans and 201 Talisman Group Personal Pension Plans

Balance Sheet

4.4 The table below shows the Scottish Life Fund balance sheet as at 30 June 2018 under the Internal Model before and after the Scheme using the currently expected opt-out rate of 20%. Please note that Royal London's Internal Model has not yet been approved by the PRA. The equivalent Standard Formula results can be found in Appendix A.

£'000	Pre-Scheme	Post-Scheme (20% opt-out)
Assets	2,919	2,507
Technical Provisions	2,575	2,294
Best Estimate Liabilities	*2,338*	*2,136*
Risk Margin	*236*	*159*
TMTP	371	244
Own Funds	715	457
SCR	420	148
Excess Capital	295	310
CCR	170%	309%

4.5 The Report uses the opt-out rates of 10% and 30% to compare the pre-Scheme and post-Scheme balance sheets as at 31 December 2017. The equivalent balance sheet sensitivities (10% and 30%), as at 30 June 2018, are detailed in Appendix B. Whilst the figures above are based on 20% opt-out rate, the direction and magnitude of movements are in line with those detailed in the Report. In particular, the Assets, Technical Provisions, TMTP, Own Funds and SCR all decrease as a result of the Scheme. Overall, this results in an increased amount of Excess Capital and a strengthened CCR. The reasons for these movements are the same as those detailed in the Report.

Other financial updates

Scottish Life Fund Estate

4.6 The table below shows the impact of the Scheme on the Scottish Life Fund Estate, based on the 30 June 2018 Internal Model results, using the currently expected opt-out rate of 20%. Please note that Royal London's Internal Model has not yet been approved by the PRA.

£m	Pre-Scheme	Post-Scheme (20 % opt-out)
Scottish Life Fund Estate	581	372

4.7 As shown in the Report as at 31 December 2017, the overall value of the Scottish Life Fund Estate is reduced following the Scheme, primarily due to the GAR take-up rate in the Offer Basis being higher than Royal London's best estimate of the GAR take-up rate. The GAR take-up rate assumption used in the Offer Basis is based on that used for regulatory reporting purposes, with an upwards adjustment. The justification for using an adjusted GAR take-up rate in the Offer Basis is set out in the Report. The impact as at 30 June 2018 is consistent with that as at 31 December 2017, with a similar scale reduction in the Scottish Life Fund Estate as a result of the Scheme.

4.8 As at 30 June 2018, the Scottish Life Fund distributes the Scottish Life Fund Estate to with-profits planholders with with-profits investments in the Scottish Life Fund (c. 60,000 plans) via an uplift to asset shares at maturity of 18%, This increase from 31 December 2017 was driven partly by changes to longevity assumptions and partly through increased confidence in the likelihood of the Scheme proceeding. If the Scheme is not implemented then it is expected that this ratio would reduce to around 12% in the short term. If the Scheme is implemented then it is anticipated that the uplift to asset shares may be increased to around 37%, based on an opt-out of 20%.

Royal London Main Fund

Balance Sheet

4.9 The table below shows the Royal London Main Fund balance sheet as at 30 June 2018 under the Internal Model before and after the Scheme using the currently expected opt-out rate of 20%. Please note that Royal London's Internal Model has not yet been approved by the PRA.

£'000	Pre-Scheme	Post-Scheme (20% opt-out)
Assets	52,627	52,864
Technical Provisions	48,962	49,199
Best Estimate Liabilities	*48,222*	*48,454*
Risk Margin	*740*	*745*
Own Funds	3,665	3,665
SCR	1,968	1,983
Excess Capital	1,697	1,682
CCR	186%	185%

4.10 As stated before, the post-Scheme balance sheet figures given in the Report are stated assuming 10% and 30% opt-out rates. Whilst the above post-Scheme figures are based on the currently expected 20% opt-out rate, the direction and magnitude of movements are in-line with those detailed in the Report. Namely, the Assets, Technical Provisions and SCR increase, and the Own Funds change only very slightly. This results in the Excess Capital and CCR decreasing slightly. The reasons for these movements are the same as those detailed in the Report.

Other financial updates

Inter-fund transfer

4.11 Within the Report I described the inter-fund transfer that will take place under the terms of the Scheme, which will consist of a transfer from the Royal London Main Fund to the Scottish Life Fund to offset the additional value-in-force ("VIF") accruing in the Royal London Main Fund as a result of the Scheme. The table below shows the inter-fund transfer as at 31 December 2017 and 30 June 2018 based on Internal Model results. Please note that Royal London's Internal Model has not yet been approved by the PRA.

£m	31 December 2017 (10% opt-out)	30 June 2018 (20% opt-out)
Inter-fund transfer	35.4	32.1

4.12 As can be seen in the table above, the inter-fund transfer has reduced slightly from 31 December 2017 to 30 June 2018. This is partly due to using an assumed opt-out rate of 10% as at 31 December 2017 and 20% as at 30 June 2018. However, the overall magnitude of the inter-fund transfer is consistent with that presented in the Report.

5 Consideration of planholder communications

Introduction

5.1 In this section I discuss the outcome of the planholder communications in relation to the Scheme, including a summary of responses received, information on the uptake of advice, objections and queries raised regarding the Scheme and an update on Gone-Away Planholders.

5.2 In section 7 I provide an overall view on whether the outcome of the planholder communications affects any of the conclusions that I reached in the Report.

Planholder communications outcome

5.3 Within section 4 of the Report I outlined the process for communicating with Eligible Planholders about the Scheme. The planholder communications process is now complete, with all planholders for whom a valid address was held having been sent the formal mailing, and a reminder mailing being sent to any planholders that had not responded to the formal mailing as at 10 September 2018.

5.4 In total, 29,087 formal mailing packs were sent to Eligible Planholders. As at 23 October 2018, the responses were split as follows:

- 10,546 votes in favour of the Scheme;
- 170 votes not in favour of the Scheme;
- 4,207 planholders opted-out of the Scheme;
- 443 planholders that were required to take advice either did not respond or failed to provide evidence of having taken advice, and are therefore expected to be opted-out of the Scheme; and
- as a result, a total of 15% of Eligible Plans by count and 22% of Eligible Plans by value are expected to be opted-out of the Scheme.

5.5 Despite extensive tracing carried out by Capita and LexisNexis, as at 1 October 2018 Royal London had been unable to verify the addresses held in respect of the holders of 3,282 Eligible Plans and was therefore unable to send these planholders personalised information about the Scheme, including illustrations of the potential impact of the Scheme on their plan value. However, Royal London did send further re-engagement letters and copies of the planholder circular to the holders of 1,675 of these Eligible Plans (where Royal London had a high level of confidence about the new address identified by LexisNexis's tracing) and also engaged the DWP to send a further re-engagement letter to the holders of a further 1,519 of these Eligible Plans.

5.6 In total, as at 23 October 2018, there had been 14,923 responses, representing 48.6% of Eligible Planholders by count. Therefore, 51.4% of Eligible Planholders did not respond to the formal mailing (i.e. did not opt-out, nor vote either for or against the Scheme). Whilst I acknowledge that the majority of Eligible Planholders did not respond to the formal mailing, I am comfortable with this outcome due to the process that has been followed in order to implement the Scheme, which includes individual policyholder communications and the involvement of an Independent Actuary, the PRA and the FCA and the Court. In addition, the conclusions I have reached in section 7 of this Supplementary Report are equally applicable to these planholders.

5.7 Royal London initially anticipated an opt-out rate of 10% of Eligible Planholders by value. As outlined in paragraph 3.5 above, whilst the opt-out rate of 22% by value is higher than anticipated, it is still significantly below the threshold at which the financial benefits of the Scheme are compromised.

Uptake of financial advice

5.8 As outlined in section 4 of the Report, there was an independent advice service available to Eligible Planholders during the voting window which was either free for planholders that were required by legislation to take advice prior to voting or otherwise materially subsidised. Equally, if Eligible Planholders who were required by legislation to take advice instead sought financial advice from their own financial advisor, Royal London subsidised the costs associated with seeking advice related to the Scheme. In total around 5% of Eligible Planholders took advice prior to voting in the Scheme, with 262 Eligible Planholders making use of the independent advice service provided by our appointed independent financial advisor, and an additional 1,302 Eligible Planholders seeking their own financial advice.

5.9 We estimated that 15% of Eligible Planholders would use the advice service offered or seek their own financial advice. Although the take up of advice has been lower than expected, I am satisfied that the formal mailings sent to Eligible Planholders contained sufficient information to make planholders aware of the advice service and subsidies offered. Additionally, there have been a significant number of calls made to our appointed independent financial advisor by Eligible Planholders with general queries on the Scheme.

Planholder objections

5.10 Planholders who have raised concerns about the fairness of the Scheme or the manner in which it has been implemented have been categorised as objections. All objections were reviewed on a weekly basis and at the date of the Planholder Meeting there had been 87 objections made by 80 separate individual Eligible Planholders since the date of the Convening Hearing. The theme of the objections received centred around the level of Uplift being offered or the default position of the Scheme requiring individuals to opt-out. All the objections will be provided to the Court as part of Royal London’s Court submissions. I am comfortable that the objections raised do not point to any material issues with the Scheme.

Planholder complaints

5.11 A number of complaints have also been received from Eligible planholders since the Scheme was launched, primarily in relation to administrative issues such as delays in receiving the formal mailing or issues with information previously provided. These are reviewed on a daily basis and represent a small proportion of the total population of Eligible Planholders. In total there were 90 complaints raised by Eligible Planholders at the time of writing in relation to the Scheme.

Gone-Away Planholders

5.12 Within section 6 of the Report I set out the approach to Gone-Away Planholders:

- Gone-Away Planholders that must take advice prior to voting in the Scheme will be automatically opted-out of the Scheme; and
- all other Gone-Away Planholders will be included within the Scheme, however, if they subsequently reengage with Royal London and are able to provide reasonable evidence that they were not living at an address to which Royal London sent the Planholder Circular, they will be offered an option to retrospectively opt-out of the Scheme.

5.13 Since the formal mailing several Eligible Planholders that were either at unverified addresses or were Gone-Away Planholders have reengaged with Royal London and have therefore been given the opportunity to opt-out or vote either for or against the Scheme. The Verified Gone-Away population has therefore reduced to 1,607 as at date of the Planholder Meeting.

6 Consequences of the Scheme

Introduction

6.1 Within the Report I considered the consequences of the Scheme for the various groups of planholders. In this section I consider whether any of the developments described in this Supplementary Report affect the analysis performed in the Report in relation to the consequences of the Scheme.

6.2 In section 7 I provide an overall view on whether any of the developments described in the Supplementary Report, and any resultant impacts on the consequences of the Scheme, affects any of the conclusions that I reached in the Report.

Financial position

6.3 The financial position of both the Scottish Life Fund and Royal London Main Fund before and after the Scheme, assuming the Scheme had been implemented on 30 June 2018, is set out in section 4.

6.4 The outcome of the Scheme, as described in paragraph 6.23 of the Report, will be a more stable and less risky Scottish Life Fund. This is expected to lead to lower capital requirements and greater freedom to distribute the Scottish Life Fund Estate to planholders at maturity. Therefore the reduction in Own Funds shown in section 4 is acceptable.

6.5 The financial impact of the Scheme on the Royal London Main Fund will be offset through the inter-fund transfer, and there will also be a small benefit to the Royal London Main Fund via the reduced burn-through risk, as described in section 6 of the Report.

6.6 Overall, the conclusions I reached within the Report regarding the financial impact of the Scheme on the Scottish Life Fund and the Royal London Main Fund remain unchanged. In addition, there have been no significant events since the 30 June 2018 that would be expected to cause a significant movement in the balance sheets of the Scottish Life Fund or the Royal London Main Fund and that would consequently deem my analysis in this Supplementary Report to be invalid.

Investment strategy

6.7 In paragraph 6.26 of the Report I noted that any changes to the investment strategy of the Scottish Life Fund Estate will mainly be driven by the Scheme opt-out rate. As detailed in paragraph 3.6 above, the actual Scheme opt-out rate is 22% by value. The investment strategy of the Scottish Life Fund will be reviewed in light of this outcome, and it is still expected that the Scheme will lead to greater investment freedom, and therefore an expectation of higher returns, which will potentially allow for higher distribution of the Scottish Life Fund Estate, despite the fall in the value of the Scottish Life Fund Estate immediately following the Scheme.

6.8 The investment strategy of the Royal London Main Fund will not be impacted by the Scheme.

Costs of the Scheme

6.9 In total around 5% of Eligible Planholders used financial advice when deciding how to vote for the Scheme. It was estimated that 15% of Eligible Planholders would use financial advice when calculating the expected costs of the Scheme. The lower than anticipated uptake of financial advice will reduce the overall cost of implementing the Scheme to the Scottish Life Fund.

6.10 As outlined in the Report, the Scottish Life Fund has met the majority of the costs of the Scheme and the Royal London Main Fund has met a small proportion of the costs related to IMAP. I am satisfied that this is a fair and sensible apportionment of the costs arising from the Scheme.

6.11 Overall, given that the costs associated with the provision of either subsidised or fully-funded financial advice to Eligible Policyholders were not higher than anticipated, and the additional costs to the Scottish Life Fund arising from the correction of the uplift error will not have any material impact on future distributions from the Scottish Life Fund, the conclusions I reached within the Report regarding the costs of implementing the Scheme, including the allocation of these costs, remain unchanged.

Charges

6.12 As detailed in paragraph 6.51 of the Report, the GAR charge will be removed for all Scottish Life Fund with-profit planholders following the Scheme.

6.13 All other charges will be unchanged by the Scheme, however should there be a material reduction in the solvency of the Scottish Life Fund Estate in the future we retain the right to reintroduce a charge for guarantees. Any reintroduction of a charge for guarantees will be subject to compliance with the relevant requirements, including the terms of the Scottish Life Fund Scheme, policy terms and conditions, and FCA and COBS rules around the treatment of with-profits planholders.

Interactions between the Scottish Life Fund and the Royal London Main Fund

Inter-fund transfer

6.14 As outlined in the Report, a transfer from the Royal London Main Fund to the Scottish Life Fund will be made to offset the additional VIF accruing in the Royal London Main Fund as a result of the Scheme. As shown in paragraph 4.11, the inter-fund transfer amount has reduced slightly from 31 December 2017 to 30 June 2018.

6.15 Overall, the conclusions I reached within the Report regarding the inter-fund transfer remain unchanged, and I still consider the inter-fund transfer to be an effective mechanism for offsetting the impact of the Scheme on the Royal London Main Fund.

Treating customers fairly

6.16 As stated in the Report, I believe the Scheme is consistent with the requirement to treat customers fairly with respect to both Eligible Planholders and all other planholders within Royal London.

6.17 The Independent Actuary has specified four fairness tests which were considered in the Independent Actuary Report. In the Independent Actuary's supplementary report he has reconsidered these fairness tests using information as at 30 June 2018, and I note that all of the tests set by the Independent Actuary continue to be met.

6.18 Royal London monitored the potential impact on voting values of movements in factors that affect the Uplifts that occurred between the date of the calculation of those voting values and the Planholder Meeting. I am satisfied that the impact of these movements was not sufficiently material to cause the calculated voting values to be inappropriate. I am also satisfied that the impact of correcting the error that was identified in the spreadsheet used to calculate the Uplifts for 86 PR Eligible Planholders was not sufficiently material to cause the calculated voting values to be inappropriate.

Planholder impacts

6.19 Within section 6 of the Report I outlined the impacts of the Scheme on the various groups of planholders, namely:

- Included Plans – Eligible Plans that did not opt-out of the Scheme;
- Opted-Out Plans – Eligible Plans that opted-out of the Scheme;
- Gone-Aways – Eligible Plans for which Royal London has lost contact;
- Other plans with GARs within the Scottish Life Fund that are excluded from the Scheme;
- Other plans within the Scottish Life Fund that do not have GARs; and

- Royal London Main Fund Plans not in the scope of the Scheme – those that are not captured by the Scheme.

6.20 Having reviewed the updated financial information, detailed in section 4, and considered the updated Uplift amounts, detailed in section 2, I am satisfied that there are no changes to the expected impacts of the Scheme on the various planholder groups from those described in section 6 of the Report.

7 Conclusion

7.1 Having considered any relevant developments since the Report was issued, the updated financial information for the Scottish Life Fund and the Royal London Main Fund and the outcome of the planholder communications, I am satisfied that the conclusions I drew in the Report in relation to the financial impact of the Scheme and the impact on planholders remain unchanged.

7.2 In summary, considering my conclusions in the Report and allowing for the additional information contained within this Supplementary Report, it is my opinion that:

- the Scheme represents the most appropriate approach to addressing the most significant issues affecting the Scottish Life Fund;
- the Scheme aligns with the company aim of managing the business in a way that benefits Royal London planholders;
- the planholder communications provided sufficient information to allow Eligible Planholders, including Gone-Away Planholders who subsequently reengage with Royal London, to make an informed decision as to whether to opt-out, or vote for or against the Scheme;
- the Scheme is structured in such a way that it is fair to the various planholder groups;
- the Scheme does not have a material adverse impact on the financial position of either the Scottish Life Fund or the Royal London Main Fund and, in fact, the solvency and security of the Scottish Life Fund is expected to improve as a result of the Scheme.

7.3 In forming this opinion, I have considered the supplementary reports of the With-Profits Actuary and the Independent Actuary, and there is nothing contained within these reports that represents a substantial difference to the views I express in this Supplementary Report.

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31ST OCTOBER 2018

A Standard Formula results

Scottish Life Fund

The table below shows the Scottish Life Fund balance sheet pre-Scheme and post-Scheme under various opt-out rate scenarios. The below results are determined using the 30 June 2018 Standard Formula results, which is the current reporting basis. The equivalent Internal Model results can be found in Appendix B.

We do not anticipate that the impact of the Scheme on the Royal London Group solvency position will be sufficiently material to trigger an immediate recalculation of Transitional Measures in 2018. However, Transitional Measures will be recalculated at 31 December 2019 in the normal course of business and will therefore reflect a significant reduction as a result of the Scheme. The presentation below includes this expected impact.

£'000	Pre-Scheme	Post-Scheme			
		0% opt-out	10% opt-out	20% opt-out	30% opt-out
Assets	2,919	2,405	2,457	2,507	2,558
Technical Provisions	2,650	2,155	2,246	2,327	2,408
Best Estimate Liabilities	*2,338*	*1,994*	2,070	*2,136*	*2,201*
Risk Margin	*312*	*160*	176	*192*	*207*
TMTP	394	243	258	274	289
Own Funds	663	493	469	454	438
SCR	356	134	149	164	179
Excess Capital	307	358	320	289	259
CCR	186%	367%	314%	276%	245%

There are known limitations in the Standard Formula approach in the assessment of the risk profile of Royal London and the Scottish Life Fund in particular. As such, Royal London manages the business on an Internal Model basis and is awaiting approval for use of its Internal Model for the basis of financial reporting going forward. For these reasons the rest of this Supplementary Report has been prepared using Internal Model results, as I believe these to be the most appropriate basis on which to assess the impact of the Scheme. I have however included the Standard Formula results above for completeness.

B Internal Model results

Scottish Life Fund

The table below shows the Scottish Life Fund balance sheet pre-Scheme and post-Scheme under various opt-out rate scenarios. The below results are determined using the 30 June 2018 Internal Model results. Please note that Royal London's Internal Model has not yet been approved by the PRA.

£'000	Pre-Scheme	Post-Scheme 10% opt-out	 20% opt-out	 30% opt-out
Assets	2,919	2,457	2,507	2,558
Technical Provisions	2,575	2,216	2,294	2,372
Best Estimate Liabilities	*2,338*	*2,070*	*2,136*	*2,201*
Risk Margin	*236*	*146*	*159*	*171*
TMTP	371	220	244	269
Own Funds	715	460	457	454
SCR	420	128	148	167
Excess Capital	295	332	310	287
CCR	170%	358%	309%	272%

Royal London Main Fund

The table below shows the Royal London Main Fund balance sheet pre-Scheme and post-Scheme under various opt-out rate scenarios. The below results are determined using the 30 June 2018 Internal Model results. Please note that Royal London's Internal Model has not yet been approved by the PRA.

£'000	Pre-Scheme	Post-Scheme 10% opt-out	 20% opt-out	 30% opt-out
Assets	52,627	52,893	52,864	52,836
Technical Provisions	48,962	49,228	49,199	49,170
Best Estimate Liabilities	*48,222*	*48,482*	*48,454*	*48,426*
Risk Margin	*740*	*746*	*745*	*745*
Own Funds	3,665	3,665	3,665	3,665
SCR	1,968	1,985	1,983	1,981
Excess Capital	1,697	1,680	1,682	1,684
CCR	186%	185%	185%	185%

C Glossary

Term	Glossary
Assets	An item or investment owned by a company regarded as having value and available to meet commitments.
Best Estimate Liability	The expected present value of future cash flows for current obligations, projected over a plan's run-off period, taking into account all up to date financial market and actuarial information.
Capital Coverage Ratio (CCR)	The capital coverage ratio is the eligible own funds divided by SCR and is a widely accepted measure of the financial strength of a fund.
Conduct of Business Sourcebook (COBS)	Rules published by the FCA applying to firms conducting designated investment and long-term life insurance business.
Convening Hearing	The first Court hearing of the Scheme. This will consider the terms of the Scheme and the Court will be asked to approve the convening of a meeting.
Department for Work and Pensions (DWP)	The government department responsible for welfare, pensions and child maintenance plans. It also administers the State Pension and a range of working age, disability and ill health benefits.
Eligible Plans/Planholders	Planholders that are eligible for the offer under the Scheme.
Estate	The Estate is the working capital of a with-profits fund, and is used to support smoothing and guarantees. It is also used to meet solvency capital requirements.
Excess Capital	The difference between the Own Funds and the SCR.
Gone-Away Plans	These are plans for which Royal London does not hold up to date contact information.
Guaranteed Annuity Rate (GAR)	A type of guarantee offered on pension plans that provides a specified minimum income at retirement per £1,000 of maturity value.
Independent Actuary	An independent actuary appointed to provide opinion and act as an adviser to the Scheme.
Included Plans/Planholders	Planholders that are included within the Scheme and do not opt-out.
Internal Model	Under Solvency II, firms can either use a standard formula to calculate their capital requirements, or build a bespoke model that more accurately reflects their risk profile, referred to as an Internal Model.
Internal Model Approval Process (IMAP)	The process for gaining approval for the Solvency II Internal Model from the Prudential Regulation Authority.
Offer Basis	The collective name for the assumptions used to calculate the Uplift percentages.
Opted-Out Plans/Planholders	Planholders that are included within the Scheme and vote to opt-out.
Own Funds	Under Solvency II, the excess of assets above those which are used to cover the Technical Provisions.
Planholder Meeting	A meeting where planholders can vote in person or by proxy for or against the Scheme.

Protected Rights (PR)	Benefits accrued when an individual chose to contract out of the Second State Pension on a money purchase basis.
Risk Margin	The risk margin is in addition to the best estimate liabilities, that providers are required to hold under Solvency II.
Royal London Main Fund	The core business fund within Royal London, consisting of the Royal London IB & OB Sub-Fund, Refuge Assurance IB Sub-Fund, United Friendly IB Sub-Fund and United Friendly OB Sub-Fund.
Scheme Implementation Date	This is the date on which those plans which did not opt-out will have the plan Uplift applied and the GAR removed.
Scheme of Arrangement	Here, this is the court-approved process in which an agreement is reached between Royal London and planholders on the proposed Scheme.
Scottish Life	The Scottish Life Assurance Company.
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 Scottish Life was transferred to Royal London.
Scottish Life Fund	A fund formed when Royal London acquired Scottish Life.
Solvency II	A European directive (Directive (2009/138/EC) on the taking-up and pursuit of the business of Insurance and Reinsurance) which codified and harmonised EU insurance regulation and, amongst other things, imposes requirements on the amount of capital insurance companies must hold to reduce the risk of insolvency.
Solvency Capital Requirement (SCR)	The amount of capital that is required to be held under Solvency II to ensure all quantifiable risks are taken into account.
Standard Formula	A risk-based mathematical formula used by insurers to calculate their Solvency Capital Requirement under Solvency II.
Technical Provisions	Under Solvency II, technical provisions are intended to equal the amount that another insurer would require in order to take over the insurance obligations.
Transitional Measure on Technical Provisions (TMTP)	TMTP is an allowance for the increase in Technical Provisions as a result of Solvency II.
Uplift	The increase to plan value in exchange for the GAR under the Scheme.
Value-in-Force (VIF)	Represents the present value of the profits that will emerge on the current in-force business.