Royal London (Scottish Life) GAR Compromise Scheme

Supplementary Report of the Independent Actuary on the proposed scheme of arrangement of the GAR plans of the Scottish Life Fund

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1 November 2018

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1 Introduction

Introduction

1.1 The Royal London Mutual Insurance Society Limited ("Royal London", "RLM" or the "Company") is offering some of the holders of plans with guaranteed annuity rates ("GARs"), hereafter known as the 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, or to opt out of this process and keep their plans as they are (the "Offer").

1.2 It is intended that the Offer will be effected through a scheme of arrangement under the terms of Part 26 of the Companies Act 2006 (the "Act"). This is referred to hereafter as the "Scheme of Arrangement" or "Scheme". Under Section 896 of the Act, a Court ordered Scheme Meeting is required to be held. The Act requires that a majority by number, representing at least 75% in value, of affected creditors present and voting at the Scheme Meeting (either in person or by proxy, including votes cast by post or online) vote in favour of the Scheme. In the context of the Scheme, the creditors are the planholders to whom the Offer is made and that do not choose to opt out or are not automatically opted-out of the Scheme. The Scheme Meeting was held on 23 October 2018, with 98.4% of creditors present and voting at the Scheme Meeting (either in person or by proxy, including votes cast by post or online), representing 98.8% by value, voting in favour of the Scheme. As a result, the voting thresholds were reached comfortably at the Scheme Meeting.

1.3 The Scheme must also be sanctioned by the Court, in this case the High Court of England and Wales, at a Sanction Hearing. The Sanction Hearing has been scheduled for 12 November 2018. Subject to additional protections, including my confirmation of the continued fairness of the Offer at the "Percentage Increase Review Date" of 14 November 2018, the Scheme will then take effect at 23:59 on a specified date, expected to be 7 December 2018 (the "Implementation Date"), following the delivery of a copy of the Court's order to the Registrar of Companies in England and Wales.

1.4 My name is Paul Coulthard and I have been appointed by the Company to carry out an independent actuarial review of the terms of the proposed Scheme. My role as "Independent Actuary" is to consider the fairness of the Offer in line with my Terms of Reference. While I am referred to as the "Independent Actuary" in relation to the Scheme, there is no statutory requirement for a report by an independent actuary to be produced for a scheme of arrangement under Part 26 of the Act and my role is not the same as any similarly-named roles contemplated anywhere in statute.

1.5 This report (my "Supplementary Report") has been prepared to supplement my original report relating to the Offer (titled "Report of the Independent Actuary on the proposed scheme of arrangement of the GAR plans of the Scottish Life Fund" and referred to herein as my "Report", together with my Supplementary Report, my "Reports"). It will be presented to the Court at the Sanction Hearing. My Supplementary Report should be read alongside my Report. It is likely that the Court will consider the contents of my Reports among other matters in deciding whether to sanction the Scheme.

1.6 An important feature of my Reports is that they are from an expert who is independent of the Company and therefore able to give an objective opinion on the fairness of the Offer. In paragraphs 1.13 to 1.17 of my Report, I confirmed that neither I, nor any of my immediate family, have any financial interest in the Company and that I did not believe that any previous Deloitte engagements compromised my independence, created a conflict of interest, or compromised my ability to form a view on the proposed Scheme. I confirm that this is still the case.

1.7 All definitions and abbreviations used in my Supplementary Report are included in the Glossary of this Supplementary Report.

The scope of my Report

1.8 My Terms of Reference have been agreed with the Company and are set out in Appendix A of my Report. They were also provided to Royal London's key regulators, the Prudential Regulatory Authority (the "PRA") and the Financial Conduct Authority (the "FCA"), at an early stage of my work to consider the Scheme.

1.9 The scope of this Supplementary Report is to consider any developments relevant to the Offer since my Report was issued which could materially affect my assessment of the fairness of the Offer. This includes updates to the terms of the Offer, results of the Offer Mailing, the concerns and objections expressed by planholders as a result of the Company's communications with them regarding the Offer, consideration of the outcome of the Scheme Meeting and an assessment of whether the Offer continues to meet my fairness criteria.

1.10 There is no statutory requirement for a report by an independent actuary to be produced for a scheme of arrangement under Part 26 of the Act and my role is defined exclusively by the Terms of Reference for my Reports.

1.11 Where relevant throughout my Reports, I have considered whether the potential impact of the Scheme varies depending on the different features of plans and planholders.

1.12 In line with my Terms of Reference, I am required to comment on the proposed Scheme, but my Reports are not concerned with possible alternatives to the Scheme.

1.13 To the best of my knowledge, I have taken account of all material facts in assessing the impact of the Scheme and in preparing my Reports.

1.14 In reporting on the Scheme as the Independent Actuary, I recognise that I owe a duty to the Court to assist on matters within my expertise. This duty overrides any obligation to the Company from whom I have received instructions. I believe that I have complied, and confirm that I will continue to comply, with this duty.

Regulatory and professional guidance

1.15 I am not aware of any guidance issued by the Regulators for reports relating to schemes of arrangement for life insurance companies, nor would I expect there to be given the non-statutory nature of my role.

1.16 There is also no specific guidance issued by either the UK Actuarial Profession or the Financial Reporting Council on the role of an Independent Actuary with respect to schemes of arrangement for life insurance companies. The Financial Reporting Council ("FRC") has issued standards which apply to certain types of actuarial work. I have prepared my Reports with the intention that they, and my actuarial work underlying them, 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 they do 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 Reports.

1.17 Chapter 18 of the Supervision Manual of the FCA's Handbook (the "Supervision Manual") provides guidance for scheme reports relating to the transfer of long term business under Part VII of the Financial Services and Markets Act 2000 ("FSMA"). Similarly, in April 2015, the PRA released a Statement of Policy on "The Prudential Regulation Authority's approach to insurance business transfers". While these materials are not directly applicable to the Scheme, there are some similarities between the processes and, where relevant, I have applied what I believe to be consistent principles in my consideration of the Scheme.

1.18 In my work, I have been assisted by partners and staff of Deloitte, who have acted under my direction and control. My work has also been subject to appropriate peer review, as required by the professional standards released by the Institute and Faculty of Actuaries and Deloitte's internal quality assurance processes. My peer reviewers were both qualified actuaries with extensive experience in the subject matter covered in my Reports. The opinions in my Reports are, however, my own.

Reliances and sources of information

1.19 In performing my review and preparing my Reports, I have relied on the accuracy and completeness of data and information provided to me by the Company, both written and oral. I have reviewed the information for consistency and reasonableness using my knowledge of the life insurance industry but have not otherwise verified it.

1.20 Similarly, I have relied on the Company's internal systems and controls and have not performed a specific review of these.

1.21 I am not an expert in legal matters and hold no qualifications in UK law (insurance regulations or otherwise). I am not therefore in a position to opine on legal matters. Given the nature of the role that I have been asked to perform, it is important that I understand the legal context of the Company's proposals and I discuss my approach in this regard in paragraphs 1.33 to 1.35 of my Report.

1.22 I have been in regular contact with the Company and have taken account of significant known or expected changes since my Report, including the Company's updated calculation of the Offer as at 30 June 2018 and its estimated impact on the Company.

1.23 Further details of reliances and sources of information are set out in paragraphs 1.30 to 1.42 of my Report.

1.24 All significant financial information, data and written information, on which I have relied, is listed in Appendix E.

Limitations

1.25 My Reports have been prepared solely for the use of the Company (including all its relevant committees and sub-committees, including the With-Profits Committee and Scottish Life Supervisory Committee) and the Court, and for the purpose of assisting in determining the fairness of the Scheme. My Reports may not be relied upon by any other party for any purpose whatsoever. Neither I nor Deloitte, its partners or staff owe or accept any duty to any other party and shall not be liable for any loss, damage or expense (including interest) of whatever nature which is caused by any other party's reliance on statements made in my Reports.

1.26 My Reports should not be construed as expressing opinions on matters of law, which are outside my expertise and for the Court to determine. However, as described in My Report, it necessarily reflects my understanding of certain legal matters and advice provided to the Company by its legal advisors and the Queens Counsel that have been consulted.

1.27 My Reports should be considered in their entirety, as parts taken in isolation may be misleading.

1.28 A copy of my Reports may be published on the website of the Company and made available for inspection at the offices of the Company. Otherwise, my Reports (or any extract from them) should not be published without the prior written consent of Deloitte.

1.29 My Reports have been prepared in accordance with the agreed terms of reference and for a specific purpose. No liability will be accepted for the use of my Reports for a purpose for which it was not intended or for the results of any misunderstandings by any user of my Reports. No liability will be accepted under the terms of the Contracts (Rights of Third Parties) Act 1999.

Structure of my Report

1.30 The structure of this Supplementary Report is as follows:

- Section 2 outlines my overall conclusions on any developments in respect of the Scheme since my Report, and my key considerations in reaching those conclusions;
- Section 3 provides my findings on any changes relevant to the Offer since my Report was issued, which could materially affect my assessment of the fairness of the Offer, and the approach used to roll forward the Offer and supporting analysis to the Percentage Increase Review Date;

- Section 4 provides a summary of the results from the Offer Mailing and the outcome from the Scheme Meeting; and
- Section 5 summarises the outcomes of the Fairness Criteria tests calculated at 30 June 2018.

2 Overall conclusion on the fairness of the Scheme

2.1 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. In particular, in this Supplementary Report, I have considered the changes since my Report and whether these resulted in any change to my conclusions in regard to fairness. Overall, nothing has emerged to cause me to conclude that it is unfair to proceed with the Scheme of Arrangement process:

- there have been no changes to the approach to calculating the Offer since my Report;
- there have been no changes to the purpose or structure of the Scheme since my Report and the small number of amendments which are proposed do not affect any of my conclusions in relation to the Scheme;
- I have considered the updates to the assumptions used to calculate the value of the uplift since my Report and believe that the assumptions are still appropriate for that use, noting that they reflect RLM's experience and other data;
- there have been no changes to the regulatory environment or the positions of any legal matters since my Report that would impact the fairness of the Scheme;
- at the Scheme Meeting held on 23 October 2018, 98.4% of Eligible Planholders who voted, representing 98.8% by value, voted in favour of the Scheme. This substantially exceeded the majority by number and 75% by value requirement set out in the Act;
- I am satisfied that my Fairness Criteria have been met based on financial analysis provided to me as at 30 June 2018. As part of this, RLM has considered the size of the uplift relative to the cost of buying an annuity on the open market and found that, on average, it was broadly in line, which is helpful supporting information for the value of the uplifts;
- I have reviewed the roll forward methodology to be used to determine the uplifts and Fairness Test results based on the economic conditions as at the Percentage Increase Review Date (14 November 2018) and found the approach to be appropriate;
- there were no objections or complaints raised by planholders which provided me with a reason to revise my conclusions on the fairness of the Scheme; and
- I have reviewed the Company's approach to addressing an error in the calculation of the uplifts for the PR86 Planholders that has been identified and I am satisfied that this approach does not result in the unfair treatment of any group of planholder. This is demonstrated by the fact that the Offer as at 30 June 2018, allowing for the Company's approach to remediation of the error, continues to meet my Fairness Criteria.

3 The construction of the Offer and roll-forward to the Percentage Increase Review Date

Introduction

3.1 In this section, I comment on changes to the Scheme (and, particularly, the uplift under the Offer) and any other changes that I am aware of that have been relevant in establishing my conclusions set out in Section 2. I also comment on the approach to calculating the uplifts and performing my assessment against the fairness criteria at the Percentage Increase Review Date.

Changes to the construction of the Offer since my Report

3.2 Since the Offer Mailing, the Company has monitored a number of factors which could influence the methodology and assumptions underpinning the Offer. These include external factors, such as interest rate movements and internal factors, such as observed planholder behaviour. Below I provide my views on whether the calculation methodology and resulting Offer values at 30 June 2018 remain appropriate in light of any changes to these factors.

The principles underlying the Offer

3.3 The Offer is being made to the same planholders as set out in my Report and, if the Scheme is approved, the uplifts will be applied to the plans of Eligible Planholders who do not (or are not deemed to) opt out of the Scheme ("Compromise Plans") as an increase to fund value (for plans with unit-linked investments) and/or asset share and guarantee (for plans with with-profits investments).

3.4 There have been no changes to the approach to be used to calculate the value of the Offer. The Offer is calculated by applying a percentage uplift factor to the value of the underlying plan, excluding any allowance for the GAR. The percentage uplift factor is calculated as the best estimate value of a representative sample plan with a GAR (which I refer to as the "Economic Value" of the plan including the GAR), divided by the best estimate value of a representative sample plan without a GAR. Further details on the calculation of the uplift factors were included in paragraphs 5.11 to 5.15 of my Report.

3.5 I provided an outline of the Scheme in Section 3 of my Report. Since it was presented to the Court at the Convening Hearing on 24 June 2018, there have been no changes to the purpose or structure of the Scheme; however, I understand that a number of minor amendments have been proposed, as outlined below:

- the definition of "Verified Goneaway Included Planholder" has been amended in order to clarify what documents need to have been sent to this group of planholders;
- the Scheme uplift factors in Schedule 3 have been updated to reflect the revised Male PR86 uplift factors following the correction of an error in the calculation of the original figures. This is discussed further in paragraph 3.13 to 3.22 of this Supplementary Report;
- related changes have also been made to the definition of "Included Plan" 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); and
- a small number of typing errors have been amended and key dates have now been confirmed.

None of these proposed changes affect any of my conclusions in relation to the Scheme.

Assumptions underlying the Offer

3.6 In my Report, I commented on the fairness of the Offer based on the Scheme having been implemented on 31 December 2017, the latest date at which the Company had performed a full analysis of the Offer. As set out in paragraph 3.66 of my Report, the final Offer will be based on the economic conditions as close to the Implementation Date as practically possible – this is the Percentage Increase Review Date which will be 14 November 2018.

3.7 In Section 5 of my Report, I discussed the appropriateness of each of the assumptions made by the Company in the calculation of the Offer. Since my Report, there have been developments in respect of the following assumptions, which I discuss in turn below:

- Discount rates;
- Post-retirement longevity; and
- Take-up rates.

3.8 There have been no developments that I wish to comment on in relation to the other assumptions outlined in my Report. The conclusions in my Report remain unchanged for these assumptions.

Discount rates

3.9 The Offer will be calculated using the interest rates published by the European Insurance and Occupational Pensions Authority ("EIOPA"). The interest rates published on 30 June 2018 used to calculate the Offer disclosed in my Supplementary Report are higher than those used to value the Offer at 31 December 2017 in my Report and broadly in-line with those as at 30 April used as the basis for the Offer Mailing. This increase results in the uplift factors calculated at 30 June 2018 in my Supplementary Report being lower than those calculated at 31 December 2017 that were disclosed in my Report and broadly similar to the uplifts used in the Offer mailing. The value of the actual uplift factors to be applied will be based on interest rates as at 14 November 2018. I note that interest rates as at Friday 26 October 2018 were very similar to those observed at 30 April 2018, trending slightly higher at longer terms. Unless this picture changes before 14 November, the actual uplifts will be similar to those used in the Offer Mailing all else being equal.

Post-retirement longevity

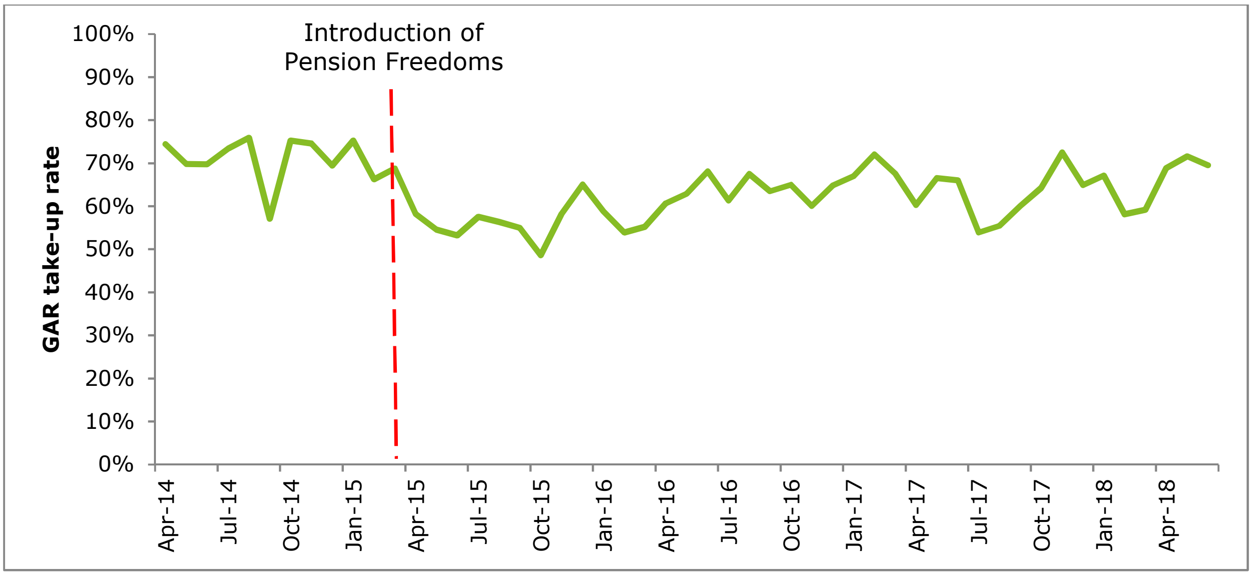
3.10 As set out in paragraph 6.4 of my Report, the Offer Mailing was based on uplifts calculated using the CMI 2017 model for longevity improvements, as the Company expected to move to using this model for its "best estimate" assumption for use in its regulatory valuation. The Company has confirmed that it will use the CMI 2017 model as its best estimate assumption for the year ending 31 December 2018, subject to any new data about longevity trends becoming available ahead of the end-of-year valuation. No such new data is expected to come to light. I believe that it is important that the longevity assumptions represent the Company's latest view of best estimate assumptions and I expect that the assumption used to calculate the uplift will also be used for the 31 December 2018 valuation.

Take-up rates

3.11 One of the key assumptions in the Offer calculation is the GAR take-up rate i.e. the proportion of fund value planholders choose on average to convert to an annuity at the GAR. This assumption was set at 75% in the calculation of the Offer, based on recent take-up experience observed by the Company and with reference to the current tax-free cash allowance of 25% (noting that different percentages may be applicable where, for example, the planholder has savings in excess of the lifetime allowance or has some protected rights from an older style pension scheme).

3.12 Given the significance of the take-up rate assumption, the Company has continued to monitor its GAR take-up experience to confirm that there would be no reason to change the assumed 75% take-up rate used for the calculation of the final Offer. The Company has provided an update to the actual take-up experience, in aggregate across all of its funds, from that available at the time of writing my Report. There has been no material movement in the take-up rate experience from the 66% of fund value, stated in paragraph 5.50 of my Report, which I used to assess this assumption. Given this, I believe that the 75% assumption remains appropriate and fair for the reasons outlined in paragraphs 5.49 to 5.56 of my Report.

Figure 3.1: Historic Company experience of GAR take-up by plan value between April 2014 and June 2018



Source: GAR TUR Experience 201404-201806 v1.1.xlsx

Additional Considerations

Correction to Offer calculation

3.13 Following the submission of my Report to the Court for the Convening Hearing, the Company identified an issue in the calculation used to determine the uplift factors for plans where the contractual benefits include spouse benefits. The issue resulted in the calculation of incorrect uplift factors in the Offer Mailing for all PR86 planholders.

3.14 The aggregate plan uplift values communicated to male PR86 planholders were approximately 4% lower than they should have been. In order to remediate the issue, the Company has corrected for the error in the calculation of the uplift factors for the male PR86 planholders. I believe that the Company's decision to correct the error for the affected male planholders is appropriate, as it would not be fair to offer this group of planholders an uplift lower than the amount due using the correct calculation.

3.15 The Company plans to notify the male PR86 planholders who chose to opt-out of the Scheme that their uplift disclosed in the Offer Mailing was understated and provide them with the opportunity to reconsider their decision to opt-out, if the final uplift value for these planholders is greater than that disclosed in the Offer Mailing. Whilst it may be unlikely that these planholders will change their minds, the corrected uplift does make the Offer more attractive (all else being equal) and so, in theory, the planholders may choose not to opt out on the basis of this new information. I believe that the approach satisfactorily considers the interests of the affected planholders, in line with the FCA's Principle 6 (which requires a company to pay due regard to the interests of its customers and treat them fairly). I am also satisfied that, in line with the FCA's Principle 7 (communications with clients), the planholders concerned will be provided with appropriate information about the error as required i.e. in the event where the final uplift factors for the male PR86 planholders are higher than those disclosed in the Offer Mailing.

3.16 The inter-fund transfer described in paragraphs 6.7 to 6.12 of my Report (the "Rebate"), will be revised to include an amendment for those male PR86 planholders who opt-out of the Scheme but change their decision once contacted by Royal London following the Scheme Meeting. I believe it is reasonable to adjust the Rebate for this, albeit, I would expect only a small number of planholders to take this action, and therefore the adjustment to the Rebate to be small.

3.17 The error resulted in the aggregate plan uplift values communicated to female PR86 planholders in the Offer Mailing being approximately 2% higher than those that would have been calculated had the error not occurred. The Company has chosen to continue to calculate the uplift values for female planholders using the formulae including the error to avoid any detriment to these planholders. All else being equal, this leads to uplifts that are greater than should have been calculated and the Company proposes that the cost (c. £6m) will be funded by the SLF Estate as the GARs are liabilities of the SLF.

3.18 The treatment of this issue in respect of the affected female planholders is a more finely balanced judgement than for the males as correcting the error would involve informing planholders that their uplift was to be reduced (rather than increased as for the males). On balance, I am supportive of the proposed approach to calculate the uplifts using the formulae including the error *provided that my Fairness Criteria continue to be met*. This is because although the planholders concerned will receive more than would be the case under the originally intended calculation, they will have used the figures in their Offer Mailing as the basis to decide whether to opt-out or not. I believe that informing the planholders that the uplift used in their Offer Mailing was higher than it should have been and is to be reduced creates a risk of confusing the individuals concerned. It adds an additional layer of complexity to an already difficult decision and I believe it would be hard for planholders to look at the decision objectively when dealing with the disappointment of learning that the uplift was to be reduced for an error. I believe the fairest thing to do for these planholders is to stand by the uplift factor originally communicated to them.

3.19 This leaves the question of whether this approach is fair to other planholders, specifically the with-profits planholders in the SLF. I am satisfied that it is appropriate for the SLF Estate to meet this additional cost as the SLF benefits from an improved financial position as a result of the Scheme, to the benefit of its with-profits planholders. I am also satisfied that, although the cost of providing this higher uplift will be borne by the SLF Estate, the with-profits planholders in the SLF will not be materially adversely impacted as the reduction in future pay-outs (of approximately 0.5%) is not material and will come in the form of reduced future distributions from the SLF Estate over time. This is outweighed by the benefit of the improved run-off of the SLF Estate enabled by the Scheme (including the fact that the Scheme enables the Company to improve SLF with-profits payout ratios soon after implemention). Finally, I note that the Royal London With-Profits Actuary and With-Profits Committee as well as the Scottish Life Supervisory Committee support the proposed course of action.

3.20 The Company has updated its analysis against my Fairness Criteria reflecting the revised position as at 30 June 2018 and allowing for the correction of the error. The only change to any of the outcomes of these fairness tests was in respect of the Fund Test, where the target is no longer met, but the hurdle for the test is passed. Further details of the results of the Fairness Tests can be found in Section 5 of this Supplementary Report. Given the above, I am satisfied that the interests of all planholders in the SLF have been taken into account, in line with the FCA's Principle 6. As the uplift factors disclosed in the Offer Mailing for the female PR86 planholders are being maintained I am satisfied that they do not require notification of the error as they are not being adversely impacted and that the approach is in line with the FCA's Principle 7. I am also satisfied that there is no need to communicate to the wider SLF with-profits policyholders regarding the additional £6m funded by the Estate as the Scheme leads to an improvement of the financial position of the fund overall.

3.21 The Company considered the practical implications of taking an alternative approach and correcting the uplift factors for female planholders. This could be implemented by delaying the voting process (effectively creating a requirement to rerun the process) or by offering the impacted planholders the opportunity to opt out of the Scheme after being informed of the reduction in their uplift due to the error. In both cases this would result in additional costs (particularly in respect of communications to planholders and any advice required to be provided). In the case of delaying the voting process, these additional costs would be expected to outweigh the £6m cost incurred by not correcting the error and would be likely to delay the implementation of the Scheme, which would be adverse to all planholders in the scope of the Scheme given the extended uncertainly and the implications for their retirement planning. Any delay would also expose the Scheme to the risk of increases in interest rates over an extended period which would act to reduce the uplifts being offered. In the case of offering a retrospective opt-out, the additional costs would atleast partially offset the £6m cost. Also I believe it is inevitable that there would be delays in the timescales for implementing the Scheme as a result of communicating with the impacted planholders to find out if they wish to opt-out and working through and communicating the practical and legal implications for the planholder vote of having some planholders that voted "for" and who then subsequently opt out. On the basis of this and my analysis above of the fairness of the Company's proposal to not correct these uplifts, I support the Company's approach.

3.22 Following the identification of this error, the Company commissioned a third party consultancy to perform an independent review of the models used to calculate the Offer, in which no further issues were identified.

Regulatory changes

3.23 There have been no changes to the regulatory environment specifically related to Pension Freedoms, annuities, Solvency II or any other factors which would impact the Scheme and any of conclusions derived in respect of the fairness of the Scheme, since my Report was published.

Legal issues

3.24 As set out in paragraphs 1.33 to 1.35 of my Report, I have relied on input from the Company's legal advisors and independent legal advice that I have commissioned. It is my understanding, following discussions with the Company's legal advisors, that there have been no changes to the positions of any legal matters set out in my Report.

Tax

3.25 In Section 9 of my Report I discussed the tax considerations arising from the Scheme. The Company has confirmed that there have been no changes to the Scheme since my Report that would alter the impact of the Scheme on the tax position of the Company. There has also been no further correspondence with Her Majesty's Revenue & Customs ("HMRC") with regards to the tax treatment of the Scheme.

3.26 Given the above, my conclusions in relation to tax are unchanged from my Report.

Conclusions on the construction of the Offer

3.27 I am satisfied that the methodology and assumptions to be used to calculate the Offer Uplifts continue to be appropriate. I can confirm that in my opinion the review of, and any adjustments to, the Percentage Increases as at the 30 June 2018 has been undertaken on a basis consistent in all material respects with the Percentage Increase Calculation Methodology.

Roll forward to Percentage Increase Review Date

3.28 A condition of the Scheme is that I confirm that the review of, and any adjustments to, the uplifts set out in Schedule 4 of the Scheme has been undertaken in-line with the Percentage Increase Calculation Methodology at the Percentage Increase Review Date of 14 November 2018. These uplifts will be calculated based on policy data as at 30 June 2018 and economic conditions as at the Percentage Increase Review Date. I am satisfied that this approach provides a reasonable basis on which to calculate the final uplifts.

3.29 I will also provide my conclusions on whether the final Offer meets the Fairness Criteria as at the Percentage Increase Review Date in a letter to the Company prior to the Implementation Date. As the Company will not perform full model runs between 30 June 2018 and the Implementation Date it has developed a methodology for rolling forward the estimated impact of the Scheme from 30 June 2018 to the Percentage Increase Review Date, driven by movements in interest rates, investment returns and policy exits over the period. The methodology has been tested on the period between 31 December 2017 and 30 June 2018 by comparing the results determined using this approach to the results generated by actuarial models as at 30 June 2018. Given this comparison, and my additional checks on the roll forward process, I am satisfied that the roll forward approach is an appropriate basis for assessing the results of my Fairness Criteria at the Percentage Increase Review Date.

3.30 Overall, I am satisfied that the roll forward approach is reliable and robust and provides a reasonable basis on which to calculate the final uplifts and conclude against my Fairness Criteria.

4 Planholder communications and the Scheme Meeting result

Introduction

4.1 As described in Section 10 of my Report, the Company has carried out a communication exercise to support planholders in deciding whether to opt out of the Scheme and to support the voting process. As well as the direct mailings relating to the Offer, the Company has provided access to free guidance and heavily-subsidised independent advice. This section sets out the results of the communication exercise, as well as addressing objections and significant queries raised by planholders, in correspondence relating to the Scheme. This section also provides an update on the Scheme Meeting.

4.2 Since my Report was submitted to the Court, the Company has provided me with updates on the progress of the Offer Mailing and the responses received from planholders.

4.3 The Company has completed the planholder mailing, sending the full Offer Mailing to a total of 29,087 Eligible Planholders out of the total of 30,694. The Company does not hold a verified address for a number of the Eligible Planholders and was therefore not able to send those planholders the full version of the Offer Mailing (since this would include confidential financial information about the value of the planholder's Eligible Plan). I describe the additional steps the Company has taken to re-engage with these gone-away Eligible Planholders in advance of the Scheme in paragraphs 4.6 and 4.7 below.

Number of planholders subject to the Scheme

4.4 I have been informed that, as at 23 October 2018, there were:

- Opt-out elections in respect of 4,207 Eligible Plans; and
- 443 Eligible Planholders who are required to take advice and had not obtained advice or responded to the Scheme, and are therefore currently expected to be deemed to have opted-out of the Scheme.

The Company is carrying out a process of writing to the 170 Eligible Planholders who voted against the Scheme to confirm whether they actually intended to opt out. Eligible Planholders who are required to get advice are also able to submit confirmation that they have obtained advice up to 30 November 2018 (and if they do so, they will not be automatically opted out of the Scheme). The number of opt-out elections and deemed opt-outs is therefore subject to change. However, on the basis of the figures as at 23 October 2018, the Company expects that a total of 4,650 planholders will be opted out of the Scheme – an opt-out rate of 15.1% of Eligible Planholders, representing 21.7% by plan value.

4.5 As a result, the Scheme is currently expected to apply to a total of 26,044 planholders (less any who claim before the Implementation Date and any planholders that voted against the Scheme who choose to opt-out having been contacted by the Company plus any additional planholders who are required to take advice and do so by 30 November and do not opt-out of the Scheme).

Gone-aways

4.6 Paragraphs 10.28 to 10.35 of my Report set out the Company's approach to "gone-away" planholders. The Company undertook an extensive tracing exercise as a result of which, by 1 October 2018, it had reduced the number of Eligible Plans held by planholders who are flagged on its systems as gone-aways and for whom it does not hold a verified address to 3,282. Since the Company does not have a verified address for these "known gone-aways", it was not able to send them the full Offer Mailing, including the personalised Offer. However:

- As a result of tracing activity carried out for the Company by their tracing partner LexisNexis, the Company had a high level of confidence that it held a new address for the holders of 1,675 of these Eligible Plans. The Company accordingly sent both a further re-engagement letter and a copy of the Offer Mailing to these Eligible Planholders at the newly identified address; and
- The Company had identified that the Department for Work and Pensions ("DWP") held an address for the holders of a further 1,519 of these Eligible Plans. The Company accordingly commissioned DWP to send a further re-engagement letter to these Eligible Planholders, which referenced the fact that the Company was carrying out the Scheme.

The Company was therefore able to reduce the number of Eligible Plans held by "known gone-aways" for whom no address at all had been identified to 88.

4.7 The Scheme sets out the Company's approach to providing a retrospective opt out for planholders who can prove that they were not living at the address the Offer Mailing was sent to at the time of issue. The precise number of planholders who will be able to exercise this right will clearly be fact-specific and depend on whether any addresses to which the Company sent the Offer Mailing were in fact accurate current addresses (even though they had been identified as gone-away addresses). However, assuming that the addresses identified by LexisNexis are correct, there may only be 1,607 Eligible Plans (the 1,519 traced by DWP and the 88 untraced) where the planholder was not sent a copy of the Offer Mailing.

Result of Scheme Meeting

4.8 On 23 October 2018, the Company held a Scheme Meeting, where the Compromise Planholders (those to whom the Offer was made who have neither opted-out of the Scheme nor, where relevant, failed to comply with the mandatory advice requirement set out in paragraphs 3.28 to 3.30 of my Report) were able to vote on whether to accept the Scheme or not. The result of the vote was that 98.4% of the 10,716 planholders who voted at the Scheme Meeting (either in person or by proxy, including votes cast by post or online), representing 98.8% by value, voted to approve the Scheme. This is significantly above the required thresholds of a majority by number, representing at least 75% by value.

4.9 As set out in paragraph 11.33 of my Report, the Company monitored the potential impact on voting values (based on the uplifts under the Offer) as a result of market movements between the date of calculation of those voting values (30 April 2018) and the Scheme Meeting. Having discussed the estimated impact of market movements in that period with the Company, I can confirm that I am satisfied that the impact was not significant enough as to cause the calculated voting values to be inappropriate. Given the above, and my considerations in respect of the correction made to the Offer described in 3.13 to 3.22, above, I am satisfied that recalculating the voting values would not have affected the outcome of the vote and therefore I do not believe there needs to be a recalculation of the voting values for the purposes of the Scheme Meeting, due to market movements or changes to the Scheme.

4.10 Following the Scheme Meeting, the Company intends to contact the 170 planholders who voted against the Scheme to check whether they had made a mistake and actually intended to opt out. I am satisfied that this approach protects against the possibility of planholders being bound by the Scheme where they in fact wished to preserve the GAR.

4.11 Overall, taking into account planholders who have elected to opt out prior to the vote and those planholders who were required to take advice to participate in the Scheme, but who did not do so, the overall opt-out rate is currently expected to be 15.1% by count and 21.7% by value. If all planholders who voted against the Scheme subsequently choose to opt out following contact by the Company this will rise to 15.7% by count and 22.2% by value. Given this, I am satisfied that the financial analysis provided by the Company (assuming 20% opt-out as a revised base scenario and 30% as a sensitivity) and set out in Section 5 is appropriate for drawing conclusions on the fairness of the Scheme using my Fairness Criteria.

Objections and complaints

4.12 Whilst the primary purpose of the Offer Mailing and communications exercise was to enable planholders to decide whether to opt-out and to facilitate the vote on the Scheme, a small number of planholders have raised objections or complaints relating to the Scheme and I believe it is important to consider these in my analysis of the Scheme and its fairness.

4.13 The Company has defined an objection as a communication that raises concerns about the fairness of the Scheme, including comments about the level of uplift offered. The complaints, on the other hand, cover a wider range of points relating to the administration of the planholder's plan, for example concerns with the speed or quality of response to a planholder's enquiry or delays in receiving confirmation of their decision. I have reviewed the Company's log which provides a summary of each objection and complaint along with the Company's response. In doing this, I have not sought to review the appropriateness of the specific outcome for each individual planholder but to identify themes to consider as part of my wider review of the fairness of the Scheme.

4.14 As at 24 October 2018, the Company had received objections in relation to the Scheme from a total of 80 individuals (who together made a total of 87 objections) since the date of the Convening Hearing. These included four individuals who also raised objections in response to the Appetite Mailing, prior to the Convening Hearing. At the same date, the Company had also registered a further 90 complaints as part of the communications received in response to the Offer Mailing.

4.15 In total, the number of objections and complaints received by the Company in response to the Offer Mailing represented approximately 2% of the 8,780 communications received by the Company in response to the Offer Mailing. At the same time, taking into account the 28 other individuals who raised objections to the Scheme prior to the Convening Hearing, the total of 108 Eligible Planholders who have registered objections to the Scheme represents less than 0.4% of the total number of Eligible Planholders at the date of the Scheme Meeting. Nevertheless, whilst all Eligible Planholders were provided with the option to opt out of the Scheme should they not wish to partake in the Scheme, I would still expect the Company to satisfactorily address all planholder objections and complaints.

4.16 On 30 October 2018, I received a final version of the Company's log showing all of the objections / complaints to have been closed and I have reviewed this log, focusing mainly on the objections. I have grouped my observations into themes. These are set out below alongside my considerations in relation to each. A number of planholders raised concerns about:

- the complexity and size of the Offer Mailing making it difficult to understand and process all the information. In addition, concerns were raised that the decision that planholders were being asked to record (i.e. to opt-out or to vote for / against) was expressed in a confusing way. I note that the Company performed customer testing exercises as part of the development of the Appetite Mailing documentation and this was reflected in the design of the Offer Mailing. The Company also offered a free guidance helpline and provided free or materially subsidised financial advice to assist planholders in making their decision on whether to opt-out of the Scheme. Based on the above I remain satisfied that there were sufficient resources available to help Eligible Planholders understand the Scheme and make an informed decision on opting out / voting;

- the removal of the GAR which they see as a valuable guarantee. I note that all Eligible Planholders have the option to opt-out of the Scheme and retain their GAR and this was explained in the documentation sent to planholders;

- the advice available. I note that Royal London provided free guidance through JLT, an independent financial advisor. As this was effectively an outsourced service, the Company worked with JLT to develop the approach that would be used to provide the guidance (including the guidance scripts), received weekly management information on the guidance process (for example, call lengths) and carried out quality assurance. Royal London also arranged for free or materially subsidised independent advice to be provided by JLT. This service was provided directly by JLT to planholders independently of Royal London (once Royal London had introduced the planholder to JLT). I covered the arrangements to provide guidance and advice in paragraphs 10.14 to 10.25 of my original Report and I have not reviewed any objections or complaints that would lead me to change my view of the arrangements put in place by Royal London as set out in my Report;

- the value of the Offer not meeting their expectations. Based on my review of the assumptions and methodology underpinning the Offer in Section 5 of my Report and Section 3 of this Supplementary Report, I am satisfied that the approach the Company has used to calculate the Offer resulted in a fair Offer value for Eligible Planholders. I am also satisfied that the Offer was applied fairly as the Offer, calculated at 30 June 2018, passed my Fund Test (see paragraphs 5.10 and 5.11 of this Supplementary Report) and Specimen Test (see paragraphs 5.12 to 5.15 of this Supplementary Report);

- non-respondents being bound by the Scheme or that a planholder had to take action in order to opt-out in order to retain their GAR. I note that the Company has taken extensive steps to track gone-away planholders and has significantly reduced the number of such planholders through these efforts. Any gone-away planholders that meet certain criteria will have the opportunity to opt-out retrospectively and retain their GAR as and when they re-engage;

- not being able to vote against the Scheme as they had chosen to opt-out. I note that the Offer, as at 30 June 2018, passed my Ongoing Feasibility Test (see paragraphs 5.20 to 5.32 of this Supplementary Report), so I am satisfied that the Scheme is not unfair to planholders that chose to opt-out;

- being subject to the mandatory advice requirement as set out in the Pension Schemes Act 2015. I note that this is a legal requirement, not one imposed by the Company, and that the Company arranged for a third party to provide the independent advice required at no cost to the impacted planholders. The Company also contributed the cost of the independent advice towards the cost of a planholder's choice of independent financial advisor – some planholders were concerned that this level of contribution was insufficient to source the required advice. I note the Company is not obliged to fund the cost of advice and do not believe it is unreasonable for planholders to make some contribution to obtaining such advice if they wish to explore participating in the Scheme;

- the timescales available for the planholder to make their decision particularly where the Offer Mailing needed to be re-sent for some reason. I understand from the Company that they have worked to the timings and deadlines set out for the Scheme process, but have reviewed situations brought to its attention on a case by case basis and in a small number of instances where circumstances are extenuating have granted extensions to certain planholders to register their decision;

- not receiving automatic confirmation of their decision to opt-out or their vote on the Scheme when responding online. A number of planholders that used the online process requested confirmation of their recorded decision (whether they had opted out / their vote) and this was provided by post;

- the uplifts not being fixed and that they will be recalculated at the Percentage Increase Review Date, based on economic conditions at that time. This was covered in paragraphs 5.58 to 5.66 of my Report where I concluded that the approach was fair as the uplift will be calculated in line with the Economic Value of the GAR at a specific date, the uplift is subject to a minimum level and options for fixing the uplift at the date of the Offer Mailing lead to process and economic risks that the Company does not feel are appropriate to accept as these may lead to detriment to the wider with-profits policyholders;

- a delay in receiving their Offer Mailing. I discussed this point with the Company and they are satisfied that this only affected a small proportion of planholders and that all affected planholders received packs ahead of the Scheme Meeting; and

- the costs incurred in the development and implementation of the Scheme and that the large majority of these costs would be charged to the Estate of the SLF. I note that the level of the costs incurred in respect of the Scheme are taken into account in the assessment against my Ongoing Feasibility Test (see paragraphs 5.20 to 5.32 of this Supplementary Report). As this test is passed I believe that there is no materially adverse impact to the (with-profits) planholders in the SLF and there is actually a benefit of the Scheme to the SLF in terms of it leading to a fairer and more stable run-off of the Estate.

4.17 There were a number of complaints that have arisen which are not related directly to the Scheme and consist of more general concerns / questions from individual planholders about their plans and their administration.

4.18 Based on my review of the objections and complaints raised by planholders, I am satisfied that there were no communications which provided me with a reason to revise my conclusions on the fairness of the Scheme. In addition, given that all Eligible Planholders were provided the opportunity to opt-out of the Scheme I am satisfied that planholders have the choice about whether to opt-out of the process and retain their GAR.

5 Assessment of Offer against Fairness Criteria

Introduction

5.1 In this section, I consider whether the Offer continues to meet my Fairness Criteria, as set out in Section 4 of my Report. These Fairness Criteria have been designed to support my assessment of whether the Offer is fair, as a whole, to the Non-Eligible Planholders in the SLF and RL Main Fund, as well as the Eligible Planholders with GAR liabilities in the SLF. My Fairness Criteria are:

- the **Estate Value Test**, which tests whether there is any positive impact on the Estate of RL Main Fund as a result of the Scheme, without a clear rationale for such an impact;
- the **Economic Value Test**, which tests whether the Offer to Compromise Planholders is consistent with the Economic Value of the GAR being given up;
- the **Ongoing Feasibility Test**, which tests whether the Offer has any adverse implications for the Non-Compromise Planholders; and
- the **Adverse Scenario Analysis**, which explores the impact of certain scenarios on the Economic Value of Eligible Planholders' uplifted pension pots assuming their GAR is compromised relative to the value of their plans including the GAR.

Basis of preparation of the results shown

5.2 The Company has updated the analysis of the Offer against the Fairness Criteria and performed the assessment as at 30 June 2018. The results of this assessment are summarised below.

5.3 The financial analysis in my Report focussed on the scenario where 10% of Eligible Planholders opted-out of the Scheme, as this represented the Company's best estimate of the opt-out rate following research and advice at that time. Ahead of the Scheme Meeting, the Company set its final estimate of the expected opt-out rate as 20%, based on the number of opt-outs that had been received at that point in time. As a result, the financial analysis of the expected impact of the Scheme is based on a 20% opt-out rate. I also reviewed the estimated impact for the scenario where 30% of Eligible Planholders opt-out as a sensitivity to confirm that my Fairness Criteria continue to be met should the actual opt-out exceed the 20% anticipated by the Company. As described in Section 3, the expected opt-out rate as at the date of the Scheme Meeting was 21.7% of Eligible Planholders by value. If all planholders who voted against the Scheme subsequently choose to opt out following contact by the Company, this will rise to 22.2% by value. As the highest expected opt-out rate of 22.2% is close to the estimate of 20% used in the Company's financial analysis and lies between this rate and the 30% sensitivity, it is my view that the analysis presented in this section can be used to assess whether the fairness criteria would be met at the actual level of opt-outs that were observed.

5.4 In paragraph 6.65 of my Report, I noted that the Company was considering the potential capital requirements arising from the existence of the retrospective opt-out for certain gone-away planholders. Following further analysis of the position and the results of the Offer Mailing, the Company has concluded that an additional liability of £1.6m and capital provision of £8.4m will be held in respect of these plans to cover the likelihood that these planholders will opt-out retrospectively. These impacts are reflected in the updated financial analysis in this section.

Estate Value Test

5.5 Table 5.1 shows the expected impact of the Scheme on the financial position of the RL Main Fund, as at 30 June 2018. Own Funds is a measure of the Estate of a with-profits fund. The table shows that there is no change in the level of the Own Funds for the RL Main Fund, and specifically no increase. This means that the test is passed. I note that the test continues to be met should the actual opt-out rate be closer to 30%, as shown in Table AB1.4 of Appendix B.

Table 5.1: Estimated impact of the Scheme (assuming a central estimate 20% opt-out rate by value) on the RL Main Fund Solvency II Balance Sheet incorporating the Company's internal view of the SCR as at 30 June 2018:

(£m)	Pre-Scheme	Post-Scheme
Opt-out rate by value (%)	N/A	20%
Assets	52,627	52,864
Technical Provisions	48,962	49,199
Own Funds(1)	3,665	3,665
Change in Own Funds(2) (%)	-	*0%*
SCR(3)	1,968	1,983
Excess Capital(4)	1,697	1,682
Change in Excess Capital(5) (%)	-	*(1)%*
Capital Coverage Ratio(6) (%)	186%	185%

Source: Results for Reports HY18 – IA u1 (20pc).xlsx provided by Royal London

(1) Assets less Technical Provisions

(2) Own Funds percentage movement from pre-Scheme to post-Scheme position

(3) Solvency Capital Requirement, based on the Company's view of this amount including the effect of assumed management actions

(4) Own Funds less SCR

(5) Excess Capital percentage movement from pre-Scheme to post-Scheme position

(6) Own Funds divided by SCR

5.6 Key to passing this test is the Rebate mechanism, which is discussed in paragraphs 6.7 to 6.12 of my Report. Without the Rebate, the RL Main Fund Estate will increase as a result of the Scheme. This is due to an increase in the value of future Annual Management Charges ("AMCs") for the RL Main Fund (as AMCs are calculated as a percentage of fund values and fund values will increase following the application of the uplifts). Through the Rebate, the Scottish Life Fund receives a transfer from the RL Main Fund in respect of these increased AMCs.

5.7 As noted in paragraph 6.10 of my Report, there is the potential for plans to lapse in the period immediately after the Implementation Date, as Compromise Planholders may seek to cash-in their plans after their uplift is applied. As a result, the Company will adjust the Rebate to reflect lapses in the year after the Implementation Date so that the Rebate from the RL Main Fund reflects the possibility for a short term spike in exits as a result of the Scheme. The calculated Rebate assumes that 10% of Compromise Plans will be lapsed in the year following the Scheme and a "true up" exercise will be performed 12 months after the Implementation Date in the event that the actual lapse experience differs from this assumption. This assumption and methodology remains consistent with that reviewed in my Report.

5.8 I am satisfied that, based on the position had the Scheme been effected on 30 June 2018, the Estate Value Test would have been met.

Economic Value Test

5.9 The Economic Value Test considers whether the Offer presented to the Eligible Planholders is broadly consistent with the Economic Value of the GAR being surrendered at both the aggregate fund level (assessed through the Fund Test) and at the level of individual representative plans (the Specimen Plan Test). The Economic Value Test also requires consideration of the reasonableness of the Offer with reference to external reference points, such as the level of annuity that could be purchased on the open market.

Fund Test

5.10 The Target for the Fund Test is that the aggregate uplift for all Eligible Plans should be within 1% of the corresponding Economic Value of the GAR at the same date, had the Scheme not been implemented. The results of the Fund Test are presented in Table 5.2 below:

Table 5.2: Estimated aggregate Economic Value of the GAR attached to the Eligible Plans compared to expected level of uplifts under the Offer as at 30 June 2018

	Result
Pre-Scheme Economic Value of the GAR benefits	£693.8m
Post-Scheme value of uplift	£701.8m
% Change	1.15%

Source: Results for Reports HY18 – IA u1 (20pc).xlsx provided by Royal London

5.11 The results of the Fund Test show that the change in Economic Value is slightly outside my 1% target, at 1.15%, meaning that the Target for the test has not been met. This is partly a result of the error in the calculation of the uplift factors which affected all PR86 planholders and resulted in an overstatement of the uplift factors for female PR86 planholders, as described in paragraphs 3.13 to 3.22. As the Company has chosen to maintain the original calculation of the female PR86 planholder uplift factors, these planholders will receive an uplift which is more than the Economic Value of their GAR. The total value of the additional uplift is £6m, which results in a post Scheme uplift value that is more than 1% higher than the pre Scheme Economic Value of the GAR benefit. However, as the Post-Scheme position is greater than 99% of the Pre-Scheme position, the Fund Test continues to meet its Hurdle. Although the Fund Test failed its Target as at 30 June 2018 I am satisfied that the Scheme is beneficial to the group of planholders who accept the Offer as the post Scheme uplift value is more than 1% higher than the pre Scheme Economic Value of the GAR benefit. I am also satisfied that this is not detrimental to Non-Compromise Planholders as the Ongoing Feasibility Test is passed, as outlined in paragraphs 5.20 to 5.32. On this basis, I am satisfied with the outcome of the Fund Test.

Specimen Plan Test

5.12 My Specimen Plan Test is designed to assess whether constructing the Offer at the sample plan level has led to an offer that is unfair when more granular representative specimen plans are considered. The sample plans which are used by the Company to set the Offer are distinct from the specimen plans that I have used to assess the fairness of the Offer. In particular, the specimen plans have been designed to reflect *all* of the plan features that apply to the Eligible Plans and, as such, reflect a more diverse set of features than the sample plans.

5.13 The Specimen Plan Test considers specimen plans which vary in characteristics e.g. product type, planholder gender, planholder age and nominated retirement date, and are intended to be sufficiently granular to reflect adequately the characteristics of all individual Eligible Plans. The test is designed to demonstrate that there are no sub-groups of plans which would be systematically adversely impacted as a result of the Scheme.

5.14 The results of the test are summarised in a set of eight tables – male and female results for each of the four product types - which can be found in Appendix C of this Supplementary Report. A percentage greater than 100% indicates that the value of the Offer is larger than the Economic Value of the GAR. A value lower than 100% indicates that the value of the Offer for the specimen plan is lower than the Economic Value of the GAR. The analysis has been performed using the uplifts calculated based on the position as at 30 June 2018 and are an update of Charts AG.1 to AG.8 from Appendix G of my Report, which were based on the position as at 31 December 2017.

5.15 The Target to be met for this test is that the Economic Value of each specimen plan immediately after the Implementation Date is at least 95% of the corresponding Economic Value at the same date had the Scheme not been implemented. As was the case for earlier versions of the uplifts, the Offer did not initially meet the requirements of this test for the same small sub-group of plans, but the uplifts for these plans were subsequently enhanced by the Company to bring the result of this test for these plans in line with other Eligible Planholders. Following this enhancement, all specimen plan uplifts met the 95% criterion and therefore the Target for the Specimen Plan Test has been met.

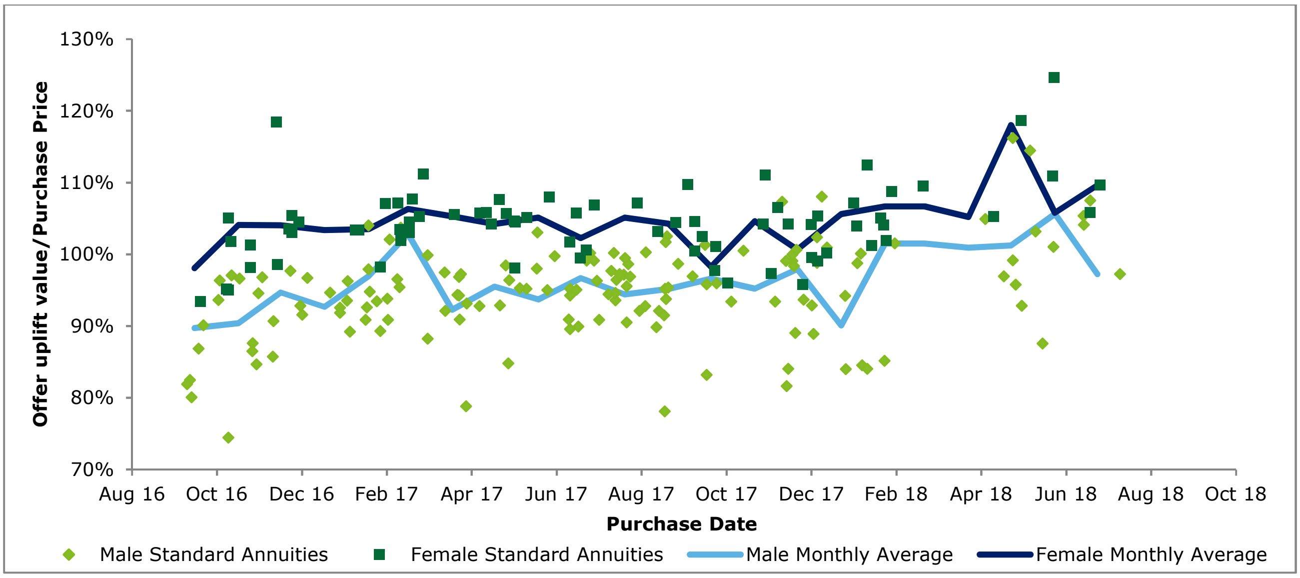
Reference to external benchmarks

5.16 As set out in paragraphs 6.36 to 6.42 of my Report, the Company performed an investigation between September 2016 and February 2018 comparing the value of the proposed uplifts from the Offer against the cost in excess of the fund value that would be required to purchase an annuity of equivalent income through the Company's Annuity Bureau. The calculations assume that 75% of the pension pot is converted into an annuity and 25% is taken as cash. The Company has now updated this analysis, extending it to July 2018. The results of this analysis are consistent with the results of the original investigation, in that the Offer has been, on average, close to being able to replicate the cost of an annuity on the open market over that period. This is shown in Figure 5.1 below, where the average uplift factor is expressed as a percentage of the average purchase price of an annuity on the open market for males and females separately.

5.17 The Company informed me that there was a minor discrepancy in the calculation of the ratios in respect of the female annuities in the equivalent graph, Figure 6.2, included in my Report, where the female calculations were referencing male mortality tables. The change does not impact the outcome of the original investigation i.e. it would still have passed, but it does mean that the Offer now appears to be relatively more attractive than the market options for females. Given the gender neutral pricing used in the open market and the gender specific nature of the Offer, this impact may be as expected given that females are expected to live longer than males and this is allowed for in the uplift value calculations.

5.18 One of the main factors driving the price of annuities on the open market over the investigation period was the publication of new data on life expectancy in March 2017. It is difficult to identify when this update would be reflected in market annuity prices as some companies would adopt the new data before others. The Company performed analysis of the value of the Offer uplifts against market annuity prices for different scenarios, one where it is assumed that the latest data is immediately adopted by the market and one where a one year lag is assumed. I would expect the timing of the actual pricing basis change to occur somewhere in the range of these two options. I have reviewed the Company's analysis and I am comfortable that, on average, the Offer has been close to being able to replicate the cost of an annuity on the open market over the period for each of the two scenarios. I am satisfied that this is a reasonable outcome as, even though the Offer is not designed to replicate open market annuities directly, the overall impact on a planholder had they looked to replicate the annuity income would have been limited on average and planholders benefit from increased flexibility.

Figure 5.1: Comparison of Offer uplift value to Purchase Price of annuity purchased through Company's Annuity Bureau



Source: Model - Bureau Data Analysis v4 (Female Gender).xlsm

Conclusion

5.19 Based on these results, I am satisfied that the Economic Value Test was passed overall at 30 June 2018.

Ongoing Feasibility Test

5.20 This test is designed to show that the implementation of the Scheme should not materially adversely impact the following items in respect of the Non-Compromise Planholders:

- benefit expectations;
- security of benefits;
- level of charges; and
- level of customer service.

5.21 In this Supplementary Report, I have revisited the analysis in respect of benefits expectations and the security of benefits to reflect the updated financial information that has been provided to me, as at 30 June 2018. My conclusions and rationale in respect of the level of charges and level of customer service are unchanged. These are set out in Section 6 of my Report.

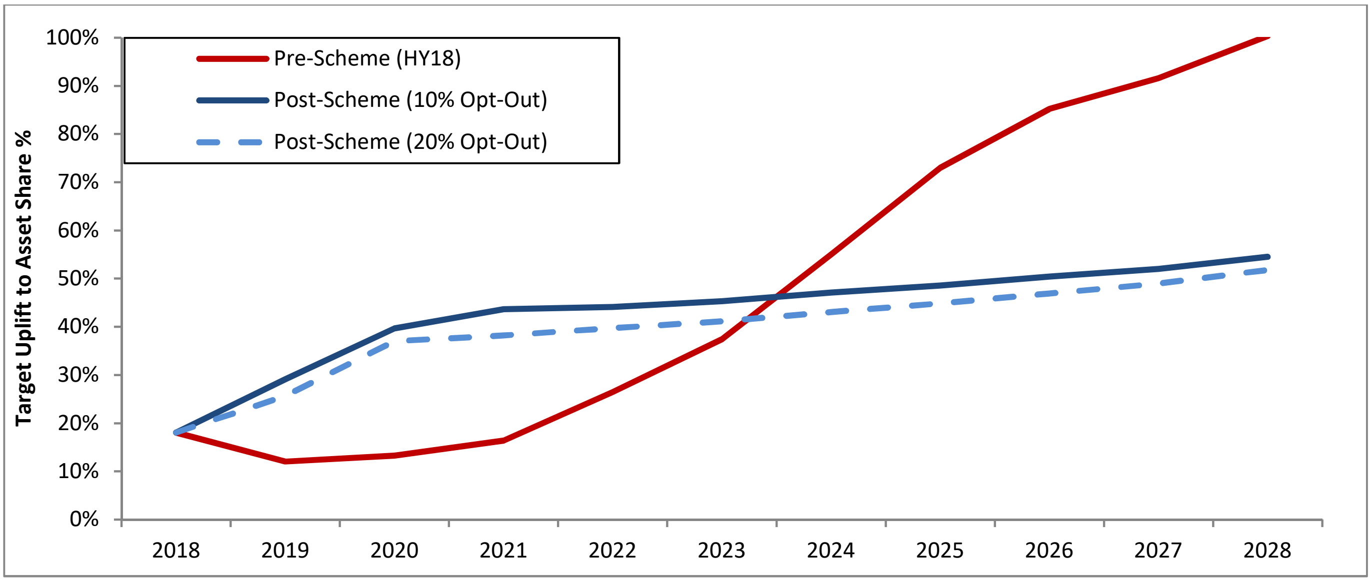
Benefit expectations

5.22 One of the key purposes of the Scheme is to support the effective management of the SLF as it reduces in size over time which impacts the benefit expectations of holders of with-profits plans in the SLF. In particular, the Scheme supports the effective run-off of the SLF Estate over time as reducing the GAR liability reduces the level of risk inherent in the SLF and the level of risk capital that needs to be held. This means that more of the Estate can be distributed in the short term and the distribution of the Estate is more stable over time it is less likely that risk crystalises requiring management actions to be applied. The analysis of the impact of this on benefit expectations was covered in paragraphs 6.44 to 6.54 of my Report.

5.23 The Company has updated the supporting analysis which demonstrates that the conclusions in relation to the benefit expectations of Non-Compromise Planholders continue to hold. The analysis is based on best estimate projections of future enhancements to asset shares which shows how the Estate is expected to be distributed pre and post Scheme and also the estimated likelihood of management actions needing to be applied in order to improve the solvency position of the SLF in times of financial stress.

5.24 In Figure 6.3 of my Report, I included a chart of expected annual enhancements to asset shares based on projections at 31 December 2017. The Company has provided an update to the expected annual enhancements based on projections as at 30 June 2018. The latest projections, in Figure 5.2, have broadly the same shape as those determined at 31 December 2017. Therefore my conclusion remains unchanged in that the Scheme will have a positive impact on the target annual enhancement profile, as it promotes a more equitable distribution between different generations of planholders.

Figure 5.2: Target annual enhancements to asset shares as at 30 June 2018



Source: Talisker Uplifts u11 HY18 20pc.xlsx

5.25 Table 5.3 below shows the Company's estimates of the likelihood of management paying out less than asset shares (applying the "Ultimate Management Action") in order to protect the solvency of the SLF. The picture remains similar to that shown in my Report as at 31 December 2017, with the Scheme leading to a significant reduction in the probability of the Ultimate Management Action being applied. In my view, this is positive for the management of the SLF as it is evidence of a more stable run-off of the Estate with much less likelihood that management actions need to be applied.

Table 5.3: Likelihood of applying the Ultimate Management Action in adverse scenarios

Opt-out rate	Status Quo	20%	30%
Likelihood of applying the UMA	39%	0%	1%

Source: Results for Reports HY18 – IA u1 (20pc).xlsx provided by Royal London

5.26 Given the reasons above, I am satisfied that the Non-Compromise Planholders will not suffer an adverse impact on their benefit expectations as a result of the Scheme and I am also satisfied that the Target for this test has been met.

Benefit Security

5.27 The Scheme should not result in a material adverse impact on the benefit security of the Non-Compromise Planholders. In order to confirm this is the case, I have considered its impact on the Own Funds of the SLF, as set out in Table 5.4 below.

Table 5.4: Estimated impact of the Scheme, assuming a 20% opt-out rate by value, on the SLF Solvency II Balance Sheet incorporating the Company's internal view of the SCR as at 30 June 2018

(£m)	**Pre-Scheme**	**Post-Scheme**
Opt-out rate by value (%)	N/A	20%
Assets	2,919	2,507
Technical Provisions	2,575	2,294
TMTP	371	244
Own Funds(1)	715	457
Change in Own Funds(2) (%)	-	*(36)%*
SCR(3)	420	148
Excess Capital(4)	295	310
Change in Excess Capital(5) (%)	-	*5%*
Capital Coverage Ratio(6)	170%	309%

Source: Results for Reports HY18 – IA u1 (20pc).xlsx provided by Royal London

(1) Assets plus Transitional Measure for Technical Provisions less Technical Provisions

(2) Own Funds percentage movement from pre-Scheme to post-Scheme position

(3) Solvency Capital Requirement

(4) Own Funds less SCR

(5) Excess Capital percentage movement from pre-Scheme to post-Scheme position

(6) Own Funds divided by SCR

5.28 As in my Report, the Own Funds of the SLF would have reduced by substantially more than the 1% target, had the Scheme been effected as at 30 June 2018, meaning that the Target for this test is not met.

5.29 The driver behind this failure is that two of the assumptions used in the calculation of the Offer were different from those used in the calculation of the Best Estimate Liabilities ("BEL"). The Company chose to allow for a 75% take-up rate rather than the 66% assumption currently used in the BEL. It also chose to assume that no planholder would lapse their plan and transfer out prior to retirement for the purpose of the Offer. These changes result in the total of the Offer uplifts being higher than the liability held against the GAR and therefore a decrease in the Own Funds.

5.30 However, it is important to note that the Scheme is expected to remove risk from the SLF and that the required capital (i.e. the SCR) will decrease as a result of the implementation of the Scheme. This results in an increase in the Capital Coverage Ratio and also a reduction in the likelihood of applying the UMA as shown in Table 5.3.

5.31 Overall, while the Own Funds of the SLF will reduce as a result of the Scheme, I am satisfied that there are good reasons for this and that the implications for benefit security are likely to be, in the round, positive for the planholders in the SLF. Additionally, as mentioned in my Report, the corresponding results based on the 31 December 2017 position (which were similar to the results shown above) were presented to the Board and WPC and they accepted that a reduction in the Own Funds due to the Scheme would not have an adverse impact on the Non-Compromise Planholders. Based on this approval by the Board, I am satisfied that the Hurdle for this test is met.

5.32 I note that this test also fails the Target when a 30% opt-out rate is assumed, as shown in Table AB1.1 in Appendix B of this Supplementary Report. Under this scenario the Excess Capital would also decrease marginally from £295m to £287m, as a result of the Scheme. However, as the Capital Coverage Ratio would increase from 170% to 272%, I am satisfied that the benefit security for the planholders in the SLF will still be improved and the Hurdle for the test would be passed. This enables me to conclude that the Hurdle would also be passed for the actual opt-out rate observed.

Adverse Scenario Analysis

5.33 This analysis explored the impact of changes to key assumptions or economic conditions on planholders who did not opt out of the Scheme. The analysis for the key risk identified, interest rate risk, has been updated and is consistent with the analysis in paragraphs 6.76 to 6.99 of my Report. The updated analysis is presented in Appendix D of this Supplementary Report. The relative Economic Value of a plan with the GAR relative to one without a GAR is more sensitive to changes in interest rates. This risk was clearly highlighted as part of the planholder communications and the guidance and advice provided and I am satisfied that the results of the Adverse Scenario Analysis do not mean that the Offer is not fair.

Overall assessment against My Fairness Criteria

5.34 As described above, my Fairness Criteria continue to be met as at 30 June 2018.

Appendix A: Scheme uplift factors

The Company has provided two updates to the uplift factors since those based on the financial conditions as at 31 December 2017 published in my Report. Figure AA1.1 sets out the uplift factors communicated in the Offer Mailing, which reflect the Offer calculated based on the financial conditions as at 30 April 2018 and the actuarial assumptions applicable at that date. I note that the 30 April 2018 uplift factors for male PR86 planholders have been increased from those communicated in the Offer Mailing due to the rectification of an error identified in the calculation of the uplift factors for the PR86 planholders which resulted in the aggregate plan uplift values for male PR86 Planholders in the Offer Mailing being understated by £30m. The aggregate plan uplift values for the female PR86 planholders were overstated by approximately £6m in the Offer Mailing as a result of the error; however the Company has chosen not to adjust the uplift factors in respect of the affected female PR86 plans, therefore they remain unchanged from those disclosed in the Offer Mailing. Further details of the error can be found in paragraphs 3.13 to 3.20 of this Supplementary Report.

Figure AA1.2 shows the updated uplift factors which reflect conditions as at 30 June 2018 and the correction to the Offer uplift calculation. The final Offer that will be applied to the fund values of Compromise Planholders on the Implementation Date will be calculated as at the Percentage Increase Review Date. These values are split by current age, gender and product type.

Table AA1.1: Offer uplift factors communicated in the Offer Mailing (calculated at 30 April 2018)

Age	EPP F	S226 F	AR86 F	PR86 F	EPP M	S226 M	AR86 M	PR86 M
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%	53%
59	53%	60%	48%	67%	57%	70%	56%	53%
60	53%	60%	48%	66%	56%	70%	56%	53%
61	53%	60%	48%	66%	56%	70%	56%	53%
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%
71	53%	60%	48%	66%	56%	70%	56%	53%
72	53%	60%	48%	66%	56%	70%	56%	53%
73	53%	60%	48%	66%	56%	70%	56%	53%
74	53%	60%	48%	66%	56%	70%	56%	53%
75	53%	60%	48%	66%	56%	70%	56%	53%

Source: SL Specimen Policies Analysis v2.014 April Recalculation.xlsm provided by Royal London

Table AA1.2: Offer uplift factors (calculated at 30 June 2018)

Age	EPP F	S226 F	AR86 F	PR86 F	EPP M	S226 M	AR86 M	PR86 M
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%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Appendix B: Summary Financial Information

Introduction

This Appendix provides a breakdown of the estimated financial impact of the Scheme had it been implemented as at 30 June 2018, as summarised in Section 5 of this Supplementary Report. These results are produced on a basis that reflects the Company's current internal view of capital requirements. The analysis focuses on the estimated financial impact of the Scheme based on an opt-out rate of 20%, which represents the Company's revised expected opt-out rate ahead of the Scheme Meeting and 30% which represents a sensitivity should the actual opt-rate exceed the Company's best estimate assumption of 20%.

Table AB1.1: Estimated impact of the Scheme on the SLF Solvency II Balance Sheet position determined on the Company's internal view of the SCR as at 30 June 2018

(£m)	Pre-Scheme	Post-Scheme	
Opt-out rate by value	**N/A**	**20%**	**30%**
Assets	**2,919**	**2,507**	**2,558**
Asset Shares	*1,085*	*1,215*	*1,199*
GAR costs	*549*	*193*	*272*
Other	*705*	*727*	*730*
Risk Margin	*236*	*159*	*171*
Total Technical Provisions	**2,575**	**2,294**	**2,372**
TMTP	371	244	269
Own Funds(1)	**715**	**457**	**454**
Change in Own Funds(2) (%)	**-**	***(36)%***	***(37)%***
SCR(3)	420	148	167
Excess Capital(4)	**295**	**310**	**287**
Change in Excess Capital(5) (%)	**-**	***5%***	***(3)%***
Capital Coverage Ratio(6)	**170%**	**309%**	**272%**

Source: Results for Reports HY18 – IA u1 (20pc).xlsx provided by Royal London

(1) Assets plus Transitional Measure for Technical Provisions less Technical Provisions

(2) Own Funds percentage movement from pre-Scheme to post-Scheme position

(3) Solvency Capital Requirement

(4) Own Funds less SCR

(5) Excess Capital percentage movement from pre-Scheme to post-Scheme position

(6) Own Funds divided by SCR

Table AB1.2: Breakdown of the 'Other' Technical Provisions in the SLF

(£m)	Pre-Scheme	Post-Scheme	
Opt-out rate by value	**N/A**	**20%**	**30%**
NP Deferred Annuity	182	182	182
GMP Cost	192	193	194
Guaranteed Benefit Costs	74	69	69
Smoothing Costs	8	10	10
Advice Costs	-	5	5
Cost of rebalancing assets and project costs	-	27	25
PV charges	(50)	(29)	(28)
AMC assets	-	(32)	(28)
Retrospective Opt-Out	-	2	3
Current Liability	299	299	299
Total	**705**	**727**	**730**

Source: Results for Reports HY18 – IA u1 (20pc).xlsx provided by Royal London

Table AB1.3: Step through of the estimated impact of the Scheme, assuming a 20% opt-out rate, on the SLF Solvency II assets and liabilities as at 30 June 2018

	Assets	BEL WP Asset Shares	 DA Asset Shares	 GAR	 Other	 **Total**	**Assets - BEL**
Pre-Scheme	2,919	759	325	549	705	2,338	581
1 - Remove GAR Charge	2,919	759	325	549	727	2,360	559
2 - Apply uplift	2,552	890	369	193	727	2,179	372
3 - Allow for potential Mass Lapse	2,507	857	358	193	727	2,135	372
4 - Allow for Rebate	2,507	857	358	193	695	2,103	404
5 - Allow for Project Costs	2,507	857	358	193	727	2,136	372
Final post-Scheme inc. Misc	2,507	857	358	193	727	2,136	372

(1) The GAR charge will no longer apply to WP plans in the SLF after the Scheme, resulting in an approximate £22m increase in the SLF BEL.
(2) The uplift for the Offer is applied to WP (£131m) and DA Asset Shares (£44m) in the SLF. The SLF GAR liabilities are reduced by £356m, as the GARs are given up. The assets decrease by £367m, as the UL plans with GARs which sit in the SLF, but are invested in the RL Main Fund can move over to sit in the RL Main Fund now that the GAR has been relinquished.
(3) 10% of uplifted plans are assumed to lapse immediately, which reduces the assets and asset shares as these plans go off the books.
(4) The allowance for the Rebate reduces the 'Other' liabilities in the SLF by approximately £32m.
(5) There are £33m of project costs payable by the SLF, which will increase the 'Other' liabilities.

Table AB1.4: Estimated impact of the Scheme on the RL Main Fund Solvency II Balance Sheet position determined on the Company's internal view of the SCR as at 30 June 2018

(£m)	**Pre-Scheme**	**Post-Scheme**	
Opt-out rate by value (%)	**N/A**	**20%**	**30%**
Assets	**52,627**	52,864	**52,836**
Asset Shares	*5,584*	*5,632*	*5,626*
Cost of Guarantees	*228*	*228*	*228*
Cost of Smoothing	*(16)*	*(16)*	*(16)*
Other Future Planholder Related Liabilities	*274*	*274*	*274*
Unit-Linked BEL	*41,663*	*41,864*	*41,840*
Late Vesting BEL	*113*	*134*	*132*
Other Liabilities	*377*	*377*	*377*
Additional VIF	*0*	*(39)*	*(34)*
Risk Margin	*740*	*745*	*745*
Technical Provisions	**48,962**	**49,199**	**49,170**
Own Funds(1)	**3,665**	**3,665**	**3,665**
Change in Own Funds(2) (%)	-	*0%*	*0%*
SCR(3)	1,968	1,983	1,981
Excess Capital(4)	**1,697**	**1,682**	**1,684**
Change in Excess Capital(5) (%)	-	*(1)%*	*(1)%*
Capital Coverage Ratio(6) (%)	**186%**	**185%**	**185%**

Source: Results for Reports HY18 – IA u1 (20pc).xlsx provided by Royal London
(1) Assets less Technical Provisions
(2) Own Funds percentage movement from pre-Scheme to post-Scheme position
(3) Solvency Capital Requirement, based on the Company's view of this amount including the effect of assumed management actions
(4) Own Funds less SCR
(5) Excess Capital percentage movement from pre-Scheme to post-Scheme position
(6) Own Funds divided by SCR

Supplementary financial information

This section provides a breakdown of the estimated financial impact of the Scheme had it been implemented as at 30 June 2018, with the results produced on a Standard Formula, rather than Internal Model, basis. Although the Company uses its Internal Model in the day to day management of the Company, and is considered by the Company to be more appropriate than the Standard Formula, it has not yet been approved for external reporting use. As such the Company is required to use the Standard Formula, which is a basis prescribed by EIOPA used for calculating the Solvency II Balance Sheet position, for its external reporting purposes. As shown in Table AB1.5 below, the impact on the Own Funds on a Standard Formula basis is broadly in line with the impacts observed on the Internal Model basis, shown in Table AB1.1. However, the improvement in the Capital Coverage Ratio as a result of the Scheme is lower on a Standard Formula basis than Internal Model as the post Scheme Standard Formula SCR as the latter does not reflect the risk associated with the rate of GAR take-up (which reduces through the Scheme). Given there is still a significant improvement in the Capital Coverage Ratio as a result of the Scheme on a Standard Formula basis I am satisfied with the results.

Table AB1.5: Estimated impact of the Scheme on the SLF Solvency II Balance Sheet position determined on a Standard Formula view of the SCR as at 30 June 2018

(£m)	Pre-Scheme	Post-Scheme	
Opt-out Rate	**N/A**	**20%**	**30%**
Assets	**2,919**	**2,507**	**2,558**
BEL	*2,338*	2,136	*2,201*
Risk Margin	*312*	192	*207*
Total Technical Provisions	**2,650**	**2,327**	**2,408**
TMTP(1)	394	274	289
Own Funds(2)	**663**	**454**	**438**
Change in Own Funds(3) (%)	**-**	***(32)%***	***(34)%***
SCR(4)	**356**	**164**	**179**
Excess Capital(5)	**307**	**289**	**259**
Change in Excess Capital(6) (%)	**-**	***(6)%***	***(16)%***
Capital Coverage Ratio(7) (%)	**186%**	**276%**	**245%**

Source: SFSCR HY18 Results v5 (values) 20pc.xlsx

(1) Transitional Measures for Technical Provisions; an allowance for the increase in technical provisions under Solvency II relative to the previous solvency regime

(2) Assets and TMTP less Technical Provisions

(3) Own Funds percentage movement from pre-Scheme to post-Scheme position

(4) Solvency Capital Requirement, including Transitional Measures for Technical Provisions

(5) Own funds less SCR

(6) Excess Capital percentage movement from pre-Scheme to post-Scheme position

(7) Own Funds divided by SCR

Appendix C: Compliance with Fairness Criteria

Economic Value Test – Specimen Plan Test

Figures AC.1 to AC.8 below show the results of the Economic Value Test on a specimen plan basis for male and female planholders of each of the four product types. Each figure shows the value of the Offer uplifts (had the Scheme been implemented as at 30 June 2018) expressed as a percentage of the Economic Value of the GAR at the same date. A percentage greater than 100% indicates that the value of Offer is larger than the Economic Value of the GAR. A value lower than 100% (represented by a red colour) indicates that the value of the Offer for the specimen plan is lower than the Economic Value of the GAR. The darker the shade of the colour, the larger the difference between the Offer and the actual Economic Value of the GAR.

The Target to be met for this test is that the Economic Value of each specimen plan immediately after the Implementation Date is at least 95% of the corresponding Economic Value at the same date, had the Scheme not been implemented.

Using its initial analysis, the Company only identified one small subset of planholders (Male PR86 Planholders aged 58 or over and retiring at age 60) which failed the Specimen Plan Test. In these cases the Offers only represented 94% to 95% of the Economic Value of the associated GAR. The Company subsequently improved the Offer for the affected group, to ensure that all specimen plans met the requirements of the test.

Given this adjustment, there are no specimen plans which would fail this test had the Scheme been implemented as at 30 June 2018, and therefore I am satisfied that the Specimen Plan Test has been passed at this date. I note this test will be repeated for the final Offer calculated at the Percentage Increase Review Date. I expect the Company to make equivalent adjustments to the uplifts for any subset of planholders that fail the test as at the Percentage Increase Review Date in order to meet the Target for this test.

Figure AC.1: Uplift factors as a percentage of the Economic Value of GAR for female EPP planholders

	Retirement Age																
Current Age	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
46																	
47	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%	102%	103%	104%	105%
48	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	101%	102%	102%	103%	103%	104%	105%
49	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	103%	104%	105%
50	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	104%	105%
51	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	101%	102%	102%	103%	103%	104%	105%
52	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%	102%	103%	104%	105%
53	100%	100%	100%	100%	101%	101%	101%	101%	101%	101%	102%	102%	102%	103%	104%	104%	105%
54	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	101%	102%	102%	103%	103%	104%	105%
55	100%	100%	100%	100%	101%	101%	101%	101%	101%	101%	102%	102%	103%	103%	104%	104%	106%
56	99%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%	102%	102%	103%	103%	104%	105%
57	99%	100%	100%	100%	101%	101%	101%	101%	101%	102%	102%	102%	103%	103%	104%	105%	106%
58	99%	100%	100%	100%	101%	101%	101%	102%	102%	102%	102%	103%	103%	104%	104%	105%	106%
59	99%	100%	100%	101%	101%	101%	102%	102%	102%	102%	103%	103%	104%	104%	105%	105%	107%
60	98%	99%	100%	101%	101%	101%	102%	102%	102%	103%	103%	104%	104%	104%	105%	106%	107%
61		99%	100%	100%	101%	102%	102%	102%	103%	103%	104%	104%	104%	105%	106%	106%	107%
62			99%	100%	101%	102%	102%	102%	103%	103%	104%	104%	105%	105%	106%	107%	108%
63				100%	101%	101%	102%	103%	103%	104%	104%	105%	105%	106%	106%	107%	108%
64					100%	101%	102%	102%	103%	104%	104%	105%	105%	106%	107%	107%	109%
65						100%	101%	102%	103%	104%	104%	105%	105%	106%	107%	108%	109%
66							101%	102%	103%	104%	104%	105%	106%	106%	107%	108%	109%
67								101%	102%	103%	104%	105%	106%	106%	107%	108%	109%
68									102%	103%	104%	105%	106%	106%	107%	108%	110%
69										102%	103%	104%	105%	106%	107%	108%	110%
70											103%	104%	105%	106%	107%	108%	110%
71												103%	105%	106%	107%	108%	110%
72													104%	105%	107%	108%	110%
73														105%	106%	108%	109%
74															105%	107%	109%
75																106%	109%
76																	108%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AC.2: Uplift factors as a percentage of the Economic Value of GAR for male EPP planholders

	Retirement Age																
Current Age	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
46																	
47	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%	105%	107%	108%
48	100%	99%	99%	99%	99%	100%	100%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%
49	99%	99%	99%	99%	99%	99%	100%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%
50	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%	105%	107%	109%
51	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	103%	104%	105%	107%	108%
52	99%	99%	99%	99%	99%	99%	100%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%
53	99%	99%	99%	99%	99%	99%	99%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%
54	99%	99%	99%	99%	100%	100%	100%	100%	100%	101%	102%	102%	103%	104%	105%	107%	108%
55	99%	99%	99%	99%	99%	99%	100%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%
56	99%	99%	99%	99%	99%	100%	100%	100%	101%	101%	102%	102%	103%	104%	105%	107%	108%
57	98%	98%	99%	99%	99%	99%	100%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%
58	98%	98%	99%	99%	99%	100%	100%	100%	101%	101%	102%	102%	103%	104%	105%	107%	109%
59	97%	98%	98%	98%	99%	99%	100%	100%	100%	101%	102%	102%	103%	104%	105%	107%	108%
60	96%	97%	98%	98%	99%	99%	100%	100%	101%	101%	102%	103%	103%	104%	106%	107%	109%
61		97%	98%	98%	99%	99%	100%	100%	101%	101%	102%	103%	104%	105%	106%	107%	109%
62			97%	98%	99%	99%	100%	100%	101%	102%	102%	103%	104%	105%	106%	108%	109%
63				97%	98%	99%	100%	100%	101%	102%	103%	103%	104%	105%	107%	108%	110%
64					98%	99%	99%	100%	101%	102%	103%	104%	104%	106%	107%	108%	110%
65						98%	99%	100%	101%	102%	103%	104%	105%	106%	107%	109%	110%
66							98%	99%	101%	101%	102%	103%	105%	106%	107%	109%	111%
67								99%	100%	101%	102%	103%	104%	106%	107%	109%	111%
68									99%	101%	102%	103%	104%	106%	107%	109%	111%
69										100%	101%	103%	104%	105%	107%	109%	111%
70											100%	102%	104%	105%	107%	108%	111%
71												101%	103%	105%	106%	108%	110%
72													102%	104%	106%	108%	110%
73														103%	105%	107%	110%
74															104%	107%	109%
75																106%	109%
76																	108%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AC.3: Uplift factors as a percentage of the Economic Value of GAR for female S226 planholders

	Retirement Age																
Current Age	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
44																	
45	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%	100%	100%	100%
46	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	99%	99%	100%
47	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%
48	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	100%
49	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%
50	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%
51	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	100%
52	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%
53	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%
54	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	100%
55	99%	100%	100%	100%	100%	100%	100%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%
56	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%	99%	100%	100%
57	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
58	100%	100%	100%	100%	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	101%
59	99%	100%	100%	100%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%
60	99%	100%	100%	100%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%
61		99%	100%	100%	101%	101%	101%	101%	101%	101%	102%	101%	102%	101%	102%	102%	102%
62			99%	100%	101%	101%	101%	101%	102%	102%	102%	102%	102%	102%	102%	102%	102%
63				99%	100%	101%	101%	102%	102%	102%	102%	102%	102%	102%	102%	102%	102%
64					100%	100%	101%	101%	102%	102%	102%	102%	102%	102%	103%	103%	103%
65						100%	101%	101%	102%	102%	102%	102%	103%	103%	103%	103%	103%
66							100%	101%	101%	102%	102%	102%	103%	103%	103%	103%	103%
67								100%	101%	102%	102%	102%	103%	103%	103%	103%	104%
68									100%	101%	102%	102%	102%	103%	103%	103%	104%
69										100%	101%	102%	102%	103%	103%	103%	104%
70											100%	101%	102%	102%	103%	103%	104%
71												101%	101%	102%	103%	103%	104%
72													101%	102%	102%	103%	103%
73														101%	102%	103%	103%
74															101%	102%	103%
75																101%	102%
76																	101%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AC.4: Uplift factors as a percentage of the Economic Value of GAR for male S226 planholders

	Retirement Age																
Current Age	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
45																	
46	102%	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%
47	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%
48	102%	102%	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%
49	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%
50	102%	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%
51	102%	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%
52	102%	101%	101%	101%	100%	100%	100%	100%	100%	99%	99%	99%	100%	100%	100%	100%	101%
53	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%
54	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%
55	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%
56	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%
57	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%
58	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%
59	100%	100%	100%	101%	101%	101%	101%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%
60	99%	100%	100%	100%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	102%	102%
61		99%	100%	100%	101%	101%	101%	101%	101%	101%	101%	101%	101%	101%	102%	102%	102%
62			99%	100%	100%	101%	101%	101%	101%	101%	101%	101%	101%	102%	102%	102%	103%
63				99%	100%	100%	101%	101%	101%	101%	101%	102%	102%	102%	102%	102%	103%
64					99%	100%	100%	101%	101%	101%	101%	102%	102%	102%	102%	103%	103%
65						99%	100%	100%	101%	101%	101%	102%	102%	102%	102%	103%	103%
66							99%	100%	100%	101%	101%	101%	102%	102%	103%	103%	103%
67								99%	100%	100%	101%	101%	102%	102%	102%	103%	103%
68									99%	100%	100%	101%	101%	102%	102%	103%	103%
69										99%	100%	100%	101%	102%	102%	103%	103%
70											99%	100%	101%	101%	102%	102%	103%
71												99%	100%	101%	101%	102%	103%
72													99%	100%	101%	102%	102%
73														99%	100%	101%	102%
74															99%	100%	101%
75																99%	101%
76																	99%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AC.5: Uplift factors as a percentage of the Economic Value of GAR for female AR86 planholders

	Retirement Age																					
Current Age	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
44	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%	102%	103%
45	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%
46	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%
47	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%
48	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%
49	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%	102%
50	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%
51	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%
52	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%
53	99%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%
54	99%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%	102%
55	97%	98%	99%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	102%
56		98%	98%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	101%	101%	101%	102%	102%
57			98%	99%	99%	100%	100%	100%	100%	101%	101%	101%	101%	101%	101%	101%	101%	101%	102%	102%	102%	103%
58				98%	99%	100%	100%	100%	101%	101%	101%	101%	101%	101%	101%	101%	102%	102%	102%	102%	103%	103%
59					99%	99%	100%	100%	101%	101%	101%	101%	101%	102%	102%	102%	102%	102%	102%	103%	103%	104%
60						99%	100%	100%	101%	101%	101%	102%	102%	102%	102%	102%	102%	103%	103%	103%	104%	104%
61							99%	100%	101%	101%	101%	102%	102%	102%	102%	103%	103%	103%	103%	104%	104%	104%
62								99%	100%	101%	101%	102%	102%	102%	103%	103%	103%	103%	104%	104%	104%	105%
63									100%	101%	101%	102%	102%	102%	103%	103%	103%	104%	104%	104%	105%	105%
64										100%	101%	102%	102%	103%	103%	103%	104%	104%	104%	105%	105%	106%
65											100%	101%	102%	102%	103%	103%	104%	104%	104%	105%	105%	106%
66												101%	102%	102%	103%	103%	104%	104%	105%	105%	106%	106%
67													101%	102%	103%	103%	104%	104%	105%	105%	106%	106%
68														101%	102%	103%	104%	104%	105%	105%	106%	107%
69															101%	102%	103%	104%	105%	105%	106%	107%
70																102%	103%	104%	105%	105%	106%	107%
71																	102%	103%	104%	105%	106%	107%
72																		103%	104%	105%	106%	107%
73																			103%	104%	105%	106%
74																				104%	105%	106%
75																					104%	106%
76																						105%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AC.6: Uplift factors as a percentage of the Economic Value of GAR for male AR86 planholders

	Retirement Age																					
Current Age	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
40																						
41	102%	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%	105%
42	102%	102%	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%
43	102%	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	103%	104%
44	103%	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	104%
45	102%	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%
46	102%	102%	102%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	103%	104%
47	103%	102%	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	104%
48	102%	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%
49	102%	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	103%	104%
50	102%	102%	102%	102%	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	104%
51	102%	102%	101%	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%
52	101%	101%	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	103%	104%
53	101%	101%	101%	101%	101%	101%	101%	101%	101%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	104%
54	100%	100%	100%	101%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%
55	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	103%	104%
56		99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	104%
57			98%	98%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	100%	100%	100%	100%	101%	101%	102%	103%
58				98%	98%	99%	99%	99%	99%	99%	99%	99%	100%	100%	100%	100%	100%	101%	101%	102%	103%	103%
59					98%	98%	99%	99%	99%	99%	100%	100%	100%	100%	100%	100%	101%	101%	102%	102%	103%	104%
60						98%	98%	99%	99%	99%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	103%	104%
61							98%	99%	99%	99%	100%	100%	100%	100%	101%	101%	101%	102%	102%	103%	104%	105%
62								98%	99%	99%	100%	100%	100%	101%	101%	101%	102%	102%	103%	103%	104%	105%
63									98%	99%	99%	100%	100%	101%	101%	101%	102%	102%	103%	104%	104%	105%
64										98%	99%	100%	100%	101%	101%	102%	102%	103%	103%	104%	105%	106%
65											98%	99%	100%	100%	101%	101%	102%	103%	103%	104%	105%	106%
66												99%	99%	100%	101%	101%	102%	103%	103%	104%	105%	106%
67													99%	100%	100%	101%	102%	102%	103%	104%	105%	106%
68														99%	100%	101%	102%	102%	103%	104%	105%	106%
69															99%	100%	101%	102%	103%	104%	105%	106%
70																99%	100%	102%	103%	104%	105%	106%
71																	100%	101%	102%	103%	104%	106%
72																		100%	101%	103%	104%	105%
73																			101%	102%	104%	105%
74																				101%	103%	105%
75																					102%	104%
76																						103%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AC.7: Uplift factors as a percentage of the Economic Value of GAR for female PR86 planholders

	Retirement Age																
Current Age	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
44	101%	101%	102%	102%	103%	103%	104%	104%	105%	106%	106%	107%	108%	109%	111%	112%	114%
45	101%	102%	102%	102%	103%	104%	104%	105%	105%	106%	107%	107%	108%	110%	111%	112%	114%
46	101%	101%	102%	102%	103%	103%	104%	105%	105%	106%	107%	107%	108%	109%	111%	112%	114%
47	101%	101%	102%	102%	103%	103%	104%	104%	105%	106%	106%	107%	108%	109%	110%	112%	113%
48	101%	101%	102%	102%	103%	103%	104%	104%	105%	106%	106%	107%	108%	109%	110%	112%	113%
49	101%	101%	102%	102%	103%	103%	104%	104%	105%	105%	106%	107%	108%	109%	110%	111%	113%
50	101%	101%	102%	102%	103%	103%	104%	104%	105%	105%	106%	107%	108%	109%	110%	111%	113%
51	101%	101%	102%	102%	103%	103%	104%	104%	105%	105%	106%	107%	108%	109%	110%	111%	113%
52	101%	101%	102%	102%	102%	103%	103%	104%	105%	105%	106%	106%	107%	109%	110%	111%	113%
53	101%	102%	102%	103%	103%	104%	104%	105%	105%	106%	106%	107%	108%	109%	110%	112%	113%
54	101%	101%	102%	102%	103%	103%	104%	104%	105%	106%	106%	107%	108%	109%	110%	111%	113%
55	101%	101%	102%	102%	103%	103%	104%	104%	105%	106%	106%	107%	108%	109%	110%	111%	113%
56	101%	101%	102%	103%	103%	104%	104%	105%	106%	106%	107%	107%	108%	109%	111%	112%	113%
57	100%	101%	102%	103%	103%	104%	104%	105%	105%	106%	107%	107%	108%	109%	110%	112%	113%
58	100%	101%	102%	103%	103%	104%	105%	105%	106%	107%	107%	108%	109%	110%	111%	112%	114%
59	100%	101%	102%	102%	103%	104%	105%	105%	106%	106%	107%	108%	109%	110%	111%	112%	114%
60	99%	100%	101%	102%	103%	103%	104%	105%	106%	106%	107%	108%	109%	110%	111%	112%	113%
61		99%	101%	102%	103%	104%	104%	105%	106%	107%	107%	108%	109%	110%	111%	113%	114%
62			100%	102%	103%	104%	105%	105%	106%	107%	108%	109%	110%	111%	112%	113%	114%
63				101%	103%	104%	105%	106%	106%	107%	108%	109%	110%	111%	112%	114%	115%
64					102%	103%	105%	106%	107%	107%	108%	109%	110%	111%	113%	114%	115%
65						103%	104%	105%	107%	108%	109%	109%	111%	112%	113%	114%	116%
66							104%	105%	106%	108%	109%	110%	111%	112%	113%	115%	116%
67								105%	106%	107%	109%	110%	111%	112%	114%	115%	117%
68									105%	107%	108%	110%	111%	112%	114%	115%	117%
69										106%	108%	109%	111%	112%	114%	115%	117%
70											107%	109%	111%	112%	114%	116%	117%
71												108%	110%	112%	114%	116%	117%
72													109%	112%	113%	115%	117%
73														111%	113%	115%	117%
74															112%	115%	117%
75																114%	116%
76																	116%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AC.8: Uplift factors as a percentage of the Economic Value of GAR for male PR86 planholders

	Retirement Age																
Current Age	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
40																	
41	96%	97%	97%	98%	98%	99%	100%	100%	101%	102%	102%	103%	104%	106%	107%	109%	110%
42	96%	97%	97%	98%	98%	99%	99%	100%	100%	101%	102%	103%	104%	105%	106%	108%	110%
43	97%	97%	97%	98%	98%	99%	99%	100%	101%	101%	102%	103%	104%	105%	106%	108%	110%
44	96%	97%	97%	98%	98%	99%	99%	100%	100%	101%	102%	102%	103%	105%	106%	107%	109%
45	97%	97%	98%	98%	98%	99%	99%	100%	101%	101%	102%	103%	104%	105%	106%	108%	109%
46	97%	97%	97%	98%	98%	99%	99%	100%	100%	101%	102%	102%	103%	105%	106%	107%	109%
47	97%	97%	98%	98%	99%	99%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%	109%
48	97%	97%	98%	98%	99%	99%	99%	100%	101%	101%	102%	103%	104%	105%	106%	107%	109%
49	97%	97%	98%	98%	99%	99%	99%	100%	100%	101%	102%	102%	103%	105%	106%	107%	109%
50	97%	97%	98%	98%	98%	99%	99%	100%	100%	101%	102%	102%	103%	104%	106%	107%	108%
51	97%	97%	98%	98%	98%	99%	99%	100%	100%	101%	101%	102%	103%	104%	105%	107%	108%
52	97%	98%	98%	98%	99%	99%	100%	100%	101%	101%	102%	103%	104%	105%	106%	107%	109%
53	97%	97%	98%	98%	99%	99%	100%	100%	101%	101%	102%	102%	103%	104%	106%	107%	108%
54	97%	97%	98%	98%	99%	99%	100%	100%	101%	101%	102%	102%	103%	104%	105%	107%	108%
55	96%	97%	98%	98%	99%	99%	99%	100%	100%	101%	102%	102%	103%	104%	105%	107%	108%
56	96%	97%	97%	98%	98%	99%	99%	100%	100%	101%	101%	102%	103%	104%	105%	106%	108%
57	96%	97%	97%	98%	99%	99%	100%	100%	101%	101%	102%	103%	103%	105%	106%	107%	108%
58	96%	97%	98%	98%	99%	100%	100%	101%	101%	102%	102%	103%	104%	105%	106%	107%	109%
59	96%	97%	98%	99%	99%	100%	100%	101%	102%	102%	103%	104%	104%	105%	107%	108%	109%
60	95%	97%	98%	99%	99%	100%	101%	101%	102%	103%	103%	104%	105%	106%	107%	108%	110%
61		95%	96%	97%	98%	99%	100%	100%	101%	102%	102%	103%	104%	105%	106%	107%	109%
62			96%	97%	98%	99%	100%	101%	101%	102%	103%	103%	104%	105%	107%	108%	109%
63				97%	98%	99%	100%	101%	101%	102%	103%	104%	105%	106%	107%	108%	110%
64					97%	99%	100%	101%	102%	102%	103%	104%	105%	106%	107%	109%	110%
65						98%	99%	100%	101%	102%	103%	104%	105%	106%	108%	109%	110%
66							99%	100%	101%	102%	103%	104%	105%	107%	108%	109%	111%
67								99%	101%	102%	103%	104%	105%	107%	108%	109%	111%
68									100%	102%	103%	104%	105%	107%	108%	110%	111%
69										101%	102%	104%	105%	106%	108%	109%	111%
70											101%	103%	105%	106%	108%	109%	111%
71												102%	104%	106%	107%	109%	111%
72													103%	105%	107%	109%	111%
73														104%	106%	108%	110%
74															105%	108%	110%
75																107%	109%
76																	108%

Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Appendix D: Adverse Scenario Analysis

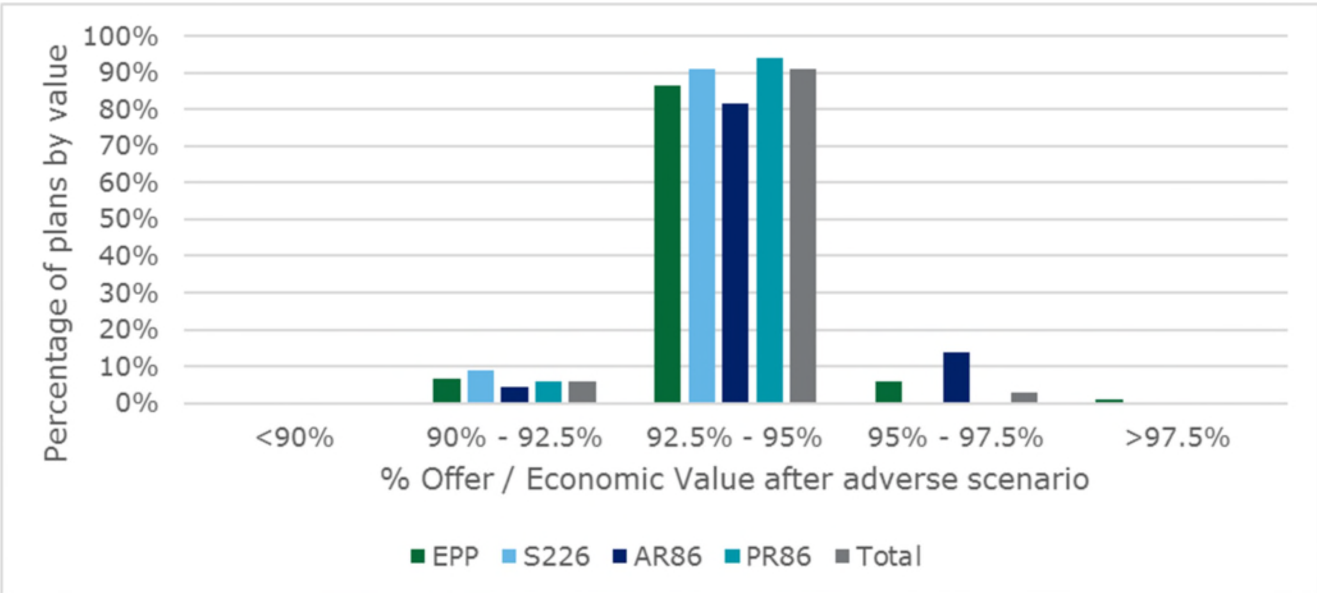
Adverse Scenario Analysis

Adverse Scenario Analysis is one of my Fairness Tests which was designed to examine how the potential Economic Value of the GAR would move under a range of scenarios. This test was described in more detail in paragraphs 4.20 to 4.21 and 6.75 to 6.99 of my Report. The purpose of the test is to identify the scenarios where the potential Economic Value of the GAR would increase, meaning that planholders who chose to give up their GAR would be in possession of a plan potentially worth less than the value of their original plan with an attached GAR, under the same conditions at the same date.

As stated in paragraph 6.99 of my Report, it was identified that the key scenarios which impacted the Economic Value of the GAR were related to changes in interest rates. Given this I have only analysed scenarios in respect of interest rates in this Supplementary Report. As discussed in paragraph 5.33 of this Supplementary Report the results of the Adverse Scenario Analysis based on the Offer calculated at 30 June 2018 are consistent with those outlined in paragraphs 6.76 to 6.99 of my Report.

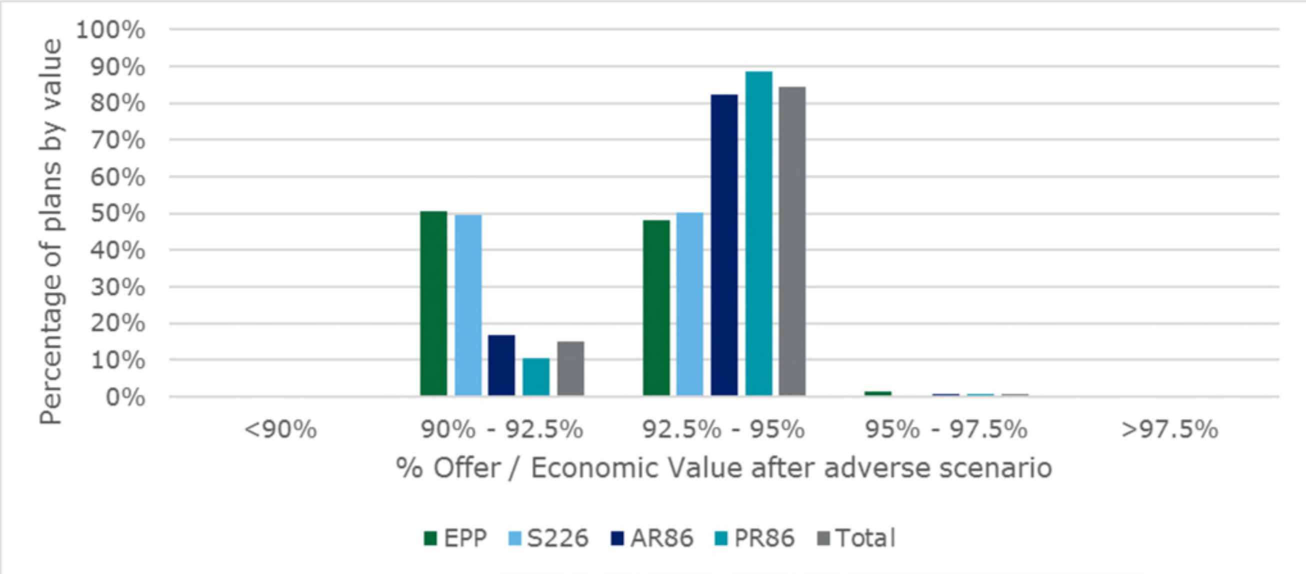
Figures AD.1 to AD.4, below, show how a post-Scheme 1-in-10 year severity interest rate stress could affect the Economic Value of a Compromise Plan (i.e. one without the guarantee protection of a GAR) through expressing the Offer as a percentage of the potential Economic Value of the GAR, which has been forfeited, after the specified stress event. A percentage which is lower than 100% indicates that the Economic Value of the GAR after the stress event is now greater than the uplift provided to the Compromise Planholder through the Offer i.e. the GAR is worth more after the stress event than before. The graph shows the movement in Economic Value at an aggregate Eligible Planholder level, where the proportions are weighted by plan size The graph shows the movement in Economic Value for each product, where the proportions are weighted by plan size.

Figure AD.1: Impact of a 1-in-10 year interest rate fall on the Economic Value of a Compromise Plan of a male planholder



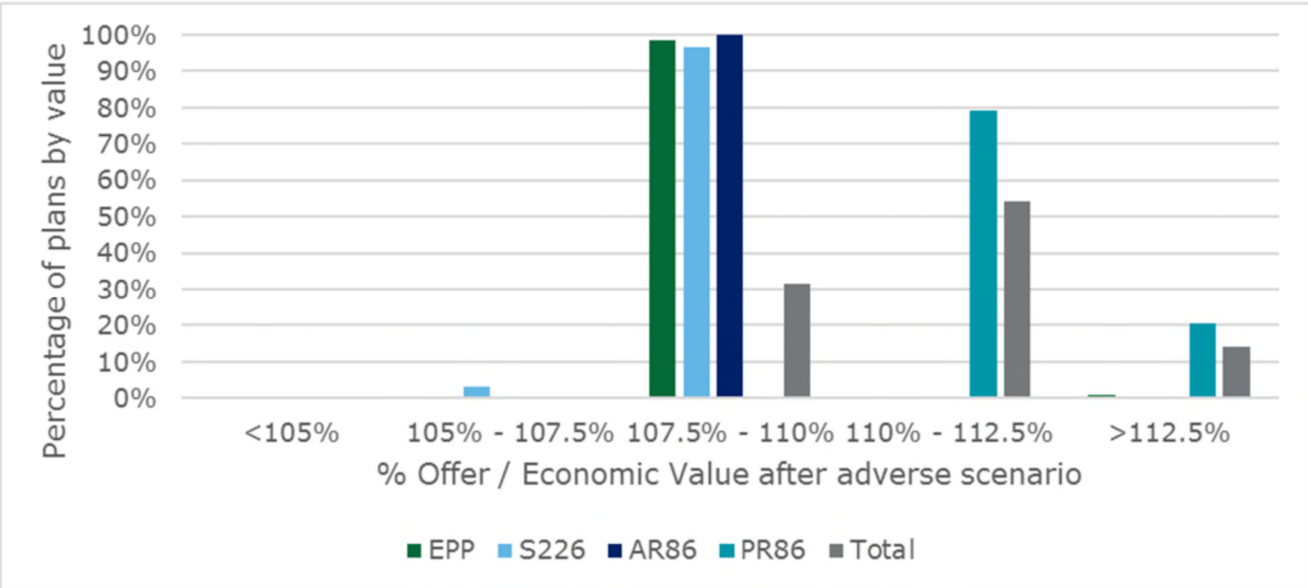
Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AD.2: Impact of a 1-in-10 year interest rate fall on the Economic Value of a Compromise Plan of a female planholder



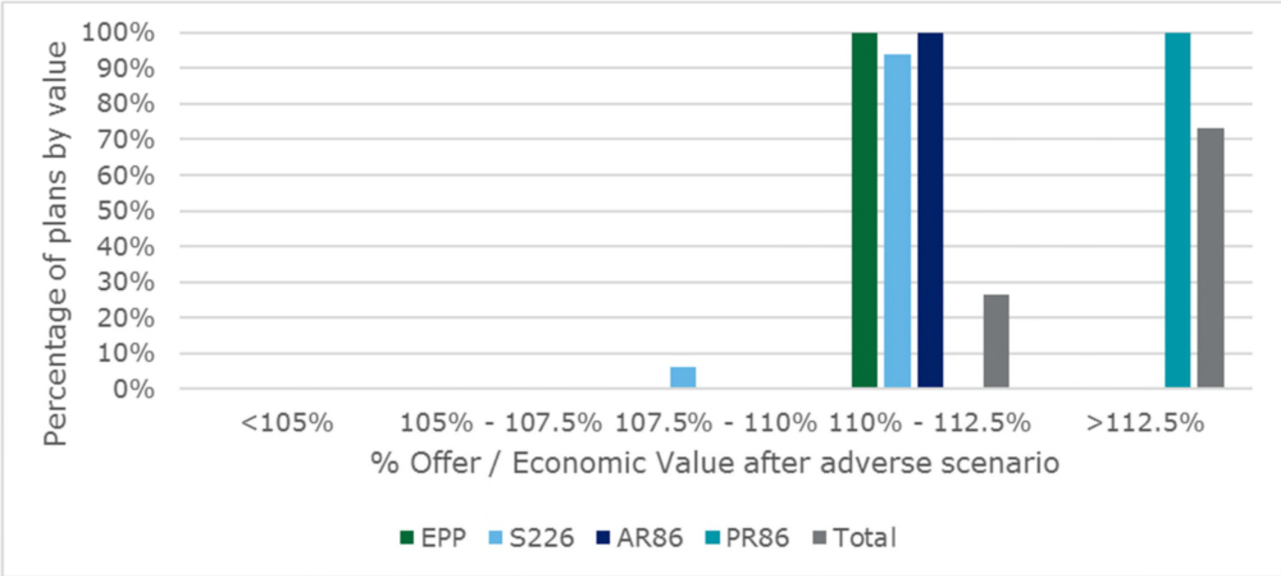
Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AD.3: Impact of a 1-in-10 year interest rate rise on the Economic Value of a Compromise Plan of a male planholder



Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Figure AD.4: Impact of a 1-in-10 year interest rate rise on the Economic Value of a Compromise Plan of a female planholder



Source: SL Specimen Policies Analysis v2.026 HY18 (For IA).xlsm provided by Royal London

Appendix E: Data and reliances

This section lists the items of information that I have received, reviewed and relied upon in relation to the preparation of this Supplementary Report. This includes various emails and documents received from the management of the Company and publicly available information.

Scheme-related documents	**Date of document**
Scheme document	18/10/2018
Assumptions relating to Offer	**Date of document**
GAR Take-up rate experience analysis	16/10/2018
Longevity Assumption GAGC paper	07/09/2018
Fairness Criteria testing – supporting information	**Date of document**
Fairness Test results report	16/10/2018
Target annual asset share enhancements	16/10/2018
RL Main Fund and SLF Balance Sheet (Internal Model basis)	16/10/2018
SLF Balance Sheet (Standard Formula basis)	16/10/2018
Roll forward methodology analysis	11/10/2018
Annuity market data	27/08/2018
GAR BEL calculation spreadsheet	02/10/2018
Retrospective Opt-out Reserve paper	11/10/2018
Other	**Date of document**
Paper outlining error identified in Planholder Uplifts	16/10/2018
Planholder Communications	**Date of document**
Offer Mailing results	25/10/2018
Objections and complaints log	30/10/2018
Gone away analysis	25/10/2018
Voting	**Date of document**
Voting results	24/10/2018

Appendix F: Glossary

2012 EU Gender Neutral Ruling refers to the Test-Achats decision which removed the exemption from the 2004 Council Directive 2004/113/EC for the use of gender as an actuarial factor with effect from 21 December 2012. As a consequence of this decision, it ceased to be permissible to use gender as a determining factor in the calculation of premiums or benefits in new insurance contracts issued on or after this date.

Act is the Companies Act 2006 which was introduced to reform company law and restate the greater part of the enactments relating to companies; to make other provisions relating to companies and other forms of business organisation; to make provision about directors' disqualification, business names, auditors and actuaries; to amend Part 9 of the Enterprise Act 2002; and for connected purposes.

Actuarial Professional Standards (APS) are standards which all members of the Institute and Faculty of Actuaries must comply with.

Adverse Scenario Analysis is a test designed to understand the scenarios where the holders of Compromise Plans could be significantly worse off as a result of not opting-out of the Scheme and to provide an indication of the likelihood of these scenarios occurring.

Annual Management Charge (AMC) is one of the number of charges to be paid from the SLF to the RL Main Fund. The AMC is a specified per cent of a planholder's fund value or "asset share" (a measure of the accumulated value of the with-profits plan).

Annuity is a life insurance product which offers the planholder a regular income for the rest of their life, starting upon their retirement.

AR86 Plans are old-style pension Plans offering level benefits, with GARs, sold by Scottish Life.

Asset Shares are assessments of the fair value of a plan's share of the gains and losses of the fund in which they are written.

Best Estimate Liabilities (BEL) are the liabilities determined on a Solvency II basis using realistic assumptions.

Board means the board of directors of the relevant entity from time to time.

Capital Coverage Ratio (CCR) is the ratio of available capital to required capital.

Company means Royal London Mutual Insurance Society Limited.

Company's Annuity Bureau offers pension annuities for the planholder to purchase upon retirement from a limited number of companies. It does not offer advice in respect of which product the planholder should choose.

Compromise Plans are plans where the Eligible Planholder has not chosen to opt out of the Scheme.

Compromise Planholders are holders of the Compromise Plans.

Continued Mortality Investigation (CMI) is a UK private company, which produces impartial analysis of mortality and morbidity for long-term insurance products and pension schemes.

Contracts (Rights of Third Parties) Act 1999 allows third parties to enforce terms of contracts that benefit them in some way, or which the contract allows them to enforce. It also grants them access to a range of remedies if the terms are breached. The Act also limits the ways in which a contract can be changed without the permission of an involved third party.

Court is the High Court of Justice of the United Kingdom.

Deloitte is Deloitte MCS Limited, a subsidiary of Deloitte LLP. Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England and Wales No 3311052.

Department for Work and Pensions (DWP) is a department of the UK Government responsible for welfare and pension plan.

Deposit Administration (DA) Plan is similar to a unitised with-profits plan, and is invested in the Deposit Administration fund, which is a subset of the SLF with-profits fund. This fund generally has a lower exposure to the stock market, than with-profits funds. Investment returns are distributed by regular bonus or interest additions, however, there are no terminal bonuses.

Economic Value is a measure of value of the plan benefits to the planholder, expressed in terms of today's value.

Economic Value Test is a test which considers whether the potential increase in the basic plan value from the Offer presented to the Compromise Planholders is broadly consistent with the Economic Value of the GAR being surrendered.

Eligible Plans are plans with a GAR for which an offer will be made, comprising of Compromise Plans and Opt-Out Plans.

Eligible Planholder are holders of the Eligible Plans.

Estate is the amount by which the assets in the fund exceeds the value of the liabilities promised to planholders by way of guaranteed amounts, the face value of units and bonuses.

Estate Value Test is a test designed to help assess the fairness of the Scheme on the RL Main Fund.

European Insurance and Occupational Pensions Authority (EIOPA) is a European Union financial regulatory institution.

Excess Capital is the excess of the Solvency II Own Funds over the Solvency Capital Requirement.

Executive Pension Plan (EPP) plans are old-style Unitised With-Profits personal pensions, with GARs, sold by Scottish Life.

Fairness Criteria is a set of four tests designed to demonstrate the fairness of the Scheme to various groups of planholders.

Fairness Test is one of the tests defined as part of the Fairness Criteria.

FCA is the Financial Conduct Authority which, along with the PRA, replaced the FSA on 1 April 2013 and has an objective to protect consumers of financial services, ensure the financial services industry remains stable and promote healthy competition between financial services providers.

FCA's Handbook of rules and guidance is issued by the FCA from time to time made pursuant to the FSMA together with the rules and regulations implemented pursuant thereto.

FCA's Principles are principles for business outlined in Section 2.1 of the PRIN Handbook published by the FCA.

FRC is the Financial Reporting Council, the UK's independent regulator who is responsible for setting standards for corporate reporting and actuarial practice and monitoring and enforcing accounting and auditing standards.

FSMA is the Financial Services and Markets Act 2000.

Fund Test is a version of the Economic Value Test designed to demonstrate that, in aggregate, the overall increase to the plan values of the Compromise Plans does not deviate significantly from the overall Economic Value of the GAR being surrendered.

Gone-aways are planholders for which the Company does not hold up-to-date contact details (address, telephone number, etc.).

Guaranteed Annuity Rate (GAR) is a future annuity rate offered by the Company for purchasing an annuity upon retirement, which is determined based on current expectations of future experience, as opposed to market rates at the time of retirement.

Her Majesty's Revenue & Customs (HMRC) is a non-ministerial department of the UK Government responsible for the collection of taxes.

Hurdle is the minimum threshold to be met in the Fairness Test.

Independent Actuary (IA) refers to Paul Coulthard of Deloitte MCS Limited whose appointment, which has been notified to the Regulators, involves producing a report in line with the Terms of Reference agreed with the Company.

Insurers (Winding Up) Rules 2001 ("IWU Rules") are the relevant regulations setting out specific considerations that will be taken into account in the event of a wind-up of an insurer, including in respect of the treatment of planholders.

Internal Model is a bespoke model developed by a company, and approved by the PRA, in order to calculate the Solvency Capital Requirement of the company under the Solvency II regulations.

Implementation Date is 14 December 2018, the date on which the Scheme is expected to take effect (subject to the approval of the Court).

Lifetime Allowance is the limit (in the current 2018-19 tax year this is £1,030,000) at which any excess retirement savings are subject to an additional tax charge. This additional charge varies depending on how the benefit is split between a lump sum and regular income.

Non-Compromise Plans are one of the following within the SLF: Opt-out Plan; with-profits plan without a GAR in the SLF; and non-profit plan written in the SLF.

Non-Compromise Planholders are the holders of the Non-Compromise Plans.

Non-Eligible Plan are plans in which the planholders will not be made an offer, comprising: planholders with plans in the SLF but no GAR ("Non-Eligible Planholders in the SLF"); planholders with a GAR in the SLF who have been excluded from the offer for specific reasons ("Excluded Planholders"); planholders with plans in the RL Main Fund ("Non-Eligible Planholders in the RL Main Fund"); and planholders with plans in other funds of the Company.

Non-Eligible Planholders are the holders of Non-Eligible Plans.

Non-Eligible Planholders in the SLF are the holders of plans in the SLF which do not have a GAR.

Non-Eligible Planholders in the RL Main Fund are the holders of plans in the RL Main Fund, which are not eligible to receive an Offer.

Non-Profit Plans are plans (including any unit-linked plan unless stated otherwise) which are not entitled to share in the profits of the company in which it is located, including term assurance and income protection plans where specified benefits are payable on death or incapacity.

Normal Retirement Age (NRA) is the age at which the planholder is assumed to retire in the solvency calculations.

Offer is the offer of an increase in the value of the plan benefits in exchange for the surrender of the plan's GAR, made to the Eligible Planholders.

Offer Mailing is the second round of mailing to all Eligible Planholders, which will include details of each individual planholder's Offer and also the process by which the planholder can vote on this offer or opt out of the Scheme.

Ongoing Feasibility Test is a test designed to show that the implementation of the Scheme should not materially adversely impact the level or security of benefits of the Non-Compromise Planholders.

Opt-Out Plans are plans in which the planholder has chosen to opt out of the Scheme.

Opt-Out Planholders are holders of the Opt-Out Plans.

Own Funds is the excess of assets over liabilities.

Pension Freedoms refer to the change in certain tax rules by the UK Government in April 2015, which now allow anyone aged 55 and over to take their entire pensions savings as a lump sum or draw down, removing the requirement to purchase an annuity.

Percentage Increase Review Date is the 14 November 2018, the date on which the plan uplifts will be reviewed, a condition that must be satisfied prior to implementation of the Scheme.

Plan refers to a pension policy which is managed by RLM.

Planholder refers to the owner of a plan, or multiple plans, managed by RLM.

PR86 plans are old-style pension plans offering benefits which increase over time, with GARs, sold by Scottish Life.

PRA is the Prudential Regulation Authority which, along with the FCA, replaced the FSA on 1 April 2013. The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.

Regulator(s) means, the applicable regulator(s) of the United Kingdom. This refers to the Prudential Regulation Authority and the Financial Conduct Authority.

Report is my initial report published on 11 June 2018 prior to the Convening Hearing.

Risk Margin is a component of the technical provisions specified by the Solvency II regime. It is intended to reflect the amount an insurance company would require to take on the obligations of a given insurance company, in addition to a best estimate amount.

RLM is Royal London Mutual Insurance Society Limited, an authorised life assurance company registered in England and Wales with registered number 99064.

Royal London Long Term Fund (RL LTF) is the only fund within RLM.

RL Main Fund is a sub-fund within the Royal London Long Term Fund.

Scheme is the proposed change in contractual terms of the Compromise Plans under Section 896 of Part 26 of the Companies Act 2006.

Scheme Meeting is the meeting ordered by the Court under Section 896 of Part 26 of the Companies Act at which the Scheme was voted on by holders of Compromise Plans.

Scottish Life Closed Fund (SLF) is a with-profits fund within the Royal London Long Term Fund established in 2001 following the transfer of Scottish Life to Royal London.

Scottish Life Scheme was a scheme implemented in 2001 which transferred all long-term business from Scottish Life to RLM under a Schedule 2c of Section 49 of the Insurance Companies Act 1982.

Scottish Life Supervisory Committee is a committee that was set up following the Scottish Life Scheme and is responsible for the overseeing the interests and reasonable expectations of all planholders that transferred from Scottish Life, including the Eligible Planholders subject to the Scheme.

Section 226 (S226) plans are old-style pension products designed for the self-employed or workers not offered a workplace pension scheme, with GARs, sold by Scottish Life. These WP plans stopped being sold on 1 July 1988.

Solvency Capital Requirement (SCR) is the amount of capital that an EU insurance company must hold under Solvency II to ensure that it is able to meet its obligations over the next 12 months with a probability of at least 99.5%.

Solvency II is the solvency regime for all EU insurers and reinsurers that came into effect on 1 January 2016.

Solvency II basis is the Company's result which have been calculated in accordance with the Solvency II regulations.

Specimen Plan Test is a version of the Economic Value Test designed to demonstrate that there are no sub-groups of plans which would be systematically adversely impacted, as a result of the Scheme.

Supervision Manual is Chapter 18 of the Supervision manual of FCA's Handbook which provides guidance for scheme reports relating to the transfer of long term business under Part VII of the FSMA.

Supplementary Report is this Report.

Target is the threshold which is expected to be met in the Fairness Test.

TAS 100 is the Technical Actuarial Standard 100: Principles for Technical Actuarial Work defined in the Scope and Authority of Technical Standards of the FRC, issued in December 2016.

TAS 200 is the Technical Actuarial Standard 200: Insurance defined in the Scope and Authority of Technical Standards of the FRC, issued in December 2016.

Technical Provisions are the amounts set aside under Solvency II to meet obligations to planholders.

Terms of Reference refers to the scope of my work to be performed as the Independent Actuary. Further details can be found in Appendix A of my Report.

Transitional Measures are adjustments to the insurance liabilities calculated under Solvency II, in order to facilitate the transition from Solvency I to Solvency II, by allowing the increase in liabilities as a result of the change in regulations to be spread up to 16 years.

Treating Customers Fairly (TCF) is the framework under which the FCA will assess whether financial services firms treat their retail customers fairly.

Ultimate Management Action is an action that Management chooses to apply, in times of poor solvency, which would result in a plan paying out less than the value of the underlying asset shares.

Unit Linked (UL) Plan is any plan where the value of the benefits is measured by the number and price of units allocated to the plan. The unit price depends on the value of the assets of the unit-linked fund.

With-Profits Committee (WPC) is a committee that advises the Board on discretionary aspects of with-profits business, and the fair treatment of with-profits planholders.

With-Profits (WP) Plan is a plan which is entitled to share in some of the profits of the company or part thereof.

Deloitte.