



Royal London (Scottish Life) GAR Compromise Scheme

With Profits Actuary's Supplementary Report

October 2018

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1 EXECUTIVE SUMMARY

1.1 CONTEXT FOR THIS REPORT

Royal London has made an offer to certain former-Scottish Life pension customers (the “Eligible Planholders”). In return for giving up an annuity guarantee, known as a guaranteed annuity rate or GAR, they will receive an increase to their current plan value and corresponding increases to eligible contributions made in future. If approved, this change will be achieved through a legal process known as a Part 26 Scheme of Arrangement. Such a Scheme has been used in the past for the restructuring of life insurance businesses and is subject to strict legal requirements and regulatory oversight.

I produced a report on the Scheme dated 7th June 2018 and that report was made available to the Court for the Convening Hearing on 25th June. The Court gave consent for formal offers to be made to Eligible Planholders and approved the Deed Poll that gave creditor status for the purpose of voting on this Scheme to those Planholders with plans written under trust. This Supplementary Report gives my views on the Scheme based on the latest economic conditions, responses received from planholders and other developments since my original report. This Supplementary Report will be made available to the Court alongside supplementary reports from Royal London’s Chief Actuary and an Independent Actuary.

1.2 VOTING PROCESS AND RESULTS

Formal offers were issued to 29,087 of the 30,694 Eligible Planholders between 16 July 2018 and 7 October 2018. Planholders were able to vote on the Scheme or opt-out by post, online or in person at the Planholder Meeting, which was held on 23rd October 2018. Electoral Reform Services (ERS) managed and provided oversight of the voting process. Planholders with direct contracts with Royal London, i.e. those with plans not written under trust, where the GAR-eligible fund value was £30,000 or more were required to seek financial advice before accepting the offer. I refer to these cases as ‘Mandatory Advice’ cases. Any such cases where advice has not been received are opted out of the Scheme automatically.

Count By Planholder Category	Voted For	Voted Against	Opted Out
Mandatory Advice: Valid Response	433	2	317
Non-Mandatory Cases	10,113	168	3,890
TOTAL VOTES	10,546	170	4,207
VOTES AS PERCENTAGE	98%	2%	
Mandatory Advice: No Valid Response			443
TOTAL OPT OUTS			4,650

The threshold by count is 50% so this test is passed.

Value By Planholder Category (£m)	Voted For	Voted Against	Opted Out
Mandatory Advice: Valid Response	£25.6	£0.1	£19.3
Non-Mandatory Cases	£220.5	£2.9	£95.1
TOTAL VALUE	£246.2	£3.0	£114.4
VALUE AS PERCENTAGE	99%	1%	
Mandatory Advice: No Valid Response			£20.8
TOTAL OPT OUTS			£135.2

The threshold by value is 75% so this test is passed.

1.3 INDEPENDENT ACTUARY'S FAIRNESS TESTS

The results set out in section 1.2 confirm that Eligible Planholders have voted to accept the Scheme. There are two further conditions required for the Scheme to become effective. Firstly the Court must sanction the Scheme at its hearing on 12th November. Secondly, the Independent Actuary must confirm that his fairness tests continue to be met at the point the final policy uplifts are calculated, based on market conditions on 14th November.

Royal London has monitored the financial conditions throughout the voting period. On the whole, the level of the swap curve, which is the key economic driver of the uplift factors, has remained relatively stable. The Independent Actuary's fairness tests are expected to be met provided swap yields remain within a corridor +/-1 percentage point from the yields at the end of April 2018, when the formal offers were calculated. At the time of writing the yields are virtually unchanged from those used to calculate the uplifts included in Planholder illustrations.

Clearly there are still a number of weeks until the final uplifts are calculated so I cannot say with absolute certainty that these conditions will persist until 14th November. However, there are no indications at this stage that the IA's fairness tests will not be met.

In my original report I set out some corresponding tests that I applied in assessing the fairness of the offer. I am content that those tests continue to be met on current economic conditions.

1.4 OVERALL CONCLUSIONS

I cover a number of more detailed points in the body of this Supplementary Report. However, my conclusions on the Scheme in light of developments since my original report are as follows:

- The Scheme provides a genuine best estimate of the value of the GAR based on available information and reasonable assumptions, including Royal London's experience since the introduction of Pension Freedoms of what planholders use their retirement savings for.
- The value offered for the GAR is fair and capable of being understood by planholders. In particular, the calculation of the uplifts to plan value based on 75% of the value of the GAR is reasonable, given that the vast majority of planholders take at least 25% of their fund as cash. The communications to planholders have been fair and balanced.
- The impact of the Scheme on the with profits planholders in the Scottish Life Fund is expected to be positive.
- The process that has been followed has been fair to those who participated and those who did not. A number of planholders have opted out of the Scheme, demonstrating that they have taken account of their own personal circumstances and views on the benefits of the Scheme. This option was a key safeguard in the design of the offer.
- There continues to be no material consequences to planholders outside the Scottish Life Fund, either positive or negative.

Accordingly, I am supportive of the Scheme being sanctioned by the Court and put into effect, subject to confirmation of the IA's fairness tests being passed once the uplifts are confirmed.

2 ROLE OF THE WPA

2.1 DUTY TO THE WITH PROFIT PLANHOLDERS

In my role as With Profits Actuary I have a professional and regulatory duty to protect the interests of with profits planholders in Royal London. This duty extends to the interests of with profits planholders outside the Scottish Life Fund. In particular there is a reputational risk associated with the Scheme, should its effect be misconstrued in the financial press for example, or if the Scheme fails to proceed after planholders' expectations have been raised. The direct financial effect of the Scheme on with profits planholders outside the Scottish Life Fund is fairly limited except in extreme stress conditions where the Scottish Life Fund 'burns through' its available capital and has to rely on support from Royal London's Main Fund for example. This remote risk should be reduced by the Scheme.

I have had a clear role in protecting the interests of with profits planholders in the Scottish Life Fund through the development of the Scheme. I have worked closely with the project team developing the Scheme and have had discussions on a number of topics with the Chief Actuary and the Independent Actuary. I am satisfied that the Scheme will result in improved outcomes for with profits planholders in the Scottish Life Fund.

2.2 DUTY TO THE ELIGIBLE PLANHOLDERS

Royal London is a mutual and as such, any material transaction can have an effect on Royal London's members and with profits planholders. As a result, my role as With Profits Actuary extends to advising the Board on matters of fairness to planholders more generally. I am a member of Royal London's Customer Standards Committee (CSC). I have raised a number of points on the Scheme and the treatment of Eligible Planholders at CSC and these have been properly debated and resolved. I am satisfied that the Scheme represents a good offer to Eligible Planholders and that the communications have been effective in setting out the risks associated with the Scheme to Eligible Planholders.

2.3 CREDENTIALS

I am a Fellow of the Institute and Faculty of Actuaries. I have been Royal London's With Profits Actuary since 1 January 2016. I was involved in the acquisition of Scottish Life in 2001 and have been involved in managing the Scottish Life Fund since then. I hold one plan with Royal London, namely a staff pension plan. Accordingly, I have no financial interest in the Scheme, holding neither an Eligible Plan under the Scheme nor any other plans that are directly impacted by the Scheme.

2.4 LINK TO THE WITH PROFITS COMMITTEE AND THEIR VIEWS

The With Profits Committee (WPC) has been supportive of the Scheme since it was first mooted in 2016. I am the chief adviser to the WPC and aim to ensure effective lines of communication between the WPC and the Royal London Executive Team. I am satisfied that the WPC has been provided with all necessary information to form a view on the fairness of the Scheme. In particular the WPC has had the opportunity to question me, the Chief Actuary and the Independent Actuary on a number of occasions prior to the Scheme being put to planholders.

3 INTERACTIONS WITH ELIGIBLE PLANHOLDERS

3.1 VOTING

30,694 Planholders are in scope of the offer, with 29,087 being sent formal offer packs. Of the total population in scope, 14,923 had responded as at 23 October 2018, a response rate of 49% by count and 58% by value. This level of response indicates a real engagement with the Eligible Planholders. It indicates that the communications have been pitched at the right level for the majority. Royal London has also received a number of really positive comments on the communications, which is further indication that Eligible Planholders have understood and appreciated the question they were being asked and the information they were provided to help them decide.

The requirement for the vote to pass is that at least 50% by number, representing at least 75% by value, of those voting, vote for the Scheme.

As at 23 October 2018, 4,207 Planholders had actively opted out of the Scheme, ensuring that they retained the GAR. A further 443 Planholders who were required to take financial advice before accepting the offer had not done so, and will be opted out of the Scheme unless they do so by 30 November 2018.

14 Planholders who were required to take financial advice before voting on the offer did so but did not vote. As these Planholders have received the required mandatory advice they will be bound by the Scheme.

419 Planholders submitted responses that were unclear or invalid. The most common cause was both opting out of the Scheme and voting against the Scheme. Planholders who submitted invalid responses were asked to clarify their intentions: this resulted in correctly completed responses being received from 176 of these Planholders. In the absence of further clarity a number of default actions were set out in the Planholder Circular (Part B, 13.19). Applying these default actions, 196 Planholders will be opted out of the Scheme and the remaining 47 will be treated as having spoiled their vote (and will therefore be bound by the Scheme).

15,267 Planholders who were not subject to the mandatory advice requirement did not submit a response at all and will be bound by the Scheme..

Despite extensive tracing by Capita and LexisNexis as well as re-engagement letters being issued on Royal London's behalf by the DWP there were 1,607 Planholders that were not sent formal offer packs as Royal London were not able to verify their current address.

170 Planholders voted against the Scheme and 10,546 Planholders voted for the Scheme. The 'by number' vote was carried with the percentage voting for the Scheme 98%. On the 'by value' test 99% of the value of the votes cast were for the Scheme to proceed.

Overall the voting responses from Planholders were in line with the indications from the earlier Appetite Mailing that was issued prior to the first Court hearing. Disappointingly, fewer than expected of those cases where financial advice had to be taken actually went through with the advice process. There was no financial disincentive to taking advice as Royal London had agreed to pay the full cost of advice through JLT Benefit Solutions Ltd (JLT). Instead it appears as though the time and effort in completing the advice process acted as a deterrent for many of the Mandatory Advice cases.

As a result, based on the position at the date of the Planholder Meeting, the proportion of Eligible Plans that will retain the GAR is expected to be around 22% by value (although this figure may ultimately be slightly higher or lower, for example as a result of any further opt-outs which are confirmed prior to 30 November 2018). In my original report I indicated that a level of opt-outs between 10% and 25% was expected. A rate as high as 30% would still represent a successful outcome of the Scheme and the actual result is well below that limit.

3.2 CUSTOMER COMPLAINTS

As is inevitable when interacting with around 30,000 individuals, some Planholders took exception to the level of the offer, the way the offer was made, the communications and even the need for rigorous identification and verification at the start of phone calls to discuss their personal details.

One specific complaint gave cause for real concern when a Planholder who had opted out of the Scheme received a confirmation letter indicating that he had opted out and subsequently a letter indicating that he had voted for the Scheme. Had this been a systemic failure in the voting process then this could have called into question the validity of the whole Scheme. Following a thorough investigation of the background Royal London was able to confirm that this was an isolated incident resulting from human error affecting just this one policyholder. The data held by Electoral Reform Services had correctly reflected the opt-out status all along.

I have reviewed many of the other complaints received and none has given me any cause for concern that the process has been flawed or that the offer is unfair. Those who opted out have been provided with an explicit right to require us to pass on any concerns that they have to the

Court, given that they could not protest against the Scheme by voting against it. The Court will receive copies of those complaints that are regarded as objections to the Scheme itself in order that it can take the feedback from customers into account.

3.3 USE OF THE CUSTOMER HELPLINE AND SUBSIDISED FINANCIAL ADVICE

Royal London entered into an agreement with JLT to provide a helpline/guidance service for Planholders. Any planholders who were required to take financial advice in order to make their decision could access advice free of charge through JLT's authorised financial advisers. Those policyholders who were not required to take advice but wanted to, could obtain advice through JLT for £100. In each case Royal London either met or heavily subsidised the cost. If Planholders preferred to use their own IFAs then Royal London provided an equivalent subsidy towards the cost of that advice.

Customers who were identified as being vulnerable were offered financial advice from JLT free of charge.

The helpline was well used. In total 6,612 calls were received and dealt with. A further 262 customers used JLT's financial advice service and 1,302 customers received advice through their own choice of IFA.

4 THE FAIRNESS ISSUES RELATING TO WITH PROFIT PLANHOLDERS

4.1 BACKGROUND TO THE SL FUND

Royal London acquired the business of The Scottish Life Assurance Company on 1 July 2001. The with profits business of Scottish Life was placed into a newly created, ring-fenced fund, the Scottish Life Fund. In addition to the with profits business, all plans with GARs were also placed into the Scottish Life Fund. This approach ensured, as far as possible, that the existing planholders of Royal London would be protected from the costs of the Scottish Life GARs, provided the Scottish Life Fund was solvent. The Royal London planholders committed to provide support to the with profits policyholders in the Scottish Life Fund only in respect of guaranteed benefits, i.e. the sums assured, not discretionary elements such as final bonus.

The Scottish Life Fund is currently able to meet its capital requirements without support from the rest of Royal London. This is the case even though the current Solvency II regime is significantly more onerous than the regime that was in place at the time that Royal London acquired Scottish Life.

4.2 RECAP OF WP MANAGEMENT IN THE SL FUND

The Scottish Life Fund is managed as far as possible as if it were a stand-alone fund. The original intention at the point Royal London acquired Scottish Life was that the Inherited Estate of

Scottish Life would be distributed to eligible with profits planholders through an increase to the investment return credited to their asset shares. This increase to returns was intended to be kept relatively stable and applied from each plan's inception to eventual claim.

The Fund's solvency position has fluctuated somewhat since 2001 as a result of falling interest rates, increasing longevity and the introduction of Solvency II. The existence of policies with GARs in the fund has been a key factor in this volatility. The approach to estate distribution in recent years has been to pay more than asset share at the point of claim. The target pay-out ratio (the ratio of claim amount to asset share) was reduced to 106% for claims in 2017 before being increased to 118% for claims in 2018. The increase in the target does not result in a sudden step-change in pay-outs but rather it flows through over time by use of the normal smoothing mechanisms applied to final bonus setting.

The increase in target pay-out ratio to 118% was driven partly by changes to longevity assumptions and partly through increased confidence in the likelihood of the Scheme proceeding. If the Scheme is not implemented then I would expect this ratio to revert to around 112% in the short term.

4.3 LIKELY TREND IF THE SCHEME DOES NOT GO AHEAD

If the Scheme does not proceed then with profits planholders will remain exposed to significant risk in relation to the management of the Scottish Life Fund. Should any of those risks crystallise then pay-outs would need to be cut quickly, and potentially significantly. This goes against the essence of a with profit plan, which is aimed at providing stable returns over time, smoothing out the market fluctuations.

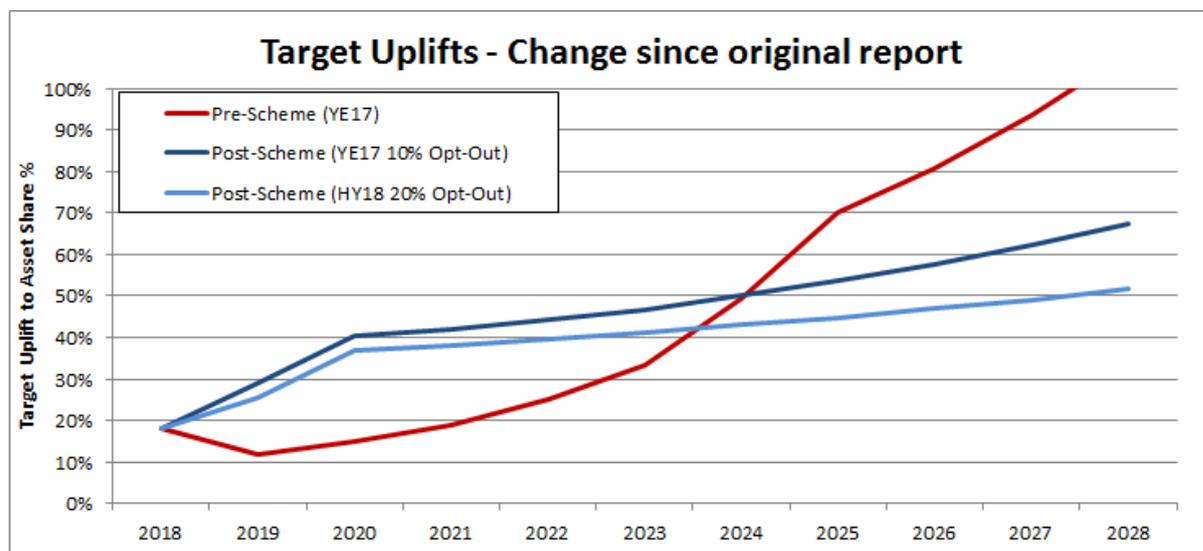
Over time, as the capital requirements run off, the delayed distribution of Inherited Estate will flow to those who remain in the fund the longest. While a degree of reward for the risks being run over time is fair, our current projections indicate that pay-out ratios in future could rise rapidly giving windfall benefits to the few who are left when the majority of the risk has run off.

This extreme Tontine effect does not represent fair outcomes to the with profits planholders in the fund.

4.4 LIKELY TREND IF THE SCHEME DOES GO AHEAD

As I discussed in my original report, the Scheme involves a trade-off for the with profits policyholders in the fund. They are effectively giving up some of the estate, though an offer based on a 75% take-up of GARs that is in excess of the best estimate based on current policyholder behaviour, more like 66% take-up. In return for giving up some of the estate the with profits policyholders reduce the risk in the fund, and the capital required to be held back to cover that risk. This reduction in required capital allows the estate to be distributed more quickly and more equitably to the eligible with profits policyholders.

I produced a graph of the likely change in target uplifts in my original report. The information is reproduced in the graph below, alongside a revised projection based on the latest information.



There have been a few changes to the projected with profit uplifts since my original report, but the overall picture remains consistent and supportive of the Scheme proceeding.

Firstly, the opt-out rate is higher than originally anticipated. Whereas a central estimate of 10% was used previously, the final opt-out rate is closer to 20%. This leaves slightly more risk with the fund and reduces the overall benefit of the Scheme to the with profits customers.

Secondly, an error was discovered in the GAR uplift calculations after the formal offers had been made. This was a human error in the construction of the spreadsheet calculation. Whereas the intention was to maintain a 3-year gap between spouse's ages (with males assumed to be older), the spreadsheet only carried this assumption through for the first few years and then reverted to spouses having the same age.

This error affected Protected Rights GARs in the SSA86 product. The GAR rates for these reflect joint-life annuities. Correcting the error leads to uplifted fund values for males accepting the offer being around 4% higher than shown in their original offer and assumed in the original with profit uplift projections. Conversely the error leads to uplifted fund values for females accepting the offer being around 2% lower than shown in their original offer.

Royal London's management have proposed to maintain the rates for females who would have been adversely affected by correcting for this error. That is, that the Scottish Life Fund should meet the cost of honouring the basis on which the original figures were calculated for females. The cost to the Scottish Life Fund of doing this is around £6m. I am content that this is an appropriate cost to be borne by the Scottish Life Fund and the WPC and the Scottish Life Supervisory Committee have also agreed that this is a fair approach. The impact on with profits pay-outs of correcting for the error in this way is around 0.5%. The GARs are a liability of the Scottish Life Fund. Royal London Main Fund policyholders derive no direct benefit from tackling

the risks in the Scottish Life Fund associated with the GARs. Indeed there is an opportunity cost associated with doing so, that the Royal London Main Fund policyholders are bearing with no compensation, for the good of the wider policyholder base throughout Royal London. Any allocation of costs in respect of the error to the Royal London policyholders would act as a disincentive for any similar schemes in future, stifling innovation for the greater good.

Royal London's management did consider a number of alternative courses of action. Firstly, they considered correcting the offers made to both male and female Planholders. This would have avoided the with profits policyholders in the Scottish Life Fund bearing an additional £6m of cost. In order to meet Planholders' information needs it would have been necessary to write to the female Planholders who were affected. While modest, the reduction could have led to a number of them choosing to opt-out when they had previously accepted the offer.

Planholders were originally given three months to consider the offer. Giving affected Planholders a further three months from the date of notification of the reduced offer would have called into question the timing of the Planholder meeting, potentially jeopardising the overall timetable. Any delay to the planned effective date would have necessitated further bulk communication to all Included Planholders. This in turn would have incurred much of the originally forecast cost (£23m) involved in the project all over again. It would also have added to the interest-rate risk associated with the offer. Any delay would have meant those who were due to take their benefits shortly after the Scheme was due to become effective would have lost out. Indeed, it would have risked casting doubt on the whole Scheme.

A second alternative of offering the affected female Planholders a retrospective opt-out was also considered. A decision on whether to proceed with the Scheme or not would then have been made on the basis of 'For' votes that could realistically have been changed to 'Opt-out' as a result of the known error. It would also have left the affected Planholders with a potential one-way bet, if interest rates fell dramatically during the period in which they could retrospectively opt-out. This would have been potentially to the detriment of the with profits policyholders in the fund.

As a result of the potential costs, delay and damage to the credibility of the offer I am content that the approach to maintain the benefits to affected female Planholders is the right one.

Some males may have opted out of the GAR offer on the basis of an illustration that was too low for them to accept. Royal London has agreed to write to those males affected by the error who opted out once the final GAR uplift rates have been calculated. They will be offered the chance to revisit their decision if they wish. Any individual choosing to exchange their GAR on the basis of this revised offer will proceed under the terms of the Scheme.

While unfortunate, I consider the proposed response to the error to be appropriate and based on fair principles. I believe the information needs of the affected Planholders have been properly taken into account. Those whose offers will be increased will be told of the final uplift figures and offered the chance to accept the Scheme if they had previously opted out. Those female Planholders whose offers are being maintained do not need separate communication,

although they would have, if an alternative approach had been taken. I am content that the impact on with profits policyholders in the Scottish Life Fund is not so great that it calls into question the rationale for proceeding with the Scheme. The overall impact on the projected with profits uplifts has been relatively modest. When set against an alternative where the Scheme fails because it is delayed, or interest rates rise materially, the with profits policyholders are far better off with the Scheme proceeding on the basis outlined.

The most obvious touch-stone of the fairness of the basis being adopted is that the Scottish Life Supervisory Committee is supportive. That Committee only has responsibilities to policyholders in the Scottish Life Fund and it has endorsed the approach as set out, including explicitly agreeing to the Scottish Life Fund meeting the additional £6m cost of honouring the basis for affected female Planholders.

KPMG have performed additional checks on the spreadsheets used within the project and have verified that there are no other errors in the spreadsheets used.

5 ASSESSING THE FAIRNESS OF THE SCHEME AND THE PROCESS

The Scheme offers the holders of certain pension plans allocated to the Scottish Life Fund the opportunity to exchange the substantial benefit of the GAR for a substantial and immediate increase in retirement savings. A key consideration in whether the Scheme should proceed or not, is the extent to which this exchange of value is fair to those affected.

5.1 FAIRNESS CRITERIA

There are a number of tests that the Scheme needs to pass for it to represent a fair offer from my perspective. Although derived separately these tests have significant parallels to the tests considered by the Independent Actuary in his analysis.

Firstly, I consider what I describe as the 'Offer Shape' test: the offer to Eligible Planholders should represent a genuine best estimate based on available information and reasonable assumptions.

There has been no material change to the Offer Shape since my original report. It is worth noting again that Royal London has chosen to honour the incorrect basis for females with Protected Rights GARs described in section 4.4. This will result in an additional cost of around £6m. I am content that the approach taken is appropriate and does not invalidate the Offer Shape test.

Secondly, I consider what I describe as the 'Offer Level' test: the level of the offer should be fair and capable of being understood by the Eligible Planholders.

There has been no material change to the Offer Level since my original report so I am content that this test is passed.

Thirdly, the 'With Profit Fairness' test: the impact on the with profit planholders in the Scottish Life Fund should be positive, when taken in the round.

The projected with profit uplift rates are not materially different to those set out in my original report. I am content that the reasons for the changes are known and that the resultant uplifts still represent a good outcome for with profits policyholders in the Scottish Life Fund. This is still the case, allowing for the approach to correct for the error in the original illustrations.

Fourthly, I consider the 'Process' test: the process being followed must be fair to those that participate and those that do not.

The Scheme process has been followed as intended. The communications to policyholders have been effective and the level of complaints/objections has been in line with experience of similar exercises. None of the complaints/objections has given me cause to doubt the integrity of the process being followed.

Finally, I consider a 'No Unintended Consequences' test: there should be no material unintended consequences to planholders outside the Scottish Life Fund.

The Scheme has been structured to avoid unintended consequences. The inter-fund payment between the RL Main Fund and the SL Fund is a key component in this. I will certify that the terms of the Scheme have been complied with.

5.2 WIDER PRINCIPLES

There are wider principles that should be borne in mind for any such exercise. The Principles set out in 2.1.1 of the PRIN handbook is an obvious starting point to consider the wider aspects. I am content that Royal London has adhered to all of the applicable principles set out. In making the offer Royal London has had the fair treatment of policyholders at the heart of its thinking.

There was no ulterior motive, no shareholder benefit, purely and simply the offer was made in policyholders' best interests. This encompasses both Included Planholders and the with profits policyholders in the Scottish Life Fund. The offer has been progressed with integrity, skill and diligence.

The one area where an error has been found, as covered in 4.4 above, I believe Royal London has put forward an approach that pays due regard to the interests of affected Planholders, including the with profits policyholders, and treats them fairly. The communications with Planholders have been clear, fair and not misleading. I'm not sure it would ever be possible for the communications to have been easy to grasp, when complex concepts were involved, but I believe that Principle 7 has been adhered to, including in relation to the calculation error. There, as a result of the approach being taken, it is only the male opt-outs who would potentially have made a different decision based on the corrected basis and they are being written to and offered that choice. No other Included Planholders are adversely affected so no communication to them is required about the calculation error.

6 CONCLUSION ON SCHEME

My conclusions on the Scheme in light of developments since my original report are as follows:

- The Scheme provides a genuine best estimate of the value of the GAR based on available information and reasonable assumptions, including Royal London's experience since the introduction of Pension Freedoms of what planholders use their retirement savings for.
- The value offered for the GAR is fair and capable of being understood by planholders. In particular, the calculation of the uplifts to plan value based on 75% of the value of the GAR is reasonable, given that the vast majority of planholders take at least 25% of their fund as cash. The communications to planholders have been fair and balanced.
- The impact of the Scheme on the with profits planholders in the Scottish Life Fund is expected to be positive.
- The process that has been followed has been fair to those who participated and those who did not. A number of planholders have opted out of the Scheme, demonstrating that they have taken account of their own personal circumstances and views on the benefits of the Scheme. This option was a key safeguard in the design of the offer.
- There continues to be no material consequences to planholders outside the Scottish Life Fund, either positive or negative.

Accordingly, I am supportive of the Scheme being sanctioned by the Court and put into effect, subject to confirmation of the IA's fairness tests being passed once the uplifts are confirmed.

I can confirm that the financial results used in this report have been subject to internal peer review, in line with the Actuarial Standard APS X2. The work that has been undertaken by Royal London, including the production of this report, has been carried out in line with all relevant actuarial standards.



BRIAN J MURRAY FFA

30/10/2018