



## LEGAL INFORMATION ON OUR PROPOSAL

We've explained in [A Closer Look at Our Proposal](#) that, if our proposal goes ahead later this year, you'll be entitled to vote on it. Our proposal will also be subject to approval by the High Court. This leaflet will give you more information on the legal process we want to follow.

Where we say 'you', we mean the planholders to whom our proposal applies. This may be the trustee of a plan, acting on behalf of its scheme members.

### What's the legal process we want to follow?

The legal process we want to use for our proposal is known as a 'Scheme of Arrangement'. This allows a company to enter into a binding agreement with its members or creditors and is available under Part 26 of the Companies Act 2006.

A Scheme of Arrangement is subject to approval by the members or creditors (in this case our planholders to whom our proposal applies) voting on it and approval by the High Court. The High Court will look at our proposal and carefully consider whether it is fair and whether the process we are following is in accordance with the relevant law.

If our planholders vote for it, the Scheme of Arrangement will be binding on everyone it applies to (no matter how they voted). Because of that, we want to offer the opportunity to opt out of the proposal. If you opt out, you'll be sure of keeping the GAR but you'll not receive any increase in your retirement savings under our proposal.

### Which plans are covered by our proposal?

We want to make our proposal to planholders who have pension plans with us of the type highlighted in the purple box on this page. These plans were originally taken out with The Scottish Life Assurance Company, whose business was transferred to Royal London in 2001, and sold under the 'Talisman' or 'Hallmark' brands.

**Our proposal won't apply to any other pension plans. Only planholders with one of the plans referred to in the purple box on this page will be invited to vote on it.**

- Talisman Personal Pension Plans taken out on or after 1 June 1985 and before 1 July 1988, also known as Retirement Annuity Contracts ('RACs').
- Talisman Personal Pension Plans taken out on or after 1 July 1988 and before 1 February 1992 ('PP plans').
- Talisman Group Personal Pension Plans taken out before 1 February 1992 ('GPP plans').
- Executive Pension Plans branded as Talisman or Hallmark taken out before 1 November 1989 ('EPP plans').

Please note that any of these plans which were sold after the relevant dates will not contain a GAR.

The documents issued when a plan was taken out will provide more information about what type of plan it is.

To avoid any doubt, the following plans with GARs were taken out with The Scottish Life Assurance Company and transferred to Royal London in 2001 but are not covered by our proposal. When we refer to planholders in this guide, we're not including the holders of the following plans:

- Personal Pension Plans (which are not referred to as Talisman plans)
- Personal Pension Bonds
- Personal Pension Bonus Bonds
- Personal Pension Cash Plans
- Protected Growth Individual Allocation Plans
- Sovereign Plans
- Versatile Retirement Benefit Plans.

## **How will the vote by planholders work?**

In order for the proposal to be approved, it must be approved by a majority of the planholders who vote on it (which we refer to below as the ‘vote by number’). That majority would also have to represent at least 75% of the total value of all of the votes cast (which we refer to below as the ‘vote by value’). The value of a vote cast will be based on the value of the GAR to be given up.

If you opt out of our proposal, you wouldn’t vote on it.

One important issue we’ve been considering is whether all planholders to whom our proposal applies should vote together as a single group or class. Or whether they should vote in separate groups or classes, all of which would need to approve the proposal. Our view is that all planholders should vote together because their interests in the proposal are not so dissimilar that it makes it impossible for them to discuss and vote on the proposal together as a single group.

Whether all the planholders should vote together will be considered at the hearing at the High Court scheduled for Tuesday, 8 May 2018 (the Convening Hearing). You can give us your views on whether all the planholders should vote together in advance of that hearing.

We’ll inform the court of comments we receive. If you wish, you can also attend the Convening Hearing and make statements to the court about our proposal either in person or through a representative.

## **Who will vote on the proposal?**

It is the legal holder or holders of a plan who will be entitled to vote on the proposal.

There are however a number of plans managed by trustees, through which plan members save for retirement and benefit from GARs. These plans can be divided into plans issued under The Scottish Life Personal Pension Scheme (which is now called The Royal London Personal Pension Scheme (No 2)) (the ‘PP scheme’), namely the PP plans and the GPP plans, and the EPP plans held by the trustees of occupational pension schemes.

Royal London is the trustee of the PP scheme and as such is entitled to vote on the proposal. However, Royal London intends to abstain in the vote because of its conflict of interest.

We’re also proposing that the votes of PP scheme members should be taken into account on both the vote by number and the vote by value.

There are approximately 32,000 PP scheme members (out of a total of approximately 35,000 planholders to whom our proposal applies) – taking account of the views of these PP scheme members on both the vote by value and the vote by number will therefore make a significant difference, and we think it is important that we do so.

In order to vote on the proposal with other planholders, these PP scheme members must be creditors of Royal London.

To ensure that this is the case, we’re proposing that, after the Convening Hearing, we execute a legal document in favour of these PP scheme members called a ‘deed poll’ under which they would become creditors of Royal London.

If the court does not consider the execution of the deed poll to be appropriate, we’ll consider other ways to take into account the views of these PP scheme members. One possibility would be to hold a separate meeting for these PP scheme members at which they’d be able to vote on the proposal.

With this approach, the implementation of the proposal would be subject to the approval of these PP scheme members and other planholders voting at different meetings. We consider the deed poll approach to be better as it allows all planholders to whom our proposal applies, including these PP scheme members, to vote together at the same meeting.

In relation to the EPP plans held by trustees of occupational pension schemes, we’re proposing that only the trustees of the occupational pension schemes will vote. We would expect the trustees to get the views of their affected members and we would allow them to reflect those views on the vote by value by casting votes both for and against the proposal. On the vote by number, trustees would cast one vote (for or against) except where there is disagreement between scheme members who benefit from an EPP plan when we’ll allow them to cast one vote for and one vote against (if they wish). We think that is a fair approach as nearly 95% of the occupational pension schemes have only one or two members covered by an EPP plan and, as explained later in this leaflet, the trustee will be able to opt out each scheme member affected by our proposal.

The approach we ultimately take in relation to the members of the PP scheme and occupational pension schemes will depend on the views of the court at the Convening Hearing.

## **What are the steps in the process that Royal London will follow?**

The formal legal process that we’d need to follow to make the Scheme of Arrangement effective involves the following steps:

### **1. We consider what you say about our proposal**

First we’ll consider what you and the other planholders think about our proposal.

We’ll only move to the next stage (the Convening Hearing) if enough planholders tell us that they want us to make a formal offer later this year.

### **2. Our proposal is considered at the Convening Hearing**

If we think enough planholders are interested, we’ll ask the High Court to consider our proposal at the Convening Hearing. The court would look at all aspects of our proposal, including our suggestion that all planholders voting on it should vote as a single group or class.

Comments provided to us on our proposal, by both planholders to whom our proposal applies and other planholders, will be made available to the court so that the judge can take account of those views at the Convening Hearing.

**It's important that you tell us as soon as possible about any concerns you have about our proposal, for example in relation to our suggestion that planholders vote as a single class or group on the proposal.** Planholders to whom our proposal applies and other planholders can also attend the Convening Hearing and present their views to the court either in person or through a representative.

We've arranged for the Convening Hearing to take place at the High Court of England and Wales at the Rolls Building, Fetter Lane, London EC4A 1NL on Tuesday 8 May 2018.

### **3. We provide you with more information on the proposal including its impact on you**

If the court is happy with our proposal, it will agree at the Convening Hearing that we can ask planholders to vote on it (or to opt out and keep the GAR, if they want to).

We'll also give you more detailed information on our proposal in a formal document called a Planholder Circular and a personalised offer showing you how we'd expect your retirement savings to increase, if our proposal goes ahead and you do not opt out.

### **4. You decide how you'll vote on the proposal or if you want to opt out of it**

If you want to opt out of our proposal and keep the GAR, you'll be able to do that by post, online or in person at the planholder meeting. If you decide to vote on our proposal, you can do this by post, online or in person at the planholder meeting. If you attend the planholder meeting, you'll be able to discuss our proposal with other planholders and with Royal London representatives.

All of the legal holders of the plans covered by our proposal together with the PP scheme members who are creditors of Royal London in respect of those plans under the deed poll, who have not opted out, will be able to vote on it. Although trustees of occupational pension schemes may take into account the views of their members, no one else will have a vote.

It's important to understand that if you don't opt out but instead vote against the proposal or don't vote at all, you'll be bound by the result of the vote on the Scheme of Arrangement if it goes ahead. That means that if you don't reply and the required majority of the planholders voting vote for our proposal, the GAR would be removed and you would be given the increase to your retirement savings. If you want to be sure of keeping the GAR, you should therefore opt out of the proposal.

### **5. The court agrees whether our proposal can go ahead at the Sanction Hearing**

If enough planholders vote in favour of the proposal, the final step in the legal process is the Sanction Hearing, at which the High Court would be asked to approve the Scheme of Arrangement and confirm that we can go ahead with our proposal.

The Sanction Hearing would take place at the High Court of England and Wales at the Rolls Building, Fetter Lane, London EC4A 1NL. We'd confirm the date well ahead of time, and currently expect the Sanction Hearing to take place in October 2018.

As for the Convening Hearing, planholders to whom our proposal applies and other planholders can attend the Sanction Hearing and present their views to the court either in person or through a representative. We'll also inform the court of comments we receive from planholders to whom our proposal applies and other planholders.

### **6. The increases in retirement savings will be reviewed once the proposal becomes effective**

After the proposal has been approved by the court at the Sanction Hearing, we'll consider whether the increase in your retirement savings remains appropriate – we would only expect to change it if the value of the GAR had changed, for example as a result of a change in interest rates.

This means however that the increase in retirement savings you actually receive may not be the same as the amount set out in your personalised offer.

Provided the offer remains fair, we would expect the GAR to be removed and the increase to your retirement savings to be applied on 7 December 2018.

The increase only applies to the part of the plan which benefits from a GAR. (The personalised offer that we send you after the Convening Hearing will confirm the extent to which the GAR applies.) It will be applied to both with profits and unit-linked investments in any plans (on the basis that the GAR applies irrespective of how a plan is invested). For with profits investments, the increases will increase both the asset share and guaranteed value of the plan. For unit-linked investments, the increases will increase the unit-linked value.

The increases will also be applied to regular premiums paid after the scheme of arrangement becomes effective to the extent those regular premiums benefit from a GAR on 7 December 2018. Those increases will be applied, as and when those regular premiums are paid. This will not involve any increase to the levels of premium you must pay.

### **How can I be sure I'll keep the GAR if I want to?**

Remember that at this stage we're not asking you to make a final decision about the GAR. We're only trying to find out if planholders might be interested in our proposal. If there's enough interest we'll send you more information telling you how we expect our proposal would affect your benefits, and how you can get financial advice or guidance on what is right for you. At that point you will be able to decide if you want to keep the GAR. If you do, you'll be able to use the form we'll send you to opt out of our proposal.

If you opt out you can be absolutely sure that you'll not lose the GAR, but your retirement savings wouldn't be increased as a result of the proposal.

### **How can I be sure my rights will be protected?**

Royal London is a mutual. We have no shareholders and our top priority is the fair treatment of our customers and members. In addition to the careful internal review of the proposal that we are undertaking, our planholders will also benefit from the following protections:

- We've instructed an independent actuary, Paul Coulthard of Deloitte LLP.

Paul is a very senior and highly experienced actuary and his role is to look at our proposal in detail and report to the High Court on whether he considers it's fair to the planholders to which our proposal applies and other planholders. His report will be available on our website. Although Paul has been appointed by us, his duty is to the court, and our regulators have confirmed that he is sufficiently independent to take on this important role.

Our regulators, the Prudential Regulation Authority and, in particular, the Financial Conduct Authority, are being kept up to date on our proposal. They'll have the opportunity to attend the Convening Hearing and the Sanction Hearing and raise any issues or concerns they have about the way we are dealing with our proposal or the impact it would have on our planholders to whom our proposal applies and our other planholders.

- The High Court will consider whether the proposal is fair to the planholders and in particular whether it is appropriate for the planholders to vote together in a single group or class.
- The proposal will only be implemented if a significant majority of planholders vote in favour of the proposal. Planholders will also have the right to make representations to the court at the Convening Hearing and the Sanction Hearing.

- We're giving planholders who want to keep the GAR the opportunity to do that by opting out of our proposal.
- We realise that there are a lot of important questions which our planholders will need answered, that many of these will be personal to you and that you're likely to feel that you need expert help to decide what's right for you. For that reason if we go ahead with our offer, when we write to you with details of our proposal and your personalised offer, we'd provide you with access to guidance and share the cost of any independent financial advice you need to help make your decision.

### **Will I have to get financial advice if your proposal goes ahead?**

Some planholders must by law get financial advice before they can vote on, and participate in, our proposal. If our proposal goes ahead, we'll tell you if you must get financial advice and, if you do, we'll explain what you need to do.

### **What should I do if I'm thinking about taking the benefits under my plan or transferring them to another provider?**

It's important that you take financial advice before you make such an important decision. The increases to retirement savings will not apply to any planholders who have already taken their benefits under their plan, or transferred their retirement savings to another pension provider before that date. If you're considering taking your plan benefits or transferring to another pension provider, you should consult a financial adviser. You might want to consider delaying these steps until we know whether the offer can go ahead or not, and if it does, until the results of the vote are known.

### **Will I pay more tax if the GAR is exchanged for an increase to my retirement savings?**

Any increase to your retirement savings might have an impact on the tax you pay, for example, there would be tax implications for you if our proposal would take the value of all your retirement savings, whoever provides them, over the lifetime allowance. The lifetime allowance for most people is currently £1,000,000 in the tax year 2017/2018.

If you think that your tax position might be affected by our proposal it's very important that you speak to an independent financial adviser before you make a final decision on what to do. If enough of our planholders want us to go ahead, we'll provide you with details of our offer and a personalised offer later this year. At that point we'll share the cost of any independent financial advice you need to help you make the decision which is right for you.

### **What should trustees of occupational pension schemes with EPP plans do now?**

At this stage we're simply trying to gauge how much interest there is in our proposal, so simply telling us you would be interested if we moved to the next stage does not mean your members' benefits will change. However, you may want to ask the members of your scheme who benefit from a plan to which our proposal applies, how they feel about the proposal. You should think about how you would consult with those members if we do proceed.

The increases to retirement savings will not apply to any scheme members who have already taken their benefits under their plan, or transferred their retirement savings to another pension provider before that date. If they are considering taking their scheme benefits or transferring to another provider, they should consult a financial adviser. They might want to consider delaying these steps until we know whether the offer can go ahead or not, and if it does, until the results of the vote are known.

### **How does the opt-out work if a scheme has more than one member?**

For plans held by trustees, we will take account of the views of the members of those plans in relation to the opt-out. In relation to the PP plans and GPP plans, the members of the PP scheme will themselves be able to indicate whether they wish to opt out or not. In relation to occupational pension schemes, we will ask trustees to tell us which of their members wish to opt out.



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