



Report of the Section 151 Officer

Pension Fund Committee - 12 September 2019

AVCs – Equitable Life Transfer to Utmost Life and Pension (Formerly Reliance Life)

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| Purpose: | To inform the Pension Fund Committee on pending transfer of legacy AVC assets managed by Equitable Life to Utmost Life and Pension (formerly Reliance Life) and ongoing communication with affected members. |
| Policy Framework: | N/A |
| Consultation: | Legal, Finance and Access to Services. |
| Report Author: | Jeff Dong |
| Finance Officer: | Jeff Dong |
| Legal Officer: | Stephanie Williams |
| Access to Services Officer: | R Millar |
| For Information | |

1 Background

- 1.1 Local Government Pension Scheme (LGPS) Regulations require LGPS Administering Authorities to provide AVC (Additional Voluntary Contribution) provision to its members should they wish to make additional retirement provision in addition to their LGPS pension. The current appointed AVC provider is The Prudential. Previous AVC providers have been Scottish Equitable and Equitable Life.
- 1.2 The appointed AVC provider is wholly responsible for the investment management and performance of the funds invested, and subsequent benefits payable at the appropriate date for the member. The Administering Authority is not regulated to give investment advice to members when selecting subsequent AVC funds of the provider, (noting the value of AVC can go down as well as up.)

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Equitable Life Transfer to Utmost Life (formerly Reliance Life)

- 2.1 Equitable Life were the appointed AVC providers from 1992-2001 There are currently 78 (active and deferred) City & County of Swansea Pension Fund members with Equitable Life policies of total value £238k as at 31st March 2019. 19 Pensioners have policies in payment.
- 2.2 Equitable Life is transferring of all its remaining business to Utmost Life and Pension(formerly Reliance Life):
- Subject to High Court approval, this should take place in late 2019;
 - The With Profits Fund will then close;
 - All AVCs with Equitable will transfer to unit-linked funds with Reliance (whose value can go down as well as up);
 - Members with AVCs in the With Profits Fund when the transfer takes place (but not AVCs in the present unit-linked funds) should receive a one-off and final capital distribution increasing AVC values by around 60% to 70% (see below).
- 2.3 Utmost Life and Pension specialises in the run-off of closed books of life and pensions policies. It was established in 2017 as a newly authorised UK Life Company. Utmost Life and Pension is part of Life Company Consolidation Group, a specialist European life assurance group. It is responsible for £24bn worth of policies for more than 250,000 customers.
- 2.4 Affected members have been contacted by Equitable Life directly and The Administering Authority also wrote out to affected members outlining the proposals and highlighting some of the risks, decisions and considerations they may need to make (attached at Appendix 1)
- 2.5 Administering Authorities as scheme policy holders have now also been asked to approve the 'Scheme' and to 'Change the Articles' to make Utmost Life and Pension (formerly Reliance Life) the sole Member of Equitable.

The 'Scheme':

- increases with-profits investments with an immediate one-off 'Uplift'
- removes any investment guarantees, and
- converts with-profits policies to unit-linked investments.

Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions (which does not require a vote but does need the approval of the High Court).

The deadline for the receipt of postal and online votes is 10am on 30 October 2019.

2.6 The Local Government Association (LGA) is currently seeking legal advice on behalf of all LGPS administering authorities to ensure all interests are maintained and that outcomes are managed in the interest of the members and administering authorities.

3 Legal Implications

3.1 The legal implications of the vote of the administering authority is currently being clarified by the LGA on behalf of The LGPS

4 Financial Implications

4.1 There are no financial implications arising directly from this report.

5 Equality and engagement Implications

5.1 There are no equality implications arising from this report.

Background papers: None.

Appendices: Appendix 1 – Equitable Life - Important Changes.