

# City and County of Swansea Pension Fund

## Equitable Life – important changes

**This affects everyone who has Additional Voluntary Contributions with Equitable Life**

### Introduction

Additional Voluntary Contributions (“AVCs”) are the extra contributions you have chosen to pay towards your pension. These are separate and in addition to the standard contributions paid by you and the Council as a member of the City and County of Swansea Pension Fund.

You have been contacted because you invest in AVCs managed by Equitable Life. Your AVCs may be invested in Equitable’s With Profit Fund and/or in one or more of the unit-linked funds. Equitable Life is transferring its business to life insurance company Reliance Life. In this note we give an update on how this is progressing and provide details of how it may affect your AVCs.

We have used some technical terms in this note for consistency with what you will find on the **Equitable Life** website. There is a glossary at the back of this announcement explaining what these terms mean.

### What is happening?

Equitable is transferring of all its remaining business to 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).

Equitable expect to give more information about the transfer in May/June 2019.

### What is the capital distribution?

In recent past, Equitable has paid investors a capital distribution when money is taken out of their With Profits Fund:

- For 2018, this was 35% of the “non-guaranteed” value of AVCs as at 31 December 2014;
- This has been increased by discretionary interim bonuses of 2% per annum since 2014;
- The capital distribution and discretionary interim bonuses are not guaranteed – they can be withdrawn at any time if Equitable’s financial position were to deteriorate.

The amount paid to you depends on when you take your AVCs:

- If you retire or transfer your AVCs before your “normal retirement date” under the Equitable policy - the non-guaranteed value with the capital distribution (currently 35%) and discretionary bonuses would be paid; or

- If you retire on or after your “normal retirement date” under the Equitable policy - the greater of the guaranteed value or the non-guaranteed value with the capital distribution and discretionary bonuses would be paid.

As part of transfer to Reliance, in late 2019 members still invested in the With Profits Fund should see the value of their AVCs increased by around 60% to 70% - this is made up of the present 35% capital distribution plus the extra 25% to 35% distribution made possible by the transfer to Reliance.

### Who are Reliance Life?

Reliance Life 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. Reliance Life 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.

### What should I be thinking about?

**If you take AVCs out of the Equitable’s With Profits Fund (on retirement or transfer to another pension arrangement) before the transfer to Reliance Life takes place, you will not receive the extra capital distribution towards the end of this year. We encourage you to consider your options carefully.**

### If you have AVCs in the With Profits Fund and are thinking of retiring or transferring your AVCs in 2019:

You might want to think about the timing of your retirement (or transfer) to benefit from the increased capital distribution. If you leave before the transfer to Reliance takes place at the end of the year, the additional 25% to 35% capital distribution will be lost.

### If you have AVCs in the With Profits Fund and are some years from retirement:

You may want to think about where your AVCs are invested after the final capital distribution is made.

### If you have AVCs in the Equitable’s unit-linked funds:

While Equitable have stated that the terms will be unchanged following the transfer to Reliance, it is not clear as yet what unit-linked funds will be available and who will manage these funds for Reliance.

As you won’t benefit from the capital distribution, you might want to look at whether your AVCs could be better invested in another AVC or pension arrangement.

### What could go wrong?

There are risks that this may not turn out as planned:

- The total capital distribution could turn out to be less than Equitable currently expect - while Equitable state that they have taken steps to reduce the risk of its financial position coming under pressure, this may not be sufficient to cover a major adverse economic event;
- The transfer could take longer than expected – the legal process to transfer an entire insurance company’s business to another insurer is complex and could take some months longer;
- Your personal circumstances could change in the meantime.

### Where can I find out more?

We will get in touch with you again when Equitable and Reliance release more information on the transfer.

In the meantime, you can visit **[www.equitable.co.uk](http://www.equitable.co.uk)**, whose home page has sections giving information on the transfer to Reliance for With Profits and unit-linked policyholders.

If you are unsure about what course of action is right for you, we suggest that you seek independent financial advice. You can find a local independent financial adviser (IFA) at: **[www.unbiased.co.uk](http://www.unbiased.co.uk)**. Please beware of pension scams and only use an adviser regulated by the Financial Conduct Authority.

For and on behalf of the Officers of the City and County of Swansea Pension Fund

### Technical terms used in this announcement

We have used some technical terms for consistency with what is shown on the Equitable's website:

#### With Profits

The With Profits Fund is managed by the insurance company. The bonuses added and the value paid when AVCs are taken out depends upon both the financial strength of the insurance company and the investment returns it achieves on its investments. The costs of running the fund are taken into account when bonus rates are set.

#### Unit-linked funds

AVCs buy units in a fund whose price can change daily. The unit prices depend upon the value of the assets in which the fund is invested and so can go down in value as well as up. The charges and costs of running unit-linked funds are taken into account when unit prices are set.

#### Guaranteed and non-guaranteed With Profits values

Equitable Life statements quote two values for your AVCs in the With Profits Fund:

##### 1. Non-guaranteed value (transfer value)

This is the value that is payable if you take your AVCs from Equitable Life at any time before your selected retirement age under the Equitable Life policy.

As the name suggests, the "non-guaranteed" value can change in the future. This value has increased in recent years when Equitable Life has added what are known as interim bonuses. However, these discretionary interim bonuses could be reduced or even withdrawn in future.

##### 2. Guaranteed value

This is only payable if you retire on or after your selected retirement age under the Equitable Life policy. The "guaranteed" value will increase by a guaranteed minimum return of 3.5% per year up to your selected retirement age.

You will lose the guaranteed value including the guaranteed minimum return (if it's bigger than the non-guaranteed value) if you decide to retire before the age you have already selected or transfer your AVCs elsewhere before you retire.

These guarantees will disappear when the Equitable Life With Profits Fund closes and the transfer to Reliance Life takes place towards the end of 2019.

#### Capital distribution

Equitable Life closed in 2000 and since then has taken steps to gradually improve its financial position. In recent years it has been able to pass on part of the savings it has made around its business to With Profits policyholders (but not unit-linked policyholders) as a capital distribution when money is taken from Equitable's With Profits Fund.

The transfer of Equitable's business to Reliance, together with the closure of its With Profits Fund, will free up capital which is currently tied up to meet Equitable's long-term commitments to policyholders. This will enable a once and for all increased capital distribution when the transfer to Reliance takes place towards the end of 2019.

#### Bonuses

Equitable Life have not added any "reversionary" bonuses, which would increase the guaranteed value, for some years. It has added discretionary interim bonuses to the non-guaranteed value of With Profits policies. These interim bonuses are not guaranteed and could be withdrawn. For 2018 the interim bonus was 2.0%.