

## **Pension Panel**

**25 October 2019**

### **Equitable Life transfer to Utmost Life and Pensions (AVCs)**

#### **Report by Director of Finance and Support Services**

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#### **Summary**

LGPS administering authorities are legally obliged to provide access to an in-house Additional Voluntary Contribution (AVC) arrangement for their members.

The County Council has a legacy AVC arrangement with Equitable Life (from 2001) and in June 2018 Equitable Life announced that it had entered into an agreement to transfer its business to Utmost Life.

The County Council is now required to vote on the Scheme on behalf of the 79 members with historical AVCs with Equitable.

Hymans Robertson have been commissioned to consider the options.

#### **Recommendation**

That the Panel agree to approve the Scheme and Change to the Articles.

#### **Background**

1. LGPS administering authorities are legally obliged to provide access to an in-house Additional Voluntary Contribution (AVC) arrangement for their members.
2. The West Sussex Pension Fund entered into arrangements with Equitable Life as an AVC provider until 2001, when Equitable Life announced it would not write any new business. Whilst the Pension Fund put in place alternative arrangements with Standard Life, 79 members still hold historical AVCs with Equitable.

#### **Equitable Life transfer to Utmost Life and Pensions (AVCs)**

3. On 15 June 2018, Equitable Life announced that it had entered into an agreement to transfer its business to Utmost Life and Pensions (previously Reliance Mutual). A communication was sent to members to alert them to the change in April 2019.
4. In August 2019, Equitable Life wrote to all the LGPS administering authorities affected by the transfer to advise them that as both 'Scheme Policy Holders' and 'Eligible Members' they are able to vote on two matters:

<b>Voting matter</b>	<b>Impact</b>	<b>Context</b>
To approve the Scheme	This would increase with-profits investments with an immediate one-off 'Uplift', remove any investment guarantees and convert with-profits policies to unit-linked investments	<p>Scheme Policyholders cannot choose to opt out of the Scheme transfer.</p> <p>The Scheme will only go ahead if the statutory majorities are obtained in the vote on the Scheme (50% of the Scheme Policy holders which represents 75% or more of the total Voting Value of the Scheme).</p>
To Change the Articles	This would make Utmost the Equitable Life's only Member.	<p>The Change to the Articles requires approval of at least 75% of the votes cast.</p> <p>If the Change to the Articles is not passed the Scheme will not be implemented.</p>

5. Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions.

### **Administering Authority responsibilities**

6. The Local Government Association have provided advice on the role of the Administering Authority in the context of the Equitable vote which is summarised as:
- an Administering Authority is entitled to vote
  - the Administering Authority has a duty to secure that the value of additional benefits from AVCs is 'reasonable' having regard to the amount of the voluntary contributions and the value of other scheme benefits
  - it is for Administering Authority's to determine how they exercise their votes; they cannot and must not abdicate their responsibility in this regard
  - an Administering Authority must not allow themselves to be dictated to by Scheme members
  - Administering Authority's will not generally be liable if they act reasonably.
  - communication with scheme members would be prudent (for the reasons set out in the opinion).

## **Advice and Recommendation**

7. Advice has been commissioned from Hymans Robertson to inform the vote cast (or split of votes) on behalf of West Sussex County Council and its members. Their report has been appended (Appendix A – Restricted).
8. On this basis the recommendation is that the Fund should vote in favour of the two resolutions.
9. The deadline for the receipt of postal and online votes is 10am on 30 October 2019.

## **Katharine Eberhart Director of Finance and Support Services**

Contact: Rachel Wood, Pension Fund Strategist (0330 222 3387)

## **Appendices – Part II for members of the Panel only**

Appendix A - Hymans Robertson Trustee Report

Appendix B - Hymans Robertson Officer Report

## **Background papers**

Legal opinion on legal framework -

<http://lgpslibrary.org/assets/opinions/201909Equitable.pdf>