

Title Surname

Our Ref:

Sent by email

04 December 2020

Dear Forename,

Annual review of Additional Voluntary Contributions (AVCs) with Equitable Life/Utmost Life over the year to 31 March 2020

In consultation with its investment adviser, Aon Solutions Limited (Aon), NILGOSC has completed its annual review of the Scheme's AVC arrangement with Utmost Life and Pensions (Utmost Life; previously: Equitable Life Assurance Society (Equitable Life)). The outcome of the review is summarised in this letter and details the following information:

- Transfer to Utmost Life
- Utmost Life's Financial Strength
- Views on the Investment options
- Administrative and Other General Updates
- Scam Awareness
- Advice and Guidance
- Further Information
- A performance report for funds offered by Utmost Life (Annexes A and B)

If you are unsure of your investment funds, then please refer to your last Equitable Life/Utmost Life Statement.

Transfer from Equitable Life to Utmost Life

Equitable Life announced, in June 2018, that it was proposing to transfer the business and all of its policies to Reliance Life, which was part of the specialist European Life Assurance group, Life Company Consolidation Group (LCCG). In March 2019, Reliance Life rebranded as **Utmost Life** following the rebrand of LCCG to the Utmost Group of Companies.

As planned, the transfer from Equitable Life completed on 1 January 2020, and Utmost Life became responsible for the funds from that date. The transfer of the

business freed up Equitable Life's capital reserves that had been held to meet future liabilities, resulting in an increase of the With-Profits Fund policy values by at least 68%. The final Primary Uplift, which was based on actual assets at 1 January 2020, was slightly over 75%.

Unless otherwise elected, at transition date, members' savings were invested in the Secure Cash Investment Fund. The guarantee on the Secure Cash Investment Fund, that the unit price will not decrease, is designed to provide initial protection for members against significant market drops in the short term, and the Fund remains open for a 12 month period for investment of the initial transfers only.

NILGOSC chose to start to automatically switch from the Secure Cash Investment Fund to the Investing by Age strategy following the transfer. This was carried out over a one month period meaning that members were totally invested in the lifestyle option by 1 February 2020.

Following conclusion of the transition and the resulting value uplift, members can choose whether to leave their funds with Utmost Life or transfer them to the range of funds offered by NILGOSC's current in-house AVC provider, Prudential.

Utmost Life's Financial Strength

Utmost Life is a UK life and pensions company with 400,000 customers and £8 billion of assets. With roots going back over 100 years, Utmost Life is part of the wider Utmost Group of Companies, a specialist life assurance group with £36 billion of assets currently under administration and 600,000 customers.

AKG Consultants and Actuaries Ltd (AKG) awarded Utmost Life a 'B' overall financial strength rating as at March 2020, which is defined as 'Strong'. AKG is a specialist provider of ratings information and market assistance to the financial services industry.

Views on the Investment Options

More information, as well as Aon's views on the funds that members are invested in within NILGOSC's Utmost Life AVC arrangement, is set out below. Aon has also prepared performance data and cost information on the specific funds, as detailed in Annex A.

There is one lifestyle strategy and 14 funds available to members. All the funds are actively managed except for the UK FTSE All Share Tracker which is passively managed. Members' funds are currently invested in five of the available funds (highlighted overleaf), upon which Aon have provided their view.

Asset class	Fund name	Annual Management Charge (AMC) % p.a.
Equity	UK Equity	0.75
	UK FTSE All Share Tracker	0.50
	Asia Pacific Equity	0.75
	European Equity	0.75
	Global Equity	0.75
	US Equity	0.75
Multi-Asset	Managed	0.75
	Multi-Asset Cautious*	0.75
	Multi-Asset Moderate*	0.75
	Multi-Asset Growth	0.75
Bonds	Sterling Corporate Bond	0.75
	UK Government Bond	0.50
Cash/Money Market	Money Market*	0.50
	Secure Cash Investment**	0.50

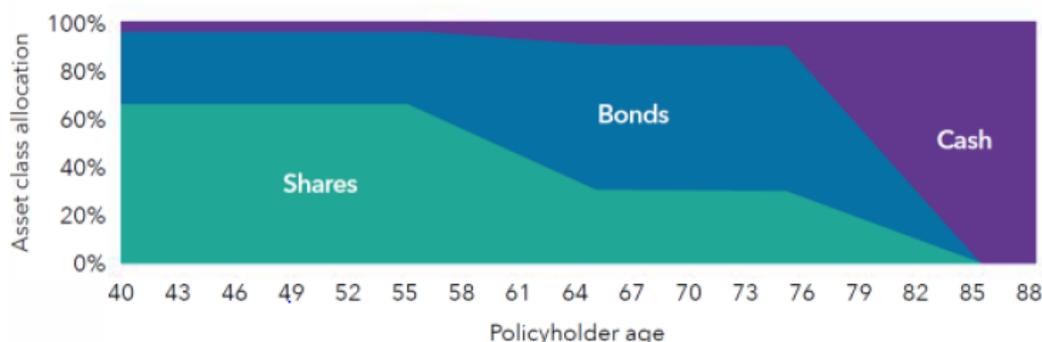
* Denotes funds that are also used within the Investing by Age Strategy

** Secure Cash Investment Fund was only available for the initial transfers in and will close on the 31 December 2020

Lifestyle Option – Investing by Age Strategy

Unless otherwise elected, members' savings were totally invested in the lifestyle option by 1 February 2020. The Investing by Age Strategy automatically transitions from the Multi-Asset Moderate Fund to the Multi-Asset Cautious Fund and eventually to the Money Market Fund, as follows:

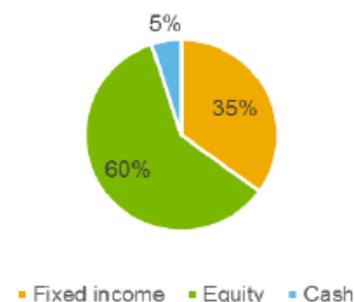
Age	Investing by Age strategy – underlying funds
Under 55	Multi-Asset Moderate Fund only
55-65	Gradual switch to the Multi-Asset Cautious Fund
65-75	Multi-Asset Cautious Fund only
75-85	Gradual switch to the Money Market Fund
Over 85	Money Market Fund only



Source: Utmost Life and Pensions

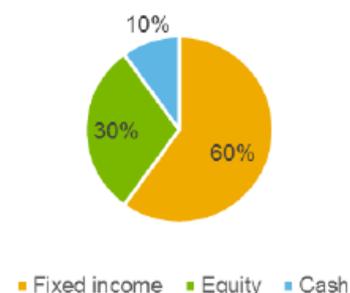
- **Multi-Asset Moderate Fund**

This fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income, property and cash, with the potential for moderate to high levels of price fluctuations. The Fund is managed by JPMorgan Asset Management and the chart shows the asset allocation at launch.



- **Multi-Asset Cautious Fund**

This fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income and cash with the potential for low to moderate levels of price fluctuations. The Fund is managed by JPMorgan Asset Management and the chart shows the asset allocation at launch.



- **Money Market Fund**

This fund aims to preserve capital whilst aiming to provide a return in line with prevailing short-term money market rates. The Fund is managed by Aberdeen Standard Investments (ASI) and invests in a range of money market securities.

Utmost Life AVC Funds that NILGOSC members are invested in

Where an appropriate benchmark is available, Aon have provided their views on fund performance of the externally managed funds that NILGOSC members are invested in. More information is provided in Annex A.

- **Money Market Fund**

The Money Market Fund has consistently outperformed its benchmark on a gross basis over the last five years, although underperformed on a net basis (after the annual management charge of 0.5% is deducted).

The Fund aims to provide capital protection, but as the base rate is still far below the level of inflation, any investment is losing value in real terms. The recent drop in the base rate to a record low is likely to result in any investment making a loss after the deduction of charges, and members should ensure that they are not exposed to this fund for longer than is necessary.

As noted in Annex A, Aon has some concerns around ASI's equity management capabilities and would therefore advise members to review their fund choice to ensure that it is a suitable fund to meet their needs.

- **Managed Fund**

The Managed Fund has significantly underperformed its benchmark on a net basis over the last year, primarily due to Q1 2020 underperformance.

A high equity weighting has been detrimental to performance as equities suffered large drawdowns due to the impact of the Coronavirus in Q1 2020. This was exacerbated by the 70% UK bias within equities, which was a poor performing region during the quarter and during the last year.

Longer term returns have been dragged down by recent performance causing the three and five year returns to trail despite outperformance in prior years.

- **UK FTSE All-Share Tracker Fund (Passive Fund)**

The UK FTSE All-Share Tracker Fund marginally underperformed over the last year, primarily due to significant losses during Q1 2020.

The Fund has tracked the benchmark within a reasonable tolerance over the longer term, but significant volatility can cause a large divergence between performance and benchmark.

Members with investments in these funds should carefully examine their current investment and future contributions with Utmost Life, and consider moving their funds to the alternative provider, Prudential.

Voluntary Life Assurance

Only one member contributes towards voluntary life assurance. The rates continue to be competitive relative to the rest of the market and Aon continue to view the product as appropriate. Members should be made aware that they do have an alternative available from Prudential.

More information and fact sheets for all of Utmost Life's funds can be found at: www.utmost.co.uk/investment-funds/fund-information-heritage-equitable-life-joining-utmost-1-january-2020/fund-information-heritage-equitable-life/

Administrative and Other General Updates

Administration

The Equitable Life staff that were servicing the AVC arrangement transferred to Utmost Life and continue to provide the administration. Over recent years, staff

numbers had reduced to manage costs, but Aon reported no concerns over the quality of the AVC administration offered up until the transfer.

The transfer of the Equitable Life staff provides continuity of service, and members will now benefit from being part of a larger organisation which can allocate additional staff if required. Aon expects there are likely to be changes over time to align the administration service with other pension business within Utmost Life to provide internal efficiencies.

Manager Investment Capabilities

JPMorgan Asset Management (JPMorgan) are the manager of the Utmost Life funds. However, Aberdeen Standard Investments (ASI) still continued to manage a portion of the unit-linked funds transferred from Equitable Life, while the initial transition between the managers took place.

Aon have a high regard for ASI's UK bond management capabilities, however following the merger of Aberdeen and Standard Life Investments, Aon have indicated ongoing concerns around asset outflow and changes to personnel leading them to have issues with ASI's equity management capabilities.

Aon have no major concerns regarding JPMorgan's equity and multi-asset management capabilities but would not recommend them for such asset classes. Aon have a high regard for JPMorgan's management of money market assets though.

Charging structure – Equitable Life

Equitable Life funds are subject to both charges and transactions costs. Charges are extracted from the Fund before the declaration of bonuses. For the year to 31 December 2019, the charges were:

- 1% p.a. for administration; and
- 0.5% p.a. to meet the expected cost of guarantees and act as a buffer against risk and adverse experience.

Although high, these charges are typical for this type of arrangement and were consistent for all Equitable Life members. As a mutual it had to ensure that it remained solvent for the good of all the members, and ultimately any excess assets are returned to the membership, as has been the case via the transfer uplift.

For the year to 31 December 2019 the following transaction costs were applied:

- Stocklending – 0.00391% p.a. (Lending stock incurs a small charge, but the Fund will receive an income)
- Transaction Cost – 1.035577% p.a.

Transaction costs significantly increased during the period as the corporate bonds were initially sold, followed by the derivatives and government bonds in preparation for the transfer. Collectively charges and costs came to 2.539487% p.a.

Charging Structure – Utmost Life

Aon report that, based on the information available and given the current environment, the Utmost Life arrangement provides good value for money for members. A full picture of transaction costs will be available next year, once members have been invested in the Utmost Life funds for a full scheme year.

Bonuses

Policy values during 2019 were increased by 2% p.a.

Contractual guarantees are provided at maturity or in the event of the policyholder's death. In March 2015, Equitable Life announced that with effect from 1 April 2015, on transfer or retirement, with-profits policy values (as at 31 December 2014) were increased by 35%. Equitable Life maintained the capital distribution at 35% from 1 April 2019 up until the transfer at the end of 2019.

Using your AVC

From 6 April 2015 the Government changed the law, providing members with more freedom and flexibility on how and when you can access your AVC fund. This is known as 'Freedom and Choice'.

As a NILGOSC member, you can use your AVC fund at retirement in one of three ways:

- Buy a top-up pension through the Local Government Pension Scheme Northern Ireland (LGPS (NI));
- Take up to 100% of your AVC fund as tax-free cash, subject to HMRC limits, providing it is drawn at the same time as your main Scheme benefits. If you retire and draw your AVC fund at a later date than your main Scheme benefits, you are restricted to 25% of your AVC fund as tax-free cash.
- Buy an annuity from an insurance company, bank or building society of your choice at the same time as drawing your main Scheme benefits.

You can transfer your AVC fund to another pension scheme or arrangement, even if you are still an active member of the main Scheme. However, you must have stopped making AVC contributions and you cannot already have drawn some AVC benefits from that Fund, for example through flexible retirement.

Different pension providers offer different options in relation to what you can do with your AVC, including the option to buy regular income (an annuity). By transferring out to one or more different pension arrangements you may be able to access options that are not available under the NILGOSC Scheme rules, such as:

- Take several lump sums at different stages – usually the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax.

- Take the entire pot as cash in one go – usually the first 25% will be tax-free with the rest subject to tax. However, subject to certain conditions and HMRC limits, if you take your AVC pot at the same time as your main Scheme benefits, it is possible to take all of your LGPS (NI) AVC plan as a single tax-free lump sum.
- To provide a flexible retirement income – this is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% and then set aside the rest to provide taxable lump sums as and when, or a regular taxable income.

There may be tax implications associated with accessing your benefits in the ways described above. The income from a pension is taxable; the rate of tax you pay depends on the amount of income that you receive from a pension and from other sources. The different options mentioned above have different features, different rates of payment, different charges and different tax implications.

Scam Awareness

Pension scams can be hard to spot. Scammers can be articulate and financially knowledgeable, with credible-looking websites, testimonials and materials that are hard to distinguish from the real thing.

Scammers usually contact people out of the blue via phone, email or text, or even advertise online. They may also be introduced to you by a friend or family member who is also unknowingly being scammed.

Scammers will make false claims to gain your trust. For example:

- claiming they are authorised by the Financial Conduct Authority (FCA) or that they don't have to be FCA authorised because they aren't providing the advice themselves; or
- claiming to be acting on the behalf of the FCA or a government service.

Scammers can design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is often invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or the funds are simply stolen outright.

You can find more information on the Pensions Regulator website at: www.thepensionsregulator.gov.uk/pension-scams or on the Financial Conduct Authority website at: www.fca.org.uk/scamsmart/how-avoid-pension-scams.

Advice and Guidance

As with any choice of investment, no one can predict with certainty which fund will offer the best return. When you compare Utmost Life's funds, you need to decide which investment is most suitable for your needs. Often this will depend upon the level of risk you wish to take and how far you are from retirement. If you are due to

retire in a relatively short period of time (less than ten years) there is limited potential to invest in an alternative fund option(s) which will produce a greater return than the With-Profits fund at the same level of risk.

Any investment decision is a personal one, reflecting your financial circumstances, approach to investment and attitude to risk. **Please note that NILGOSC and its professional advisers are not authorised to give you financial advice.** If you are in any doubt about your investment decisions or how to use your AVCs then we recommend that you seek guidance and/or independent financial advice to help you decide which option is most suitable for you.

Pension Wise offers free and impartial Government guidance once you reach the age of 50, to help you understand your defined contribution pension options (e.g. AVCs). You can find out more at www.pensionwise.gov.uk or by calling 0800 138 3944 to book a phone or face-to-face appointment.

The Money Advice Service offers free and impartial money advice, including pensions and retirement information, as well as help with finding an independent financial adviser. You can find out more at www.moneyadviceservice.org.uk or call for free on 0800 138 7777.

The Financial Conduct Authority (FCA) is the regulatory body for independent financial advisers (IFAs). The FCA maintains a register of authorised IFAs. Details can be found on the FCA website at www.fca.org.uk or by telephoning the FCA on 0800 111 6768.

The Personal Finance Society is the professional body for financial advisers. It provides access to appropriately qualified members who commit to the highest professional and ethical standards. Details can be found on their website at www.thepfs.org/yourmoney/find-an-adviser

Unbiased is a website listing regulated and independent financial advisers, mortgage brokers, solicitors and accountants. The service checks that all experts listed on the site are regulated by the relevant official bodies, appropriately qualified and independent of product providers. You can find an IFA in your area by typing your postcode into the 'Browse Professionals' search tool on the website www.unbiased.co.uk

If you wish to transfer your investment funds from Utmost Life to Prudential, please complete and return the attached transfer request form to NILGOSC at the address on the form or contact NILGOSC on 0345 3197 325 and ask for the Pensions Administration Team.

Further Information

Further information on the AVC Scheme, including the investment performance of funds in the approved AVC range, can be found on the Members' section of the NILGOSC website at: www.nilgosc.org.uk/additional-voluntary-contribution

Some information about Utmost Life's policies can be found on their website www.utmost.co.uk/about-us/why-utmost-life-pensions-has-your-policy Please note that the information provided on this website is limited in scope.

If you require any further information in relation to your AVC fund, the Pensions Administration Team at NILGOSC is happy to help with your questions, but please remember that NILGOSC staff cannot give you financial advice about your investments. The Pensions Administration Team can be contacted on 0345 3197 325 or by email at info@nilgosc.org.uk.

Yours sincerely,

A handwritten signature in black ink that reads "Helen McEvoy". The signature is written in a cursive style with a large, looped 'y' at the end.

Helen McEvoy
Investment Services Manager

Annex B – Fund Performance as at 31 March 2020

Utmost Life Funds

The table below lists all the Utmost Life AVC funds that NILGOSC members are currently invested in, and details the annual management charge, the one year investment return to 31 March 2020 and the performance relative to each fund's benchmark for the same period. Aon's view of each fund is also provided.

Please note that past performance of any particular fund is no guide to future performance.

Fund	Annual Management Charge (%)	1 year return to 31 March 2020 (%)	Performance relative to benchmark ¹	Aon view
Passive Fund				
UK FTSE All-Share Tracker	0.50	-19.10	-0.60	We have some concerns around ASI's equity management capabilities and ability to passively manage. We have no major concerns around JPMorgan's equity management capabilities but would not recommend them for such asset classes (Not Rated)
Active Funds				
Managed	0.75	-11.20	-4.20	We have some concerns around ASI's multi-asset capabilities due to negative asset flows. We have no major concerns around JPMorgan's multi-asset management capabilities, but would not recommend them for such asset classes (Not Rated)

¹ The benchmark is the relevant index against which the performance of each fund is measured

Annex B – Fund Performance as at 31 March 2020

Fund	Annual Management Charge (%)	1 year return to 31 March 2020 (%)	Performance relative to benchmark¹	Aon view
Money Market	0.50	0.30	-0.20	We regard ASI as a suitable manager of money market funds. We have a high regard for JPMorgan's management of money market assets. (Buy Rated)
With-Profits	Bonus declared net of charges	2.00 ²	N/A	Transferred to Utmost Life on 1 January 2020 initially into the Secure Cash Investment then switched to the Investing by Age Strategy addressing our concerns about the future performance prospects.
Multi-Asset Moderate	0.75	N/A ³	N/A	We have no major concerns around JPMorgan's multi-asset management capabilities, but would not recommend them for such asset classes (Not Rated)
Multi-Asset Cautious	0.75	N/A ⁴	N/A	We have no major concerns around JPMorgan's multi-asset management capabilities, but would not recommend them for such asset classes (Not Rated)

² Policy value increase rate up to transfer to Utmost Life on 1 January 2020, guaranteed bonus rate 3.5% up to 1 January 2020

³ Fund launched on 1 January 2020

⁴ Fund launched on 1 January 2020

Annex B – Fund Performance as at 31 March 2020

Utmost Life Funds

The table below shows the annualised performance, including benchmark and relative performance, of the unit-linked funds to 31 March 2020.

Please note that past performance of any particular fund is no guide to future performance.

Fund	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Passive Fund			
UK FTSE All-Share Tracker	-19.1	-4.6	0.3
Benchmark	-18.5	-4.2	0.6
Relative Performance	-0.6	-0.4	-0.3
Active Funds			
Money Market	0.3	0.1	0.1
Benchmark	0.5	0.4	0.4
Relative Performance	-0.2	-0.3	-0.3
Managed	-11.2	-2.0	1.7
Benchmark	-7.0	-0.7	2.3
Relative Performance	-4.2	-1.3	-0.6

Note: Performance is provided Gross of fees for Passive Funds and Net of fees for Active Funds.

Transfer Instructions – transfer of AVC from Utmost Life to Prudential

NI Number: _____

NILGOSC Ref: _____

Please fill in this form and return it to: NILGOSC, Templeton House, 411 Hollywood Road, Belfast, BT4 2LP.

PLEASE USE BLOCK CAPITALS

Full Name: _____

Date of Birth: _____ **Telephone number:** _____

Please tick

I wish to transfer the value of my existing Utmost Life With-Profits investments to Prudential.

I wish to transfer the value of my existing Utmost Life Unit-Linked investments to Prudential.

I wish to transfer the value of my existing Utmost Life Deposit Fund investments to Prudential.

Your signature

I have read the update from NILGOSC dated: _____ and I understand that:

- Any transfer out of the Utmost Life With-Profits Fund may have a financial adjustment applied to it. This can change and the transfer value is not guaranteed.
- If I wish to transfer to Prudential, NILGOSC will, on receipt of this request, forward me a transfer pack for completion and return.

Signed: _____ Date: _____

If you are in any doubt about your investment options you are recommended to seek independent financial advice. If you do not return the form your Utmost Life AVCs will continue to be invested as they are currently.