

	Pension Board 22 October 2019
	Report from the Director of Finance
Equitable Life Proposal	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	None
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

- 1.1 The purpose of this report is to outline proposed changes to the Equitable, a legacy AVC (Additional Voluntary Contributions) provider for the Brent Pension Fund.

2.0 Recommendation(s)

- 2.1 That Members of the committee delegate the authority to the Director of Finance on the decision to vote as outlined in section 3.7.

3.0 Detail

- 3.1 In line with legal requirements and LGPS regulations, all LGPS administering authorities, including the Brent Pension Fund, have entered into arrangements with one or more AVC providers.
- 3.2 Additional Voluntary Contributions (AVCs) are potentially a tax efficient way to save money for your retirement in addition to the main Local Government Pension Scheme, allowing members to retire early or with a higher pension.

- 3.3 When this requirement was introduced Equitable Life were a big player in the market and the Brent Pension Fund, among many others appointed Equitable Life as their AVC provider.
- 3.4 In July 2000, Equitable Life decided it was in the interest of members to find a purchaser for the society. When this failed, it announced that it would not write any new business in December 2000 – it has been operating in run-off since then. This means that the Equitable is serving its Policyholders under Policies which already exist but are not entering into new policies. As a result, most LGPS administering authorities only hold AVC policies with Equitable Life in respect of historical AVCs. The fund's current AVC provider is Prudential.
- 3.5 In June 2018, Equitable Life announced that it has entered into an agreement to transfer its business to Utmost Life and Pensions.
- 3.6 This Proposal is made up of two main parts:
1. The Scheme
 - increasing with-profits investments with an immediate one-off 'Uplift'
 - removing any investment guarantees, and
 - converting with-profits policies to unit-linked investments
 2. The Transfer
 - To transfer to Utmost Life and Pensions all of the business of Equitable Life except for certain excluded policies.
- 3.7 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:
- 1) to approve the 'Scheme'
 - 2) to 'Change the Articles' which would make Utmost Life and Pensions the Equitable Life's only Member
- LGPS administering authorities are able to split their vote in a way that represents the preferences of their members.
- 3.8 The deadline for the receipt of postal and online votes is 10am on 30 October 2019.
- 3.9 If enough Scheme Policyholders vote for the Scheme and the Change to Articles is passed, Equitable Life intends to return to the High Court to ask it to approve (or "sanction") the Scheme and the Transfer.
- 3.10 If the Proposal does not become effective, no Scheme Policyholder would receive any uplift and Equitable life would continue to run as it does currently. It is likely that they would try to find a different solution to the challenges they currently face.

- 3.11 The Fund is currently in the process of obtaining the member specific data which will outline the impact of the proposal on Brent members. However, it is important to note that AVC's are separate from the Brent Pension Fund and these investments are held with Equitable and are not assets of the Fund.
- 3.12 Once received, the Fund together with its investment advisors, will consider the impact of the proposals on members. This report recommends delegating authority to the Director of Finance on the decision to vote as outlined in section 3.6.

4.0 Financial Implications

- 4.1 These are discussed throughout the report.

5.0 Legal Implications

- 5.1 As detailed in paragraph 3.5, Equitable Life announced that it has entered into an agreement to transfer its business to Utmost Life and Pensions. For this to take place, it requires Administering Authorities as policyholders to:
 - 5.1.1 Approve the "Scheme" as detailed in paragraph 3.6.1 – a majority of more than 50% of Scheme policyholders who hold 75% or more of the total Voting Value of all policyholders is required.
 - 5.1.2 Approve the Change to Articles as detailed in paragraph 3.7.2 – approval of at least 75% of votes cast is required; and
 - 5.1.3 Not convince the High Court to reject the transfer of Equitable Life's Business to Utmost Life by objecting to the transfer.
- 5.2 The Local Government Association has sought advice from leading Counsel in relation to Administering Authorities' rights and duties in relation to any vote. The advice confirms that Administering Authorities have fiduciary duties to employers and members to secure, inter alia, that the value of additional benefits from AVCs is reasonable having regard to the amount of voluntary contributions and the value of other scheme benefits. In this regard, it is noted at paragraph 3.11 that the Fund is currently in the process of obtaining the member specific data which will outline the impact on Brent members.
- 5.3 Leading Counsel's advice also addresses a number of other points regarding voting and concludes:
 - 5.3.1 It is for Administering Authorities as policyholders to determine how they exercise their votes and they should not abdicate their responsibility in this regard; and
 - 5.3.2 It would be prudent for Administering Authorities to communicate with scheme members regarding the proposal to take into account any views they may have but, having regard to such views, it is for Administering Authorities to determine, acting reasonably, how to vote.

- 5.4 The Recommendation in the report seeks delegation of authority to vote in relation to approval of the Scheme and Change to Articles as outlined at paragraph 5.1.1 and 5.1.2 to the Director of Finance. Should the members of the sub-committee agree such delegation, the Director of Finance should have regard to leading Counsel's advice in determining how to vote.

6.0 Equality Implications

- 6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

- 8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance