

**CR-2019-004715**

**IN THE HIGH COURT OF JUSTICE  
BUSINESS AND PROPERTY COURTS  
OF ENGLAND AND WALES  
COMPANIES COURT (ChD)**

**IN THE MATTER OF THE EQUITABLE LIFE ASSURANCE SOCIETY**

**AND**

**IN THE MATTER OF THE COMPANIES ACT 2006**

# **Scheme of Arrangement**

**under Part 26 of the Companies Act 2006**

**between**

**The Equitable Life Assurance Society**

**and**

**the “Scheme Policyholders”**

**(as defined in this Scheme of Arrangement)**

## DEFINITIONS AND INTERPRETATION

(A) In this Scheme the following expressions mean the following things:

**Articles** means the articles of association of the Equitable in force as at the date on which the Court makes the Order;

**Automatic Allocation Age-Related Policy** means a Scheme Policy which:

- (a) is a With-Profits Policy;
- (b) has the primary purpose of providing retirement benefits for a specified individual named in the policy;
- (c) is denominated in sterling; and
- (d) whose Policy Value is accumulated with returns gross of tax;

**Automatic Allocation Asset Mix Funds** means, together, the USD Global Equity Fund, the Irish Managed Fund, the Multi-Asset Cautious Fund, the Multi-Asset Moderate Fund and the Money Market Fund;

**Automatic Allocation Mechanism** means the mechanism described in paragraphs 24 to 25 of Part B of Schedule 2;

**Automatic Allocation Scheme Policy** means a Scheme Policy which is subject to the Automatic Allocation Mechanism in accordance with paragraph 21 of Part B of Schedule 2;

**Board** means the board of directors of the Equitable or any duly constituted committee thereof;

**Business Day** means a day, other than a Saturday or a Sunday, on which banks are open for general business in London;

**Calculation Date** means the date of the last day of the quarter-year which ends before the Implementation Date, provided that that date is no fewer than 50 Business Days before the Implementation Date, in which case, the date of the last day of the previous quarter-year;

**Capital Distribution Amount** means the amount defined by and due in accordance with the Principles and Practices of Financial Management;

**Capitalisation Requirement** means the Purchaser has Own Funds equal to the higher of its Regulatory MCR or 150 per cent. of its Regulatory SCR as it will be immediately after the provisions of Clause 1.5 and the Transfer have taken effect;

**Capitalisation Requirement Certificate** means a certificate to be displayed on the Equitable's website, <https://www.equitable.co.uk>, confirming that the Board is satisfied, in its discretion and in such manner as it considers fair and reasonable (which decision shall be final and binding on the Equitable, Scheme Policyholders and Legacy Scheme Policyholders), that the Capitalisation Requirement has been satisfied;

***Change in Control Approval*** means the PRA having given notice in writing in accordance with either section 189(4)(a) or section 189(7) FSMA that it approves, whether conditionally or unconditionally, the Purchaser and, where relevant, any of its controllers acquiring control (within the meaning of section 181 FSMA) of the Equitable, or in the absence of such notice, the PRA being treated, under section 189(6) of FSMA, as having approved the acquisition of control of the Equitable by those persons;

***Court*** means the High Court of Justice in England and Wales;

***Court Hearing*** means the Court's hearing of the Equitable's application that the Scheme be sanctioned;

***Distributable Assets Amount*** means the amount calculated in accordance with paragraph 6 of Schedule 1;

***Eligible Sub-Policy Value*** means:

- (a) in relation to Scheme Policies and Legacy Scheme Policies which are Recurrent Single Premium Policies, that part of a Sub-Policy Value which is derived from premiums paid, or contributions made by exercise of With-Profits Switching Rights, on or before 31 December 2017 (taking account of any partial withdrawals); and
- (b) in relation to Scheme Policies and Legacy Scheme Policies which are not Recurrent Single Premium Policies, their Sub-Policy Value;

***Endowment Policy*** means a With-Profits Policy with a fixed term and fixed premiums which provides a guaranteed sum assured on death or maturity that may be increased by the addition of bonuses;

***Equitable (the)*** means The Equitable Life Assurance Society, a company registered in England and Wales with number 00037038, with its registered office at Walton Street, Aylesbury, England HP21 7QW;

***Estimated Primary Uplift Amount*** means, for each Sub-Policy or Legacy Sub-Policy, the amount calculated in accordance with paragraph 4 of Schedule 1;

***Expense Release Amount*** means an amount, to be agreed between the Equitable and the Purchaser taking into account the methodology and assumptions used by the Equitable in determining its Own Funds and the Investment Guarantee Amount, which reflects the amount of expected cost savings arising from the implementation of the Scheme and the Transfer which is able to be allocated to Scheme Policyholders and which is not less than zero;

***Flexible Savings Plan*** means a Whole of Life Policy, called a 'Flexible Savings Plan', which has specified levels of premiums and which provides enhanced benefits on the payment of those premiums after the 10<sup>th</sup> anniversary of the policy's inception;

**FSAVC Scheme** means the Equitable's free-standing additional voluntary contribution scheme;

**FSMA** means the Financial Services and Markets Act 2000 (as amended from time to time);

**GAR** means guaranteed annuity rate;

**German Policies Amount** means the amount calculated in accordance with paragraph 5 of Schedule 1;

**German Policy** means a German-Style German Policy or a UK-Style German Policy;

**German-Style German Policy** means a With-Profits Policy which is governed by German law and is listed in the CD marked 'GSGWPP' for identification purposes by the Equitable and the Purchaser;

**GMP** means:

- (a) the guaranteed minimum pension (or accrued rights to one) under Part III of the Pension Schemes Act 1993, which a UK occupational pension scheme is required to provide in respect of pension scheme members who were contracted out of the UK's state earnings-related pension scheme between 6 April 1978 and 5 April 1997;
- (b) any contracted-out salary-related benefits resulting from contracting out of the state second pension; and
- (c) any contractual arrangement which has the same or similar effect;

**Group Policy** means a Scheme Policy of which the policyholder is a Group Scheme Trustee acting in that capacity;

**Group Scheme Trustee** means the trustee or trustees (whether corporate or individual) from time to time of a group pension scheme;

**Implementation Date** means:

- (a) 1 January 2020, provided that before that date:
  - (i) the Board has given a Capitalisation Requirement Certificate;
  - (ii) the PRA has given the Change in Control Approval; and
  - (iii) the Court has made the Transfer Order; and
- (b) if any of the three conditions in (a) has not been satisfied before 1 January 2020, the first day of the quarter-year following the day on which all of those conditions are satisfied;

**Initial Six-Month Period** means the period of six months starting on the Implementation Date;

***Insurance Event Benefits*** means benefits, including GARs and GMPs, arising under the Scheme Policies listed in Schedule 4 which are payable only on the occurrence of specified life events (such as the death or survival of the life assured, or the life assured being diagnosed with a particular medical condition, or the life assured undergoing specified hospital surgery);

***Investment Choice Form*** means the form on which Scheme Policyholders can provide instructions for the manner in which the assets represented by their Uplifted Policy Value shall be invested, to be provided to Scheme Policyholders by the Equitable;

***Investment Guarantee*** means any contractual promise (whether express or implied but not including Insurance Event Benefits) in a Scheme Policy that the Equitable shall pay benefits under that Policy at a level which is determined by or calculable by reference to:

- (a) amounts which have been paid in premiums;
- (b) an interest rate fixed at the outset of the policy; and
- (c) the period of time for which the premium, or premiums, have been invested;

***Investment Guarantee Amount*** means the total sum required by the Equitable to meet its liabilities, in excess of the aggregate of the Policy Values of Scheme Policies, resulting from Investment Guarantees, calculated in accordance with Solvency II as at the Implementation Date (but before the provisions of Clause 1.5 take effect);

***Investment Guarantee Value*** means the actuarially calculated expected value, if any, of the excess of:

- (a) in relation to Scheme Policies and Legacy Scheme Policies which are Recurrent Single Premium Policies:
  - (i) a Sub-Policy's Investment Guarantee, based on premiums paid, and contributions made by exercise of With-Profits Switching Rights, on or before 31 December 2017 and assuming future premium payments and contributions which are consistent with payments and contributions before that date, and taking into account any partial withdrawals;
  - (ii) above that Sub-Policy's Eligible Sub-Policy Value plus Estimated Primary Uplift Amount; and
- (b) in relation to Scheme Policies and Legacy Scheme Policies which are not Recurrent Single Premium Policies:
  - (i) a Sub-Policy's Investment Guarantee assuming payment of future contractual premiums;
  - (ii) above that Sub-Policy's Eligible Sub-Policy Value plus Estimated Primary Uplift Amount;

***Irish Managed Fund*** means the Unit-Linked Fund of that name;

***Legacy Scheme Policy*** means:

- (a) any With-Profits Policy which is not a German Policy and which subsisted on the date on which the Court makes the Order;
- (b) in relation to any person who was a member of the FSAVC Scheme that confers an entitlement to participate in the Equitable's profits on the date on which the Court makes the Order, that person's legal rights against and obligations to the Equitable as a result of their membership of the FSAVC Scheme; and
- (c) in relation to any Group Policy, which is not a German Policy, each Member Policy Component which subsisted on the date on which the Court makes the Order;

but where, to the Equitable's knowledge, the relevant With-Profits Policy or Member Policy Component ceases to subsist or the relevant individual ceases to be a member of the FSAVC Scheme between the date on which the Court makes the Order and the Implementation Date, in each case because the relevant life assured dies and the Equitable receives notice of this before the Implementation Date or the relevant policy has otherwise matured or expired other than at the election of the policyholder or relevant individual;

***Legacy Scheme Policy Exit Date*** means the date on which a Policy becomes a Legacy Scheme Policy;

***Legacy Scheme Policy Uplift Amount*** means, in relation to a Legacy Scheme Policy, the sum of the Legacy Uplift Amounts of each of that Legacy Scheme Policy's Legacy Sub-Policies;

***Legacy Scheme Policy Value*** means, in relation to a Legacy Scheme Policy, the sum of all of the Sub-Policy Values of its Legacy Sub-Policies at the Legacy Scheme Policy Exit Date;

***Legacy Scheme Policyholder*** means a holder of a Legacy Scheme Policy, except where the Legacy Scheme Policy relates to the Member Policy Component of a Group Policy in which case it means the Group Scheme Trustee;

***Legacy Sub-Policy*** means:

- (a) a component part of the financial rights and obligations relating to a Legacy Scheme Policy that conferred an entitlement to participate in the Equitable's profits, as reflected in separate values all relating to that Legacy Scheme Policy and held on the Equitable's policy administration systems; and
- (b) in relation to any Legacy Scheme Policy which does not have such component parts, that Legacy Scheme Policy;

**Legacy Uplift Amount** means, in relation to a Legacy Sub-Policy, the amount calculated in accordance with paragraph 1 of Schedule 1 and as detailed in the following paragraphs of that Schedule;

**Member** means a member of the Equitable as defined in the Articles;

**Member Policy Component** means, in relation to a Group Policy, the separate data held in the Equitable's policy administration systems in relation to each individual member of the group pension scheme to which the Group Policy relates;

**Money Market Fund** means the Unit-Linked Fund of that name;

**Multi-Asset Cautious Fund** means the Unit-Linked Fund of that name;

**Multi-Asset Moderate Fund** means the Unit-Linked Fund of that name;

**Order** means the order of the Court sanctioning this Scheme;

**Own Funds** has the meaning given to it in the PRA Rulebook's glossary, calculated as at the Implementation Date (but before the provisions of Clause 1.5 take effect) and on a consolidated group basis;

**Policy** means a contract of life insurance, or a contract effected to provide retirement income, written by Equitable and as amended from time to time;

**Policyholders' Meeting** means the meeting of people who are expected to be Scheme Policyholders (and any adjournment thereof) convened in compliance with an order of the Court under Part 26 of the Companies Act 2006 to consider and, if thought fit, approve this Scheme (with or without amendment);

**Policy Uplift Amount** means, in relation to a Scheme Policy, the sum of the Uplift Amounts of each of that Scheme Policy's Sub-Policies;

**Policy Value** means, in relation to a Scheme Policy, the sum of all of that Scheme Policy's Sub-Policy Values as at the Implementation Date (but before the provisions of Clauses 1.5 take effect);

**PRA** means the Prudential Regulation Authority of the United Kingdom, or such other authority as shall from time to time carry out the functions carried out by it in the United Kingdom;

**PRA Rulebook** means the book of rules and guidance published by the PRA as amended from time to time;

**Primary Uplift Amount** means, for each Sub-Policy, the amount calculated in accordance with paragraph 3 of Schedule 1;

**Principles and Practices of Financial Management** means the Equitable's 'Principles and Practices of Financial Management' (April 2019) which is available at <https://www.equitable.co.uk/media/60831/ppfm-april-2019-website.pdf>;

**Purchaser** means Utmost Life and Pensions Limited, a company incorporated in England and Wales, with registered number 10559664 and its registered address at Utmost House, 6 Vale Avenue, Tunbridge Wells, Kent, United Kingdom, TN1 1RG;

**Recent Policy Increase Amount** means, in relation to a Scheme Policy which is a Recurrent Single Premium Policy, that part of the benefits (excluding any Insurance Event Benefits) payable on exit on contractual terms immediately prior to the Implementation Date, which results from premiums paid, or contributions made by exercise of With-Profits Switching Rights, on or after 1 January 2018 but before the Implementation Date;

**Recurrent Single Premium Policy** means a With-Profits Policy (not including Flexible Savings Plans) under which each premium secures an increase, equal to the amount of the premium, after the deduction of any charges, to the Investment Guarantee applicable to that policy;

**Regulatory MCR** means the absolute floor amount of MCR as specified in rule 3.2 of the Minimum Capital Requirement Part of the PRA Rulebook;

**Regulatory SCR** means the 'SCR' as defined in the PRA Rulebook on a consolidated group basis;

**Scheme** means this scheme of arrangement, made in accordance with Part 26 of the Companies Act 2006, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed by the Equitable in accordance with Clause 3;

**Scheme Effective Date** means the date on which the Order is delivered to the Registrar of Companies in England and Wales for registration;

**Scheme Policy** means:

- (a) any With-Profits Policy which is not a German Policy and which subsists on the Implementation Date;
- (b) in relation to any person who is a member of the FSAVC Scheme on the Implementation Date that confers an entitlement to participate in the Equitable's profits, that person's legal rights against and obligations to the Equitable as a result of their membership of the FSAVC Scheme;
- (c) any Switching Policy which is not a German Policy and which subsists on the Implementation Date; and
- (d) any With-Profits Policy which is not a German Policy and in respect of which the relevant life assured dies between the date on which the Court makes the Order and the Implementation Date, but the Equitable is not notified of this until after the Implementation Date.

**Scheme Policyholder** means a person who is a creditor of the Equitable in respect of a Scheme Policy;



**Second Six-Month Period** means six months following the expiry of the Initial Six-Month Period, ending on the date which is twelve months after the Implementation Date;

**Secondary Uplift Amount** means, for each Sub-Policy, the amount calculated in accordance with paragraphs 2, 7 and 8 of Schedule 1;

**Secure Cash Investment** means one of five Unit-Linked Funds denominated in (as appropriate) sterling, euros and US dollars;

**Solvency II** means Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance, or such other legislation as shall from time to time enact the equivalent provisions in the United Kingdom;

**Sub-Policy** means:

- (a) a component part of the financial rights and obligations relating to a Scheme Policy (or, in relation to a Scheme Policy which is a Group Policy, relating to each relevant Member Policy Component) that confers an entitlement to participate in the Equitable's profits, as reflected in separate values all relating to that Scheme Policy or Member Policy Component and held on the Equitable's policy administration systems; and
- (b) in relation to any Scheme Policy or Member Policy Component which does not have such component parts, that Scheme Policy or Member Policy Component;

**Sub-Policy Value** means, in relation to any Sub-Policy or Legacy Sub-Policy, the value, which can be derived from the "policy value" (for Recurrent Single Premium Policies) or the "surrender value" (for Scheme Policies and Legacy Scheme Policies which are not Recurrent Single Premium Policies) on the Equitable's policy administration systems and which (save that it shall not include any Capital Distribution Amount) is determined in accordance with the Principles and Practices of Financial Management, the principal components of which value are:

- (a) the premiums paid and any contributions made by exercise of With-Profits Switching Rights (taking account of any partial withdrawals); and
- (b) in relation to those premiums or contributions:
  - (i) any deductions in accordance with relevant policy terms for expenses and charges; and
  - (ii) an adjustment, determined by the Equitable, which reflects smoothed investment returns during the period that the relevant Sub-Policy or Legacy Sub-Policy has been held;

**Switching Policy** means any Policy which, immediately before the Implementation Date, conferred Switching Rights on its holder;

**Switching Rights** means rights conferred by a policy which is not wholly or at all a With-Profits Policy to gain an entitlement to participate in the Equitable's profits by paying new premiums or transferring assets from a Unit-Linked Fund;

**Transfer** means the proposed insurance business transfer from the Equitable to the Purchaser pursuant to Part VII of FSMA;

**Transfer Order** means the order of the Court sanctioning the Transfer;

**UK-Style German Policy** means a With-Profits Policy which is governed by German law and is listed in the CD marked 'UKSGWPP' for identification purposes by the Equitable and the Purchaser;

**Unit** means a notional share of a Unit-Linked Fund;

**Unit-Linked Fund** means a notional fund maintained or to be maintained in the Equitable's records for the purpose of calculating the benefits payable under a Unit-Linked Policy;

**Unit-Linked Policy** means a Policy which is not a With-Profits Policy and under which amounts that are or may be required to be paid to the relevant policyholder (other than benefits equivalent to the Insurance Event Benefits on Scheme Policies) are determined by reference to the price of Units;

**Unit Price** means the value of a Unit as determined at the discretion of the Equitable with regard to the prices at which the Units in the related Unit-Linked Fund might be purchased or sold by the policyholder;

**Uplift Amount** means, in relation to a Sub-Policy, the amount calculated in accordance with paragraph 1 of Schedule 1 and as detailed in the following paragraphs of that Schedule;

**Uplift Calculations** means the calculations in Schedule 1;

**Uplift Notification** means, in relation to each Scheme Policy, a notification that the Scheme has been implemented and of the Uplift Amount, to be sent to each Scheme Policyholder in accordance with Clause 2.1;

**Uplifted Policy Value** means:

- (a) in relation to each Scheme Policy which is a Recurrent Single Premium Policy, the sum of its Eligible Sub-Policy Values plus:
  - (i) its Policy Uplift Amount; and
  - (ii) its Recent Policy Increase Amount; and
- (b) in relation to each Scheme Policy which is not a Recurrent Single Premium Policy, the sum of its Eligible Sub-Policy Values plus its Policy Uplift Amount;

**USD Global Bond Fund** means the Unit-Linked Fund of that name;

**USD Global Equity Fund** means the Unit-Linked Fund of that name;

**Whole of Life Policy** means a Policy that remains in effect for the lifetime of the life assured provided that a defined series of premiums are paid and which requires the Equitable to pay a specified sum of money on the death of the life assured that may be increased by the addition of bonuses; and

**With-Profits Policy** means a Policy which entitles the holder to participate in the Equitable's profits, including any part of a Switching Policy to the extent that Switching Rights have been exercised such that the policy confers on its holder an entitlement to participate in the Equitable's profits.

- (B) Clause and Schedule headings in this document are included for convenience only and shall be ignored in the interpretation of this Scheme.
- (C) In this Scheme, unless the context otherwise requires:
- i. references to Clauses, Parts and Schedules are to be construed as references to Clauses, Parts and Schedules respectively of and to this Scheme;
  - ii. references to (or to any specified provision of) this Scheme shall be construed as references to this Scheme (or that provision) as in force for the time being and as modified in accordance with the terms of this Scheme;
  - iii. periods of time specified from a given day or date, or from the day or date of an actual event, shall not include that day or date;
  - iv. periods of time specified to a given day or date, or to the day or date of an actual event, shall include that day or date;
  - v. times are times according to Greenwich Mean Time or (if applicable) British Summer Time;
  - vi. words incorporating the plural shall include the singular and vice versa and words incorporating one gender shall include all genders;
  - vii. references to any enactment shall be deemed to include references to such enactment as amended, re-enacted or consolidated; and
  - viii. references to a Scheme Policyholder shall be deemed to include reference to joint Scheme Policyholders.

## **1. The Compromise**

1.1 This Scheme shall be binding on the Equitable, the Purchaser, all Scheme Policyholders, and all Legacy Scheme Policyholders, from the Scheme Effective Date.

1.2 Legacy Scheme Policyholders:

- (a) shall be entitled to have the Legacy Scheme Policy Uplift Amount added to their Legacy Scheme Policy Value at the Legacy Scheme Policy Exit Date in relation to each of their Legacy Scheme Policies, in

place of any Capital Distribution Amount. The Legacy Scheme Policy Value, inclusive of the Legacy Scheme Policy Uplift Amount, will be paid as soon as practicable after the Legacy Scheme Policy Exit Date and, if such payment does not occur before the Implementation Date, an amount equivalent to their Legacy Scheme Policy Value, inclusive of the Legacy Scheme Policy Uplift Amount, will be reflected in the Equitable's current liabilities prior to the implementation of Clause 1.4; and

- (b) shall have no entitlement to enter into any further contract which confers any entitlement to participate in the Equitable's profits.
- 1.3 The Purchaser shall ensure that the Capitalisation Requirement is satisfied in good time for the Board to be able to provide a Capitalisation Requirement Certificate before the Implementation Date.
- 1.4 As soon as practicable after the Implementation Date, the Equitable shall:
- (a) display a notice on its website, <https://www.equitable.co.uk>, confirming that the Implementation Date has occurred and stating what that date was; and
  - (b) complete the Uplift Calculations.
- 1.5 With effect from 00.01 on the Implementation Date, Scheme Policies shall be amended such that:
- (a) no Scheme Policy shall henceforth confer any entitlement to Investment Guarantees;
  - (b) no Scheme Policy shall henceforth confer any entitlement to participate in the profits of the Equitable or to enter into any further contract which confers any entitlement to participate in the Equitable's profits;
  - (c) all Scheme Policies shall henceforth be Unit-Linked Policies, and:
    - (i) their terms shall henceforth include the provisions in Part A of Schedule 2;
    - (ii) the allocation of assets and liabilities to Unit-Linked Funds in relation to all Scheme Policies and, where applicable, Member Policy Components shall happen in accordance with Part B of Schedule 2; and
    - (iii) where a Scheme Policy had multiple Sub-Policies, such components will continue to be reflected in separately identifiable values in the Equitable's policy administration systems where this is essential.
  - (d) all Insurance Event Benefits shall be treated in accordance with Schedule 4;
  - (e) no Scheme Policy shall henceforth confer any Switching Rights and no Scheme Policy shall confer any rights to participate in the Purchaser's profits; and

(f) the Policy Value of each Scheme Policy shall be increased to its Uplifted Policy Value.

1.6 If the sum of any Scheme Policyholder's Policy Uplift Amounts is less than £1, the Scheme Policyholder will be entitled, on request to the Equitable, to a single amount of £1.

## **2. Uplift Notifications**

2.1 As soon as reasonably practicable after the Uplift Calculations have been completed, the Equitable shall send Uplift Notifications to Scheme Policyholders. The Purchaser may do this instead of the Equitable.

2.2 Uplift Notifications are for information purposes only. The effectiveness of the Scheme shall not depend upon or be conditional upon their sending or receipt. If there is any difference (inadvertent or otherwise) between information included in Uplift Notifications and the amounts calculated in accordance with Clause 1.4(b), the amounts calculated in accordance with Clause 1.4(b) shall prevail.

## **3. Modification of this Scheme**

The Equitable may, on behalf of all creditors who would be affected by the Scheme, consent to any modification, addition or condition to this Scheme which the Court may at the Court Hearing approve or impose.

## **4. Notices**

4.1 Except where otherwise provided in this Scheme, all deliveries of notices or other documents to be made under this Scheme shall be effected by posting the same in pre-paid envelopes addressed to the person entitled thereto at their address appearing in the Equitable's electronic records (or, in the case of Scheme Policyholders who appear to Equitable to be joint policyholders, to the address of the first named person in the said records of Equitable in respect of the joint holding) at the latest practicable date before the date of their dispatch.

4.2 Equitable shall not be responsible for any loss or delay in the transmission of any notices, other documents or payments posted by or to any Scheme Policyholder or Legacy Scheme Policyholder which shall be posted at the risk of such Scheme Policyholder or Legacy Scheme Policyholder.

## **5. Governing Law and Jurisdiction**

5.1 This Scheme shall be governed by, and construed and take effect in accordance with, English law.

5.2 The Equitable, the Purchaser, Scheme Policyholders and Legacy Scheme Policyholders hereby submit to the exclusive jurisdiction of the Court and agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any claim, dispute or matter of difference which may arise out of the provisions of this Scheme, or out of any

action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme.

- 5.3 Clause 5.2 above shall not affect any rights which any person may have to refer any complaint to the Financial Ombudsman Service or any jurisdiction which the Financial Ombudsman Service may have to consider and determine any such complaint.

## SCHEDULE 1: UPLIFT CALCULATIONS

1. For each Sub-Policy:

Uplift Amount = Primary Uplift Amount + Secondary Uplift Amount;

and for each Legacy Sub-Policy:

Legacy Uplift Amount = Estimated Primary Uplift Amount + Secondary Uplift Amount

where

The Primary Uplift Amount, the Estimated Primary Uplift Amount, and the Secondary Uplift Amount are calculated in accordance with this Schedule 1.

2. The Secondary Uplift Amount shall be determined at the Calculation Date (in accordance with paragraphs 7 and 8 of this Schedule) using generally accepted actuarial techniques including an iterative stochastic actuarial process, so that the sum of all Estimated Primary Uplift Amounts is equal to the Distributable Assets Amount at the Calculation Date.
3. The Primary Uplift Amount shall be determined as at the Implementation Date (but before the provisions of Clause 1.5 take effect) by allocating the same percentage increase to all Eligible Sub-Policy Values (calculated as at the Implementation Date) so that the sum of all Primary Uplift Amounts is equal to the Distributable Assets Amount at the Implementation Date (but before the provisions of Clause 1.5 take effect).
4. The Estimated Primary Uplift Amount shall be the value of the Primary Uplift Amount calculated as at the Calculation Date as if that were the Implementation Date (but before the provisions of Clause 1.5 take effect).
5. The German Policies Amount shall be the sum of the Primary Uplift Amounts for all UK-Style German Policies, and for the purpose of this calculation only, UK-Style German Policies will be treated as Scheme Policies.
6. The Distributable Assets Amount shall be determined as follows:

The Equitable's Own Funds

*plus* the Investment Guarantee Amount

*plus* the Expense Release Amount

*less* any amount paid to the Equitable to satisfy the Capitalisation Requirement

*less* the German Policies Amount

*less* the sum of all Secondary Uplift Amounts for all Scheme Policies

*equals* the Distributable Assets Amount.

7. For the purposes of calculating the Estimated Primary Uplift Amounts and the Secondary Uplift Amounts (only):
  - (a) the value of the Distributable Assets Amount and all amounts included in the calculation thereof in paragraph 6 above shall be calculated as though references to the Implementation Date were references to the Calculation Date; and
  - (b) references to a Sub-Policy's Sub-Policy Value and its Investment Guarantee Value means those values calculated as at the Calculation Date.
8. The Secondary Uplift Amount, in respect of a Sub-Policy, is the sum of its Investment Guarantee Value
  - plus* any further amount which is required to ensure that all three statements in Schedule 3 are true in relation to that Sub-Policy
  - plus* any further amount which is required to ensure that, where the Sub-Policy relates to a Scheme Policy which provides retirement benefits, the sum of the Eligible Sub-Policy Value and, as the case may be, the Uplift Amount is not less than it would be if the policyholder were one year older.



## **SCHEDULE 2: CONVERSION TO UNIT-LINKED POLICIES**

### **PART A: UNIT-LINKED PROVISIONS**

1. When Scheme Policies become Unit-Linked Policies in accordance with Clause 1.5(c), the following shall apply to those policies and only those policies.

#### **Unit-Linked Policies**

2. The value of the liability of the Equitable to each Scheme Policyholder shall be directly linked to the value of the Units. This link shall be notional and Scheme Policyholders shall not own any part of a particular Unit-Linked Fund or its related accounts.
3. The value of each Unit-Linked Fund may change and therefore the value of the liability of the Equitable to a Scheme Policyholder may change.
4. The Equitable shall have the right to collect certain charges from Scheme Policyholders to cover its management expenses and other investment costs relating to the Unit-Linked Funds.

#### **Unit-Linked Funds**

5. The Equitable shall offer a number of different Unit-Linked Funds to Scheme Policyholders. The Equitable shall be entitled to close Unit-Linked Funds and replace Units in them with Units of equivalent value in appropriate similar Unit-Linked Funds.
6. Each Unit-Linked Fund shall be divided into Units of equal value. The Equitable shall have the right to consolidate or subdivide Units where appropriate.
7. Units may be allocated, cancelled or surrendered whole or in fractions.

#### **Valuing Units**

8. The Equitable shall calculate the Unit Price at its discretion taking into account any charges to cover its management expenses and other investment costs described in paragraph 4 of this Part A.
9. The total value of all Units in a Scheme Policy's account shall represent the total amount available from time to time to pay the Scheme Policyholder's entitlements under the Scheme Policy. This amount shall not include any Insurance Event Benefits which shall be treated in accordance with Schedule 4.
10. On exit, the Scheme Policyholder will receive at least the total value of all Units in their Scheme Policy's account.

#### **Allocating Units**

11. Scheme Policyholders' premiums shall be used to purchase Units in accordance with any relevant terms of the relevant policy.

12. The Equitable shall maintain a separate account in its records for each Scheme Policy. Each such account shall record the number of Units allocated to that Scheme Policy.
13. Scheme Policyholders may request that the Equitable change the Unit-Linked Funds to which Units in their Scheme Policy account are allocated. Subject to any restrictions or charges contained in the relevant Scheme Policy, Scheme Policyholders shall be able to request:
  - (a) to be allocated Units in a particular Unit-Linked Fund in return for payment of premiums, which Units will then be added to the Scheme Policy's account; and/or
  - (b) to cancel some or all of their allocated Units in a particular Unit-Linked Fund and be allocated Units of equal total value in a different Unit-Linked Fund. The change shall be reflected in the Scheme Policy's account.

#### **Payment of Insurance Event Benefits**

14. Where a Scheme Policy contains an Insurance Event Benefit, the payments which Scheme Policyholders must make for this benefit, as determined by Schedule 4, will be effected either by the cancellation of a corresponding number of Units or by the deduction from premiums paid.

#### **Surrender of Units and transfer of Unit-Linked Policy**

15. A Scheme Policyholder shall be able to surrender all, or part, of the Units in the Scheme Policy account, subject to the specific terms of their policy.
16. Upon full or partial surrender, the Scheme Policyholder shall be paid an amount equal to the Unit Price of the surrendered Units. The number of Units contained in the Scheme Policy's account shall be reduced by an amount equal to the total number of Units surrendered.
17. A Scheme Policyholder shall be able to transfer the total value of all Units in their Scheme Policy's account to another provider.

#### **PART B: ALLOCATION TO UNIT-LINKED FUNDS**

18. When Scheme Policies become Unit-Linked Policies in accordance with Clause 1.5(c) of the Scheme, they shall be allocated to Unit-Linked Funds in accordance with the following provisions.
19. The Uplifted Policy Value of each Scheme Policy shall as soon as reasonably practicable be applied to purchase Units in the Secure Cash Investment. The Unit Price of Units in the Secure Cash Investment shall not fall below their level at the Implementation Date during the twelve months following the Implementation Date.
20. The Units relating to Scheme Policies for which the Equitable has received an Investment Choice Form no later than 10 Business Days before the Implementation Date shall thereafter be allocated in accordance with the

instructions in those Investment Choice Forms. This will happen as soon as reasonably practicable.

21. Units relating to Scheme Policies:
  - (a) in respect of which the Equitable has not received an Investment Choice Form no later than 10 Business Days before the Implementation Date; or
  - (b) in respect of which the Equitable has received an Investment Choice Form no later than 10 Business Days before the Implementation Date but that Investment Choice Form is illegible or the instructions on it are unclear,

shall enter the Automatic Allocation Mechanism.

### **Exit from the Automatic Allocation Mechanism**

22. Scheme Policyholders with Automatic Allocation Scheme Policies can at any time submit an Investment Choice Form or such form as the Equitable may from time to time make available for these purposes, after which the affected Units shall as soon as reasonably practicable be removed from the Automatic Allocation Mechanism and allocated in accordance with the instructions in those forms.
23. For Group Policies, Investment Choice Forms in relation to Member Policy Components (or such form as the Equitable may from time to time make available for these purposes) may be submitted at any time by the relevant Group Scheme Trustee or, where it has previously been the practice for the Equitable to take instructions from the relevant individual member of a Group Policy, by that individual member. If that happens, the affected Units shall as soon as reasonably practicable be removed from the Automatic Allocation Mechanism and allocated in accordance with the instructions in those forms.

### **Automatic Allocation Mechanism**

24. Subject to paragraph 22 above, Automatic Allocation Scheme Policies shall remain allocated to the Secure Cash Investment for the Initial Six-Month Period.
25. During the Second Six-Month Period, each Automatic Allocation Scheme Policy's Units shall be cancelled gradually and the value of the cancelled Units shall be applied to purchase Units in Automatic Allocation Asset Mix Funds in accordance with paragraph 26 below. This shall be done with the objective that, by the end of the Second Six-Month Period, all Units in the Secure Cash Investment shall have been cancelled and replaced with Units in the relevant Automatic Allocation Asset Mix Funds.

### **Automatic Allocation Asset Mix Funds**

26. The Automatic Allocation Asset Mix Fund to which the Units relating to each Automatic Allocation Scheme Policy (or, in relation to a Group Policy, each Member Policy Component) is allocated shall be as follows.

- (a) For Automatic Allocation Scheme Policies which are not Automatic Allocation Age-Related Policies:
- (i) If the policy is denominated in sterling, the Units shall be allocated to the Multi-Asset Moderate Fund;
  - (ii) If the policy is denominated in US dollars, Units representing 60% of the value of that Scheme Policy's account shall be allocated to the USD Global Equity Fund and Units representing 40% of that value shall be allocated to the USD Global Bond Fund; and
  - (iii) If the policy is denominated in euro, the Units shall be allocated to the Irish Managed Fund.
- (b) Units relating to Automatic Allocation Scheme Policies which are Automatic Allocation Age-Related Policies (and, in relation to a Group Policy, each Member Policy Component) shall be allocated to Automatic Allocation Asset Mix Funds at the discretion of the Equitable which, in exercising that discretion, shall seek to achieve the general objectives set out at paragraph (i) to (v) below. The general objectives shall be that:

Aged under 55 years

- (i) If a person is aged under 55 years, Units shall be purchased with the objective that all Units allocated to a person of this age shall be in the Multi-Asset Moderate Fund.

Aged 55 years to 65 years

- (ii) The general objective shall be that:
  - (A) a person aged 55 would have all their Units in the Multi-Asset Moderate Fund;
  - (B) a person aged 65 would have all their Units in the Multi-Asset Cautious Fund; and
  - (C) between those ages the proportionate allocation of Units between those two funds shall change so that the allocation moves from the Multi-Asset Moderate Fund to the Multi-Asset Cautious Fund gradually.

Aged 65 years to 75 years

- (iii) While a person is aged between 65 and 75, Units shall be purchased with the objective that all Units allocated to a person between these ages shall be in the Multi-Asset Cautious Fund.

Aged 75 years to 85 years

- (iv) The general objective shall be that:

- (A) a person aged 75 would have all their Units in the Multi-Asset Cautious Fund;
- (B) a person aged 85 would have all their Units in the Money Market Fund; and
- (C) between those ages the proportionate allocation of Units between those two funds shall change so that the allocation moves from the Multi-Asset Cautious Fund to the Money Market Fund gradually.

Aged over 85 years

- (v) While a person is aged over 85 years, Units shall be purchased with the objective that all Units allocated to a person of this age shall be in the Money Market Fund.
  - (c) The Equitable will continue to assess the appropriateness of the Automatic Allocation Asset Mix Funds for relevant Automatic Allocation Scheme Policies (and, in relation to Group Policies, relevant Member Policy Components) and may change the Automatic Allocation Asset Mix Funds or the mix of assets within them, having regard to, among other things, market conditions from time to time.
27. Reference to any Unit-Linked Fund in paragraph 26 shall be to the appropriate variant of that Unit-Linked Fund, where there is more than one, taking into account differing tax treatment.

### SCHEDULE 3: FAIRNESS INDICATORS

In this Schedule 3, where the Scheme Policyholder is a Group Scheme Trustee, references to Scheme Policyholder are to be understood as references to an individual member of a group pension scheme to which the Group Policy relates. In calculations in this Schedule 3, for Recurrent Single Premium Policies no allowance is made for premiums paid, or contributions made by exercise of With-Profits Switching Rights on the Scheme Policy, on or after 1 January 2018.

The three statements referred to in paragraph 8 of Schedule 1 are:

1. Scheme Policyholders who invest their Eligible Sub-Policy Value plus associated Uplift Amount, as calculated at the Calculation Date, in a notional medium risk managed fund from the Calculation Date would be better off on a best estimate basis if benefits were taken at the following future dates:
  - (a) For Recurrent Single Premium Policies which are designed to provide retirement benefits:
    - (i) Where the life assured is aged 30 or younger at the Calculation Date, the date 30 years after the Calculation Date;
    - (ii) Where the life assured is aged between 31 and 64, the date the Scheme Policyholder reaches ages 60, 65 and 70, providing, in each case, that policyholders reach these ages within 30 years from the Calculation Date;
    - (iii) Where the life assured is aged 65 or older at the Calculation Date, the date 5 years after the Calculation Date;
  - (b) For Recurrent Single Premium Policies which are not designed to provide retirement benefits, the date of the next policy anniversary on which the policy is reviewed or renewed or on which a contractual surrender may be taken;
  - (c) For Endowment Policies, at the maturity date; and
  - (d) For Whole of Life Policies and Flexible Savings Plans, the expected date of death.
2. If Scheme Policyholders' Eligible Sub-Policy Value plus associated Uplift Amount, as calculated at the Calculation Date, were invested in a manner which earns a return of 0% per annum after charges, the projected Unit-Linked Fund value will exceed their projected Investment Guarantee 5 years after the Calculation Date or at the following future dates if earlier:
  - (a) For Recurrent Single Premium Policies which are not designed to provide retirement benefits, the date of the next policy anniversary on which the policy is reviewed or renewed or on which a contractual surrender may be taken;
  - (b) For Endowment Policies, at the maturity date; and

- (c) For Whole of Life Policies and Flexible Savings Plans, the expected date of death.
- 3. If Scheme Policyholders' Eligible Sub-Policy Value plus associated Uplift Amount, as calculated at the Calculation Date, were invested in a manner which earns 1.5% per annum after charges, the projected Unit-Linked Fund will exceed their projected Investment Guarantee 10 years after the Calculation Date or at the following future dates if earlier:
  - (a) For Recurrent Single Premium Policies which are not designed to provide retirement benefits, the date of the next policy anniversary on which the policy is reviewed or renewed or on which a contractual surrender may be taken;
  - (b) For Endowment Policies, at the maturity date; and
  - (c) For Whole of Life Policies and Flexible Savings Plans, the expected date of death.

## **SCHEDULE 4: INSURANCE EVENT BENEFITS**

Insurance Event Benefits are to be treated in accordance with this Schedule 4:

### **Death Benefits**

1. For the following types of Scheme Policies, the benefit paid on death will be no less than the benefit that would have been paid on death on the day before the Implementation Date. The payments which Scheme Policyholders must make for this benefit will be calculated monthly by reference to the difference between the benefit and the total value of the Units at the time of calculation, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2.
  - (a) 'Low Cost Mortgage Endowment'
  - (b) 'Endowments'
  - (c) 'Whole of Life'
  - (d) 'Deferred Annuities'
  - (e) 'Flexible Savings Plans'
2. For the following types of Scheme Policies, the minimum guaranteed benefit paid on death will be no less than the benefit calculated in accordance with the terms of the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be calculated monthly by reference to the difference between the benefit and the total value of the Units at the time of calculation, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2.
  - (a) 'Flexible Protection Plan'
  - (b) 'Maximum Investment Plan'
  - (c) 'Flexible Mortgage Plan'
3. For the following types of Scheme Policies, the minimum guaranteed benefit paid on death will be no less than the benefit calculated in accordance with the terms of the policy.
  - (a) 'UK Bond' sold before 01/01/1995
  - (b) 'Irish Bond'
  - (c) 'Personal Investment Plan'
  - (d) 'Regular Savings Plan'
4. For a Scheme Policy which is a 'UK Bond' sold after 01/01/1995, the benefit paid on death will be the higher of the minimum guaranteed benefit that that would have been paid on death on the day before the Implementation Date and the following percentage of the total value of the Units, based on the age next birthday at date of death:



- (a) under 65, 110% of the total value of the Units
- (b) between 65 and 75, 105% of the total value of the Units
- (c) over 75, 100% of the total value of the Units

### **Health benefits**

- 5. For Critical Illness Plans, the benefit paid on incidence of an illness specified in the Scheme Policy will be no less than the minimum guaranteed benefit set in line with the terms of the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be calculated monthly by reference to the difference between the benefit and the value of the Units at the time of calculation, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2.
- 6. For Major Medical Cash Plans, the benefit paid on incidence of medical procedures will be the amount specified in the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be determined by the Scheme Policy, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2 on a monthly basis.
- 7. For the following types of Scheme Policies which include waiver of premium payments under certain conditions, those conditions will continue to apply in accordance with the terms of the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be determined by the Scheme Policy, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2 on a monthly basis.
  - (a) 'Personal Pension Plan'
  - (b) 'Retirement Annuity'

### **Annuity benefits**

- 8. For the following types of Scheme Policies, where a GMP benefit would have applied on the day before the Implementation Date, that GMP benefit will continue to apply.
  - (a) 'Wind Up Plan'
  - (b) 'Transfer Plan'
- 9. For the following types of Scheme Policies, where a GAR would have applied to the benefit on exit on the day before the Implementation Date subject to specified conditions, that GAR will continue to apply on exit if the specified conditions are met at the date of exit.
  - (a) Endowments and deferred annuities sold under the terms of the Federated Superannuation System for Universities
- 10. For 'Managed Annuity Policies', which provide a guaranteed annuity to the specified life upon reaching age 100, that benefit will continue to apply.