

# PENSION ANNUITY TRANSFER SCHEME

Your questions answered

**June 2013**



**NPI**

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Please read this document with the enclosed 'Pension annuity transfer scheme – Policyholder guide'.

If you are not sure of any of the terms shown here in **bold type**, please see the definitions section of the policyholder guide (section 11).

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# What's happening

## 1 What are you proposing?

We (the **Phoenix Group**) and Guardian Assurance Limited (**Guardian**) are planning to transfer certain pension annuities from Phoenix Life Limited, Phoenix Life Assurance Limited and National Provident Life Limited to **Guardian**. The pension annuity payments and the policy terms and conditions will not change as a result of the transfer.

Phoenix Life Limited, Phoenix Life Assurance Limited and National Provident Life Limited are all part of the **Phoenix Group** of companies and we refer to these companies as the **Phoenix life companies**.

**Guardian** is a member of the Guardian Financial Services group of companies.

## 2 When will it happen?

If the **High Court** approves our plans, the transfer will take place on the 'transfer date', which we expect to be 30 September 2013.

## 3 Why are you doing this?

With effect from 1 July 2012, the **Phoenix life companies** reinsured the liabilities on selected pension annuities with **Guardian**. These reinsurance arrangements mean that, in exchange for paying **Guardian** an initial premium, the **Phoenix life companies** receive from **Guardian** the payments they make to the policyholders of the pension annuities. Such reinsurance arrangements are typical within the insurance industry. Entering into these arrangements reduced risks for the **Phoenix life companies** and allowed them to reduce the amount of capital they were required to hold.

At the same time as setting up the reinsurance arrangement the **Phoenix life companies** entered into an agreement with **Guardian** to seek to transfer the reinsured business to **Guardian** at a future date. Therefore, the **Phoenix life companies** and **Guardian** have applied to the **High Court** for permission to transfer certain pension annuities to **Guardian**.

#### **4 Why are you writing to me?**

To tell you about our proposals to transfer your pension annuity to **Guardian** and to explain how you can get further information, ask any questions you may have, and object if you believe you will be adversely affected.

If you have more than one pension annuity with the **Phoenix life companies**, they may not all be transferring. The policy number of your pension annuity that we propose to transfer is shown at the top of the letter enclosed with this leaflet. We have sent one letter for each transferring pension annuity, so you may receive more than one letter if you have more than one policy.

#### **5 What is a pension annuity?**

A pension annuity is a series of regular payments you receive to provide an income in retirement. The pension annuity is paid from the proceeds of a pension policy or other pension arrangement.

If you are already receiving payments from your pension, you have a pension annuity.

#### **6 Which pension annuities are being transferred?**

If the **High Court** approves our proposals, we will transfer certain pension annuities from the following companies to **Guardian** on the **transfer date**:

- Phoenix Life Limited (your annuity may have previously been paid by, or was part of a pension arrangement you had with, Britannic Assurance, Century Life, Pearl Assurance (Unit Linked Pensions), National Provident Life\*, NPI Limited, Scottish Mutual or Scottish Provident)
- Phoenix Life Assurance Limited (previously known as Pearl Assurance Limited)
- National Provident Life Limited\*

\* National Provident Life Limited pension annuities with a commencement date on or after 1 January 2000 transferred to Phoenix Life Limited in March 2012.

## **7 How do I know if you are planning to transfer my pension annuity?**

We have written to you because you have a pension annuity that we propose to transfer. During June and July 2013, we are writing to policyholders who have a pension annuity that is affected. We have sent a separate letter for each pension annuity we are planning to transfer so you may receive more than one letter. Each letter clearly shows the policy number of the pension annuity that is affected.

## **8 I am not aware that I have a pension annuity with any of the companies involved in the transfer. Why are you writing to me?**

We will only have written to you if you have a pension annuity with a **Phoenix life company** that we propose to transfer to **Guardian**.

It is possible that you have a pension annuity that was originally issued by a company whose business has since been transferred into a **Phoenix life company**. Some of the policies that we propose to transfer would have been involved in a previous transfer scheme in 2012. This proposed transfer of pension annuity business to **Guardian** is a separate scheme.

## What this means for you

### **9 What will change for me?**

You will become a customer of **Guardian**. Letters and statements you receive about your policy will show the name 'Guardian Financial Services' as the provider of your policy, instead of your current provider's name. Your payments will also come from **Guardian** and your bank statements may show this. **Guardian** will be responsible for the administration of your policy, although **Guardian** are likely to outsource day to day service and policy administration for most, if not all, policies. **Guardian** are currently in discussion with potential service providers, including those who provide this service to the Phoenix companies. **Guardian** will in any event seek to provide the same level of service as you currently receive.

However, the amount of your pension annuity payments and the payment dates will not change as a result of the transfer. Your policy number will stay the same and you should retain the policy documents you received when your pension annuity commenced.

## **10 Who should I contact about my policy after the transfer?**

After the transfer, if you have any policy queries, you should call a different telephone number. The number is shown in the section titled 'What will happen to my pension annuity' in the letter accompanying this leaflet.

Information about your product provider will be available on a different website, [www.guardianfs.co.uk](http://www.guardianfs.co.uk).

If you have a financial adviser, then you can continue to speak to them about your policy in the same way as before.

## **11 Is my money safe?**

Following the transfer, **Guardian** will provide financial security for your future payments. **Guardian** has its own capital policy which has been reviewed by our **Regulators**. This requires **Guardian** to hold a margin of solvency, consistent with the risks that the business is exposed to, in excess of that required by legislation and regulatory requirements to cover its obligations.

## **12 Will my terms and conditions change?**

No, the terms and conditions of your policy will not change as a result of the transfer, and so you should keep your original policy documents.

In particular:

- if your spouse or partner is entitled to continue receiving all or part of your payments if you die before they do, **Guardian** will take responsibility for continuing to make those payments;
- if your pension annuity has a guaranteed payment period, for example five years, then this guarantee will continue to apply;
- if you have an index-linked pension annuity that rises with inflation or an annuity that increases at a fixed rate, your payments will continue to increase on the same basis as now. For example, pension annuities linked to the Retail Prices Index (RPI) will continue to change in line with the RPI.

## **13 Will the transfer affect my tax situation?**

The transfer does not affect the UK tax status of policies. If you are resident for tax purposes in an overseas territory, you may wish to take advice to confirm that your tax position is unaffected.

## More about the transfer

### 14 Who are the Phoenix Group?

The **Phoenix Group** of companies is the largest manager of closed insurance funds in the UK, with approximately 6 million policyholders and £68.6 billion of assets under management (as at 31 December 2012). Closed insurance funds are funds that no longer accept new policyholders. The **Phoenix Group** includes Phoenix Life Limited, Phoenix Life Assurance Limited and National Provident Life Limited.

### 15 Who is Guardian?

**Guardian** is a UK life insurance company and has been providing insured life and pensions products for over 180 years. They look after £8.8 billion assets and over 330,000 policies (as at 31 December 2012). For more information about **Guardian**, visit their website on [www.guardianfs.co.uk](http://www.guardianfs.co.uk).

### 16 Who will pay for the transfer?

The transfer will be paid for by the shareholders of the companies involved, with no cost to policyholders.

### 17 How will my interests as a policyholder be protected?

The transfer can only take place if the **High Court** approves it. The **High Court** will consider whether the transfer is fair to policyholders and meets all the necessary legal requirements, and will only approve the **Scheme** if it considers that it is appropriate in all the circumstances of the case to do so. The court process we will follow is explained in section 6 of the enclosed guide. The **High Court hearing** is expected to take place on 12 September 2013.

We have appointed an **Independent Expert** to prepare a report on the transfer for the **High Court**. The **Independent Expert** has considered how the transfer may affect policyholders and has concluded that all groups of policyholders in the **Phoenix life companies** and **Guardian** will experience no material change to their benefit expectations as a result of the **Scheme**.

He has also concluded, with regard to security of benefits, that all groups of policyholders should benefit from solvency coverage that is targeted to be maintained at a level well in excess of that required by UK regulations. So long as that continues to be the case, he does not consider that the **Scheme** will materially adversely affect the security of benefits for any group of policyholders.



Section 7 of the enclosed guide contains a summary of the **Independent Expert's** report.

We are also working closely with our **Regulators** to ensure that they do not have any objections to the transfer.

### **18 Who is the Independent Expert?**

The **Independent Expert**, David Hare, is a senior partner at Deloitte MCS Limited. His report sets out how the **Scheme** is likely to affect policyholders. Mr Hare is independent of the companies involved in the **Scheme** and our **Regulators** have approved his appointment and have also reviewed his report.

### **19 How will I find out if the High Court has approved the transfer?**

After the **High Court hearing**, which is expected to take place on 12 September 2013, we will confirm the **High Court's** decision on our websites and in a recorded message on our helpline.

**Guardian** will also write to you shortly after the **transfer date** to welcome you as a customer of Guardian Financial Services.

### **20 Why wasn't I consulted or allowed to vote on the changes?**

This pack and the information available on our websites provide full details of our proposals and are part of the consultation phase. Policyholders do not vote on the transfer. However, you do have the right to share any concerns or object to the transfer. Section 8 of the enclosed guide explains how to do this.

### **21 Will there be any windfall benefits for me?**

There will be no change to your pension annuity payments as a result of the transfer and there will be no 'one-off' cash payments (often referred to as windfalls).

## Next steps

### **22 What do I need to do now?**

Please read this leaflet and the other enclosed documents to find out more about our proposals. If you know of anyone else who may have an interest in your policy, for example if you are the trustee of a group pension scheme or a co-owner, please make sure they have the chance to read the documents in this pack.

Unless you feel you would be adversely affected and want to object to the transfer or plan to attend the **High Court**, or you want more information, you do not need to do anything else. Section 8 of the enclosed guide explains the procedure if you want to object or attend the **High Court hearing**.

## **23 How can I find out more?**

The enclosed guide describes the proposed changes and includes a summary of the **Independent Expert's** opinion on the implications for policyholders.

You can find the **Independent Expert's** full report and more detailed information relating to the transfer on our websites at [www.phoenixlife.co.uk/FM13scheme](http://www.phoenixlife.co.uk/FM13scheme) and [www.npi.co.uk/FM13scheme](http://www.npi.co.uk/FM13scheme).

For a full list of the documents available on our websites, see section 10 of the enclosed guide.

If you would like paper copies of these documents, or have any other questions, please call our helpline on the number given in the enclosed letter. The helpline is open from 9am to 5pm, Monday to Friday, up until the day before the **High Court hearing**. Low call rates apply, although costs can vary between telecom providers. You can also write to us at the address given in the enclosed letter or use our website enquiry form.

**If you do write to us, please quote the reference FM13 and your policy number, which you will find at the top of the enclosed letter.**

The helpline is only for questions about the transfer. If you have any general questions about your policy, please contact us on the normal customer number which you will find on previous letters we have sent you.

Alternatively, you may wish to contact your authorised financial adviser. If you do not already have a financial adviser our helpline can put you in contact with an authorised financial adviser or you can find details of the advisers in your area at [www.unbiased.co.uk](http://www.unbiased.co.uk). Please note that financial advisers may charge you for providing advice.

## ANY QUESTIONS ABOUT THE SCHEME?

Please call our helpline on the number given in the enclosed letter.

Lines are open Monday to Friday, 9am to 5pm.

Low call rates apply, although costs can vary between telecom providers.

We may monitor or record calls.

### **You can also visit our websites**

**[www.phoenixlife.co.uk/FM13scheme](http://www.phoenixlife.co.uk/FM13scheme)**

**[www.npi.co.uk/FM13scheme](http://www.npi.co.uk/FM13scheme)**

**If you would like this information in large print, in Braille, or on audio tape or CD, please call us on the number given in the enclosed letter.**

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