

## Ombudsman's Determination

Applicant	Mr N
Scheme	Utmost Personal Pension Plan ( <b>Utmost Plan</b> )
Respondent	Utmost Life and Pensions ( <b>Utmost</b> )

## Outcome

1. I do not uphold Mr N's complaint and no further action is required by Utmost.

## Complaint summary

2. Mr N complained about the Utmost Plan as follows:-
  - He was not provided with details of the calculation used to determine the uplift of his Equitable Personal Pension Plan (**the Equitable Plan**) when it transferred from Equitable Life (**Equitable**) to Utmost.
  - There was insufficient information to allow him to decide whether to retain the Utmost Plan or transfer his benefits to another provider.
  - There was insufficient information about the new unit-linked Utmost Funds (**the new funds**) to allow him to decide in which funds to invest.
3. Mr N asked to see the calculation Utmost used to determine his uplift, and if it is incorrect, to be reimbursed the difference. He also wanted Utmost held to account for not providing him with sufficient information on the new funds.

## Background information, including submissions from the parties

4. Mr N first invested in the Equitable Plan in October 1991. His fund was invested in Equitable's With-Profits Fund, which had a guaranteed return of 3.5% per annum, plus a share of profits.

5. During 2018-2019, Equitable proposed a plan to distribute assets in the With-Profits Fund to individual policyholders. This would result in the removal of guaranteed returns in exchange for a one-off uplift in policy values. Equitable's business would be transferred to Utmost, with the exception of some overseas policies, and With-Profits Fund policyholders would be transferred to the new funds. Mr N did not support the plan, but it was approved by policyholders and the High Court in 2019.
6. In July 2019, Equitable sent policyholders a "Decision Pack". This consisted of "Explanatory Booklets Part A and Part B". Part B included a description of how the uplifts from the distribution of the With-Profits Fund would be calculated. The relevant section was Appendix II, page 77. This is set out in the Appendix to this Determination. Mr N confirmed that he received the "Decision Pack".
7. In August 2019, Utmost sent policyholders an "Investment Choice Pack". This was designed to help policyholders choose which of the new funds to invest in. This consisted of: "Part 1: Key information about your investment options", and "Part 2: Detailed information about fund choices".
8. "Part 1: Key information about your investment options" was a 20-page document containing the following information:-
  - Three types of new funds would be available: (i) a range of three risk-rated Multi-Asset Funds, (ii) Investing by Age, a combination of three funds, which gradually reduced risk over time, and (iii) a range of 10 self-select funds.
  - For policyholders who did not make a fund choice, the default investment would be the Secure Cash Investment for six months, and then a gradual switch to Investing by Age over the following six months.
  - Risks, investment horizons and policyholders' financial needs and goals were described. Four policyholder case studies were shown as examples.
  - Investing by Age was described in more detail, including how the strategy gradually changed over time.
  - Policyholders who chose their own new funds by 13 December 2019 would initially be invested in the Secure Cash Investment. They then had the option to decide how quickly they would be switched from the Secure Cash Investment to their new funds, over one, three or six months. Benefits and risks of each option were set out.
  - The new funds' Annual Management Charges (**AMCs**) were either 0.5% or 0.75%, and further information was referenced as being available in the Part 2 booklet. It stated that the only cost not included in the AMCs were transaction costs for buying and selling underlying assets in each new fund. These would be disclosed to policyholders each year after the funds were launched, but the booklet provided estimated ranges of these costs for each fund type.

- Information on how to obtain help and financial advice. There was a telephone helpline made available, operated by JLT Wealth Management Limited (**JLT**), to provide policyholders with factual information. Subsidised financial advice was also made available to policyholders from Hargreaves Lansdown, up to 13 December 2019.
9. “Part 2: Detailed information about fund choices” was a 28-page document containing the following information:-
- The self-select funds were split into five investment types, and the risks and expected level of returns for each type were described, although expected returns were not quantified.
  - Diversification and how to choose fund types were described.
  - Risk warnings for each new fund were set out.
  - The three Multi-Asset Funds and 10 self-select funds were described in more detail, including their AMCs and the names of each of the underlying J.P. Morgan Asset Management (**JPM**) funds.
  - JPM’s capabilities as the underlying investment manager were described.
  - The generic term “unit-linked” was described.
  - It confirmed that there would be no charges for switching between funds.
  - There was a glossary of terms.
10. Mr N confirmed that he received the “Investment Decision Pack”. He also said that he had spoken to Hargreaves Lansdown and the JLT helpline on numerous occasions, but they were unable to provide him with details of the new funds.
11. On 3 November 2019, Mr N wrote to Equitable requesting more information.
12. On 12 November 2019, Equitable responded. A summary of its response is as follows:-
- Utmost would launch the new funds on 1 January 2020, and they would invest in underlying JPM funds that were launched in September 2019 with an initial price of 100p.
  - The new funds would be investment links and not regulated funds, therefore Key Investor Information Documents (**KIIDs**) were not required, but the underlying JPM funds did have KIIDs, which were available on the Equitable website.
  - Page 15 of the booklet “Part 1: Key information about your investment options” explained the transaction charges of the fund types.
  - The new funds would not have entry or exit fees and no performance related fees.

- The objectives of the new funds were set out in section 3 of the booklet “Part 2: Detailed information about fund choices”. The objectives and risk profiles of the new funds were compared to the underlying investments in JPM, and Aberdeen Standard Investments, the existing Equitable investment manager.
  - Utmost’s fund selection process did not involve funds having to be in the Hargreaves Lansdown Top 50 or Money Observer 200+ list of funds.
13. On 4 December 2019, Mr N telephoned Equitable requesting further information.
14. On 6 December 2019, Equitable responded. A summary of its response is as follows:-
- As the new funds were not launching until 1 January 2020, they had no past performance.
  - Equitable’s current unit-linked funds would be renamed and become Utmost funds. These funds already had factsheets and past performance track records.
  - On 1 January 2020, With-Profits Fund policyholders would be switched into the Secure Cash Investment, which was guaranteed not to go down, and policyholders could then switch to other funds at any time.
15. Mr N had the option to instruct a switch from the Secure Cash Investment to funds of his choice after one, three or six months, if he had instructed Equitable on his new fund choice by 13 December 2019. Mr N said that he provided instructions before the deadline for the proceeds of his With-Profits Fund to be invested in the Secure Cash Investment. This was because he did not believe he had been given sufficient information to make an informed choice about the alternative new funds. Therefore, on 1 January 2020, his proceeds were invested in the Secure Cash Investment fund.
16. On 23 December 2019, Mr N was informed that on this date, his policy had a retirement value of £97,133.73, a minimum guaranteed value on retirement of £93,223.25 and a transfer value of £95,802.20.
17. On 1 January 2020, the With-Profits Fund policies were uplifted, and the proceeds transferred to Utmost. On the same day, Mr N wrote to Utmost. A summary of his letter is as follows:-
- He requested a transfer form and his uplifted policy value.
  - He complained that there had been no information provided about the JPM funds that would allow a reasonable person to make an investment decision.
  - He had expected to be given information on the new funds, such as: yields, unit prices, prospectuses, manager information, commentators’ ratings, and costs. He wanted to judge whether the new funds’ yields net of costs would exceed inflation.

- He had not been able to make use of the subsidised advice from Hargreaves Lansdown, as there had been insufficient fund information available before the 13 December 2019 deadline.
  - He wanted to know why the underlying JPM funds had AMCs of 0.04%, but Utmost's charge was 0.75%.
18. On 3 January 2020, Utmost responded to Mr N's letter and enclosed a transfer form. It said that his policy value would be available after the uplift calculations had been checked, which was expected during the week commencing 13 January 2020.
19. On 10 January 2020, Utmost wrote to Mr N. A summary of its letter is as follows:-
- It understood Mr N's frustration in respect of the lack of information about the new funds. Monthly factsheets for the existing Equitable unit-linked funds would be published on Utmost's website, the first one being available at the end of January 2020. Monthly factsheets for the new funds would also be published, the first one being available by the end of February 2020. In the meantime, current fund prices were available on the website. Because of this lack of information, policyholders' proceeds from the With-Profits Fund were initially invested in the Secure Cash Investment.
  - The reasons for JPM's selection were set out.
  - All fund costs, except transaction costs, were included in the AMCs. Utmost considered the AMCs to be fair and comparable to similar funds.
  - On 31 December 2019, Mr N's policy was valued at £97,185.02 with a guaranteed value of £93,292.40. The uplift was expected to be at least £23,000.
20. On 14 January 2020, Utmost confirmed to Mr N that he had 13,076.907 units in the Secure Cash Investment, with a value of £130,782.15 on 14 January 2020.
21. On 31 January 2020, Mr N complained to Utmost. A summary of his letter is as follows:-
- He had taken information from Equitable's 31 December 2018 Report and Accounts, the latest available at the time, and determined that his policy value after the uplift should have been £135,189.27. He stated his methodology as follows:  
  
"Mr N's policy value after uplift = ((Total assets of the With-Profits Fund - assets to cover linked liabilities - reinsurers share of technical provisions – creditors - provisions for other risks and charges - accruals and deferred income) / total With-Profits policy values before uplift) x Mr N's policy value before uplift."
  - Utmost had not answered his questions. In particular, there was still a lack of information about the new funds, and Utmost had not provided a detailed breakdown of how his uplift had been calculated.

- More information should be provided on the new funds, including the provision of prospectuses, which should show how the funds were expected to perform, and whether or not they would receive the same yield as other established funds.
  - As Utmost was a regulated firm, it had a mandatory duty to provide policyholders with clear information to ensure that the new funds would meet their needs. Mr N referred to the Financial Conduct Authority (**FCA**) handbook and "PRIN 2.1 The Principles". He said that Principle 6 - Customers' interests, Principle 7 Communications with clients, Principle 8 - Conflicts of interest, and Principle 9 - Customers relationships of trust, were particularly relevant.
  - He did not believe that Utmost had met Principle 7.
  - He also said that there was a conflict of interest between Utmost needing to meet its commercial objectives and him wanting to receive growth on his pension.
  - He repeated his request for his uplift calculation and information on the new funds.
22. Mr N received an introductory letter from Utmost, Letter A, dated February 2020. It stated that Mr N's policy value on 1 January 2020 before the uplift was £70,995.13, his uplift was £59,773.94, being 84.19442% of his policy value, giving a total policy value of £130,769.07. The letter confirmed that his policy would gradually switch from the Secure Cash Investment to Investing by Age, starting on 1 July 2020.
23. On 24 February 2020, Utmost replied to Mr N's letter of 31 January 2020. A summary of its response is as follows:-
- Mr N's policy had received an uplift of £59,773.94, replacing the previous 35% Claims Enhancement Factor (**CEF**) and increasing the value of his policy to £130,769.07 on 1 January 2020.
  - The basis for calculating the uplift had been subject to considerable scrutiny by management, the Board and independent experts, as well as the Regulators and the High Court. External assurance by an independent third party had also been provided.
  - The calculation of the uplift had been complex, with different policyholders receiving different amounts, depending on the value of their guarantees. A detailed explanation of the calculation had been provided in the "Decision Pack".
  - Utmost did not consider that providing Mr N with a detailed breakdown of his calculation was necessary, nor would it be good use of the time of its specialist staff who would need to be involved.
  - Utmost was still not able to provide further information about the new funds.

- Equitable's 31 December 2019 Report and Accounts would be prepared in accordance with the UK financial reporting framework, Financial Reporting Standards (**FRS**)102, and would be audited by PwC. It would include disclosures to meet the relevant requirements.
- The distribution of the With-Profits Fund took place on 1 January 2020, which was after the Balance Sheet date, but the impact of the distribution and transfer would be explained in Post Balance Sheet Event reporting. The Report and Accounts would consider the business as a whole and would not show how individual member's uplifts had been calculated.
- The Report and Accounts needed to be filed with Companies House before September 2020, and therefore would be available to Mr N before that date.

24. On 8 March 2020, Mr N wrote to Utmost. A summary of his letter is as follows:-

- Utmost should provide greater detail about the With-Profits Fund distribution in the 31 December 2019 Report and Accounts.
- He said that there were discrepancies in valuations provided by Utmost:-
  - i) The letters dated 24 February 2020 and February 2020, both showed a value of £130,769.07, but the letter dated 14 January 2020 had a value of £130,782.15.
  - ii) The letter on 23 December 2019 showed a value on retirement including the 35% CEF of £97,133.73, so, before applying the CEF, he calculated the value to be £71,950.91. But the letter dated February 2020 had an equivalent value of £70,995.13.
- These discrepancies made him uncertain about all of Utmost's valuations, including its uplift calculation.

25. In June 2020, Mr N transferred his Utmost Plan to another pension provider.

26. After the 31 December 2019 Report and Accounts had been published, Mr N recalculated his policy value with updated information. He determined that the shortfall in his uplift based on this information was £8,138.77 on 1 January 2020.

27. On 9 June 2021, in Utmost's response to a request from The Pensions Ombudsman (**TPO**), it said that factsheets for the new funds had been available on Utmost's website before the end of February 2020, which was in line with the information in its letter to Mr N on 10 January 2020.

28. On 12 August 2021, Mr N commented on Utmost's response to TPO. A summary of his response is as follows:-

- Utmost had no integrity, had failed to have regard to the interests of its customers and to treat them fairly, had failed to pay due regard to the information needs of its customers and communicate information to them in a way which is clear, fair and not misleading. He believed that these failings should be reported to the relevant regulatory body.
- The methodology he used for his uplift calculation was correct, as he had discussed it with Equitable's Chief Executive and Chief Actuary in 2018 and 2019. Mr N submitted that they had used the same methodology to demonstrate to him how the uplift would be calculated.
- The "Investment Choice Pack" was very "basic" and "useless" for making an informed decision on the new funds. He also said:-
  - i) Part 1 booklet had given some information on AMCs, but not Total Expense Ratios (**TERs**), which he thought were more relevant and would include management fees and additional expenses, such as trading fees, legal fees, auditor fees, plus other operational expenses.
  - ii) Part 2 booklet was "very generic", and "no way anyone could actually financially access the investment offerings on these pages".
  - iii) The information he had asked Utmost for in his letter on 1 January 2020 was not included in either booklet.

29. On 25 November 2021, TPO asked Utmost to explain how Mr N's uplift had been calculated.

30. On 9 December 2021, Utmost referred TPO to previously shared documents and declined to explicitly explain Mr N's uplift calculation.

31. On 16 March 2022, TPO emailed Mr N with a preliminary view on the validity of his complaint about the uplift. A summary of TPO's email is as follows:-

- As the methodology for the uplift was subject to the court sanctions proceedings, in line with section 146(6) of the Pension Schemes Act 1993, TPO could not accept a complaint disputing the methodology for the uplift which the High Court had already approved.
- But the High Court had not considered the specific uplift applied to Mr N's policy. Therefore, TPO could investigate his complaint.



- In the High Court, the Judge stated that “I consider that the efforts made by Equitable to provide a summary of the material information, in the Explanatory Booklet sent to policyholders, were sufficient to enable policyholders to acquire a reasonable understanding of the proposal” (paragraph 120 of the judgment [2019] EWHC 3336 (Ch)).
- At the time Mr N requested his uplift calculation, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 SI 2013/2734 (**the Disclosure Regulations**) applied. Regulations 10, 17, 18, 21, and 23 set out the disclosure obligations, but these only applied in certain circumstances for personal pensions and were not relevant to the Utmost Plan.
- Given the provisions of the Disclosure Regulations, there would have been no obligation for Utmost to provide the level of detail Mr N had requested about his uplift calculation.

## Adjudicator’s Opinion

32. Mr N’s complaint was considered by one of our Adjudicators who concluded that no further action was required by Utmost. The Adjudicator’s findings are summarised in paragraphs 33 to 40 below.
33. The methodology of the uplift calculation had been approved by the High Court during 2019, so there is no question that it was valid. However, Utmost decided not to share individual calculations with each policyholder, after the transfer took place on 1 January 2020.
34. Mr N’s uplift calculation set out in paragraph 21 did not use the same methodology as agreed in the High Court. For example, Utmost’s calculation consisted of two uplifts, the Primary Uplift, and the Secondary Uplift, as set out in the Appendix. The Primary Uplift was applied to policies on a pro-rata basis and consisted of the amount which Equitable would have returned to policyholders over time if it had paid off all of its liabilities + reserves to cover investment guarantees + share of cost savings from the Utmost transfer, an amount for UK Style German policies, and the Secondary Uplift. Mr N did not include these elements in his uplift calculation, so, it would be reasonable to expect that Mr N’s calculation would result in a different uplift to that calculated by Utmost.
35. The valuations Mr N received from Utmost were consistent but were produced on different dates, so Mr N was incorrect to say that they were inconsistent. For example, the £130,769.07 valuation in the letter dated 24 February 2020 was on 1 January 2020, whilst the £130,782.15 valuation in the letter dated 14 January 2020 was on 14 January 2020. So, he was comparing valuations on different dates. The valuation dates were stated in the two letters, and should have been clear to Mr N.

36. Therefore, Mr N's assertion that Utmost's uplift calculation was incorrect, is not based on valid evidence. Furthermore, given the provisions of the Disclosure Regulations, although it may have been helpful for Utmost to have provided Mr N with its uplift calculation when he requested it, Utmost did not have an obligation to do so.
37. Mr N said that information was missing, such as fund yields, unit prices, prospectuses, manager information, commentators' ratings, and TERs. In the Adjudicator's opinion, some of this information was provided to policyholders, but perhaps not in the level of detail Mr N thought was reasonable. For example:
- There was information about the manager, JPM, and the costs of investing in the funds were explained in detail. Utmost referred to the costs as AMCs. Utmost included all costs of running the funds in the AMCs, except for transaction costs, which are costs incurred for buying and selling assets within a fund. So, the AMCs were equivalent to TERs, which also exclude transaction costs. Utmost set out its estimate of transaction costs in the Part 1 booklet, as the funds were new and did not yet have a trading history over which it could measure transaction costs.
  - Fund yields are not representative of a fund's overall return, and although this information can be useful, particularly when an investor wants to draw down the natural income generated by a fund, this is not essential information when selecting a fund.
  - A prospectus is not required for units issued by an open-ended Collective Investment Undertaking, such as the new funds, and therefore, Utmost was not obliged to issue them.
  - Commentators' ratings are generally not available until a fund has a meaningful track record and can be reviewed accordingly.
  - The funds were not launched until 1 January 2020, therefore, knowing how the unit prices had changed over such a short period of time would have had limited value to an investor.
38. The booklet "Part 2: Detailed information about fund choices" set out the asset classes and benchmarks for each of the new funds, and the names of the underlying JPM and Aberdeen funds. It also set out fund charges, described the relevant risks and assigned risk ratings to each of the new funds.
39. Overall, the "Investment Choice Pack" contained an adequate level of information to protect the interests of policyholders and to allow them to make an informed decision on which funds would be appropriate for their needs.

40. Under section 146 of the Pension Schemes Act 1993, the scope of TPO's investigation was restricted to the facts of Mr N's complaint and whether Utmost provided him with sufficient information to enable him to make a decision. The Pensions Ombudsman (**the PO**) did not have jurisdiction to extend the investigation to other general instances, such as whether Utmost met the requirements of the FCA handbook in respect of providing appropriate fund information to policyholders.
41. Mr N did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr N provided a detailed response to the Adjudicator's Opinion. His relevant comments are summarised below:-
- He maintained his understanding that Utmost had been required to send policyholders their individual uplift calculations. He believed that this was in accordance with the High Court of Justice hearing on 4 December 2019, reference CR-2019-004715.
  - He continued to believe that Utmost's calculation of his uplift had been incorrect.
  - He and the other policyholders had paid for the calculations to be carried out, as the costs had come out of the With-Profits Fund.
  - Utmost had acknowledged in its letter to Mr N on 10 January 2020 that there had been limited information available on the new funds.
  - Fund factsheets had not been on Utmost's website before the end of February 2020, despite Utmost saying that they would be in its letter to him on 10 January 2020.
  - He had been forced to transfer his Utmost Plan to another pension provider, as his complaint had not been dealt with properly.
42. I have considered Mr N's comments, but they do not change the outcome. I agree with the Adjudicator's Opinion.

### **Ombudsman's decision**

43. I acknowledge that Mr N did not support the transfer of Equitable's business to Utmost. He had provided representations to the High Court of Justice about it not being in his best interest, and he had voted against it going ahead. As the vote was accepted, he was forced to exit the With-Profits Fund and invest in the new funds. At the time, the new funds had not yet been launched, so they did not have a track record, and he felt that the information available about them was limited.
44. I empathise with Mr N in so far as Utmost's uplift calculation had resulted in a lower value than his own calculation, and so he wanted to see a copy of its calculation, which it refused to do. He has submitted that he had a right to see it, as this had been granted at the High Court of Justice hearing on 4 December 2019, reference CR-2019-004715.

45. However, the hearing stated that:

“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.”

46. The “Uplift Notification” was defined as:

“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.”

47. The “Uplift Amount” was defined as:

“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.”

48. So, the requirement was for Equitable or Utmost to notify policyholders of the Uplift Amount, and not to provide Uplift Calculations. In addition, there are no FCA Regulations or provisions of the Disclosure Regulations that require a specific calculation of this nature to be shared with an investor. Therefore, while it may have been helpful to Mr N for Utmost to share its calculation with him, I find that Utmost was not obligated to do so. While this means that Mr N is not able to check Utmost’s calculation for his uplift, he should take comfort from the fact that around 300,000 Equitable customers transferred to Utmost, and the uplift calculations for the With-Profits Fund came under significant scrutiny.

49. In terms of the information available on the new funds, I appreciate that in Mr N’s view, the information set out in Equitable’s Part 1 and Part 2 booklets was insufficient to enable him to choose which funds to invest in.

50. However, I agree with the Adjudicator. The Part 2 booklet contained the key fund information that an investor would expect to see before investing. In particular, pages 14 to 16 set out most of the key information on the funds: the asset classes each fund invested in, whether they were index-tracking or actively managed, names of the underlying funds, benchmarks where relevant, risk warnings and fund charges. Page 6 provided risk ratings for each fund. Historic fund performance was of course not available, as the funds had not yet been launched.

51. Even without the fund factsheets being available before the 13 December 2019 fund selection deadline, I find that the information contained in the two booklets was sufficient for an informed decision to have been made.

CAS-54844-H0X2

52. I do not uphold Mr N's complaint.

**Anthony Arter CBE**

Deputy Pensions Ombudsman

13 April 2023

## Appendix

### The Uplift Calculation – extract from the “Decision Pack – Explanatory Booklet Part B”

#### Appendix II

#### The Uplift Calculation

1. The *Secondary Uplift* will be calculated as at the *Calculation Date*. The *Calculation Date* is before the *Implementation Date*, which means we can ascertain the *Secondary Uplift Amounts* before carrying out the rest of the *Uplift Calculation*.
2. To calculate the *Secondary Uplift* for each *Scheme Policy*, the *Equitable* will:
  - (a) start with that part of the *Policy Value* which is, based on premiums paid and contributions made by exercise of *With-Profits Switching Rights* on or before 31 December 2017 (and taking into account any withdrawals);
  - (b) then, estimate the *Primary Uplift Amount* that will eventually apply to that *Scheme Policy* (this is the *Scheme Policy's Estimated Primary Uplift Amount*) and notionally allocate that to the *Policy Value*;
  - (c) then, determine the actuarial value of any *Investment Guarantee* in excess of the *Policy Value* plus *Estimated Primary Uplift Amount*. The value of the *Investment Guarantee* is calculated as at the *Calculation Date*. However, the calculation is forward-looking, i.e. it takes into account the *Investment Guarantee's* expected value in the future. In doing this assumptions are made about future policyholder behaviour and these assumptions are based on past observable experience;
  - (d) this value is then increased if required to ensure that *Policies* meet the *Fairness Indicators* at the *Calculation Date* and that *Policies* providing retirement benefits do not receive less than they would if they were a year older.
3. The *Primary Uplift* will be calculated as follows:
  - (a) we will start with an amount which is essentially what the *Equitable* would have to return to *With-Profits Policyholders* over time if it paid off all of its liabilities (this is called *Own Funds*);
  - (b) then we will add the amount that the *Equitable* is reserving in its accounts on the *Implementation Date* to cover its obligation to pay *Investment Guarantees* (this is called the “*Investment Guarantee Reserve Amount*”). This reflects the fact that the *Uplift* will need to include the present value of all *Investment Guarantees*;
  - (c) then we will add an amount which the *Equitable* agrees with *Utmost* as part of the transaction we have entered into with them and which reflects a share of the cost savings which *Utmost* are expecting to be able to make as a consequence of the *Scheme* and the *Transfer* (this is called the “*Expense Release Amount*”);
  - (d) then we will deduct an amount in respect of *UK Style German With-Profits Policies* which reflects the *Primary Uplift* which would be allocated to those *Policies* if they were *Scheme Policies* (this is called the *German Policies Amount* – see below);
  - (e) then we will subtract the total of all of the *Secondary Uplift Amounts* already calculated; and
  - (f) then we divide this sum between the *Scheme Policies* to give them a pro rata share based on the relative sizes of their *Policy Values*.
4. The reason for deducting the *German Policies Amount* is that *UK Style German With-Profits Policies* would not be included in the *Scheme* but if the *Scheme* takes effect then they would receive an increase in *Policy Value* which is consistent with the *Primary Uplift*. It is necessary to identify and set aside an amount from the *With-Profits Fund* in order to provide that increase in *Policy Values*.
5. As part of the arrangement between the *Equitable* and *Utmost*, *Utmost* may be required to provide capital into the *Equitable* prior to the *Implementation Date* which is expected to be sufficient to ensure that the *Equitable* has enough capital after the *Implementation Date*. This amount will not be available for distribution and will not form part of the *Uplift*.
6. The *Primary Uplift Amounts* for all *Scheme Policies* will be calculated as at the *Implementation Date* based on *Policy Values* at the *Implementation Date* in respect of premiums paid on or before 31 December 2017, and the *Equitable's* assets as at the *Implementation Date*. We will complete those calculations as soon as practicable after the *Implementation Date*. The *Policy Value* of every *Scheme Policy* (which is a *With-Profits Policy*) in respect of premiums paid on or before 31 December 2017 will be increased by the same percentage by the *Primary Uplift*, and the sum of all of the *Primary Uplift Amounts* will be equal to the *Distributable Assets Amount*.