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October 2024

Annual review of Additional Voluntary Contributions (AVC) with Utmost Life and Pensions over the year to 31 March 2024

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

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

Utmost Life's Financial Strength

Utmost Life is a UK life and pensions company with around 300,000 customers and £5.4 billion of assets under administration at 31 December 2023. With roots going back over 100 years, Utmost Life is part of the wider Utmost Group Limited (UGL), a specialist life assurance group with £62.8 billion of assets under administration and around 500,000 customers as at the same date.

AKG Financial Analytics Limited (AKG), awarded Utmost Life a 'B' overall financial strength rating as at December 2023, which is defined as 'strong'. AKG is a specialist provider of ratings information and market assistance to the financial services industry.

Utmost Life AVC members are protected by the Financial Services Compensation Scheme (FSCS) for 100% of the value of their investment should Utmost Life default. In the case that a pension provider such as Utmost Life collapses, a claim would need to be made with the FSCS. In eight out of ten pension claims, the FSCS makes decisions within 13 months (as at 12 September 2024), but this process can take longer if it is a complicated case.

Views on the Investment Options

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

There are 14 unit-linked funds and one lifestyle strategy available to members. All of the funds are actively managed, except for the UK FTSE-All Share Tracker which is passively managed.

Aon notes that whilst a range of funds are available and they deem the underlying managers to be capable, the range of funds is predominantly actively managed and rather outdated as it does not include a responsible investment option or a Shariah fund. However, given this AVC arrangement is closed and the membership is relatively mature, Aon believes that the range of investment options is likely to be suitable for most members.

Members funds are all currently invested in five of the available fund options (highlighted in blue on the next page), upon which Aon has provided its view at Annex A, shown later in this letter.

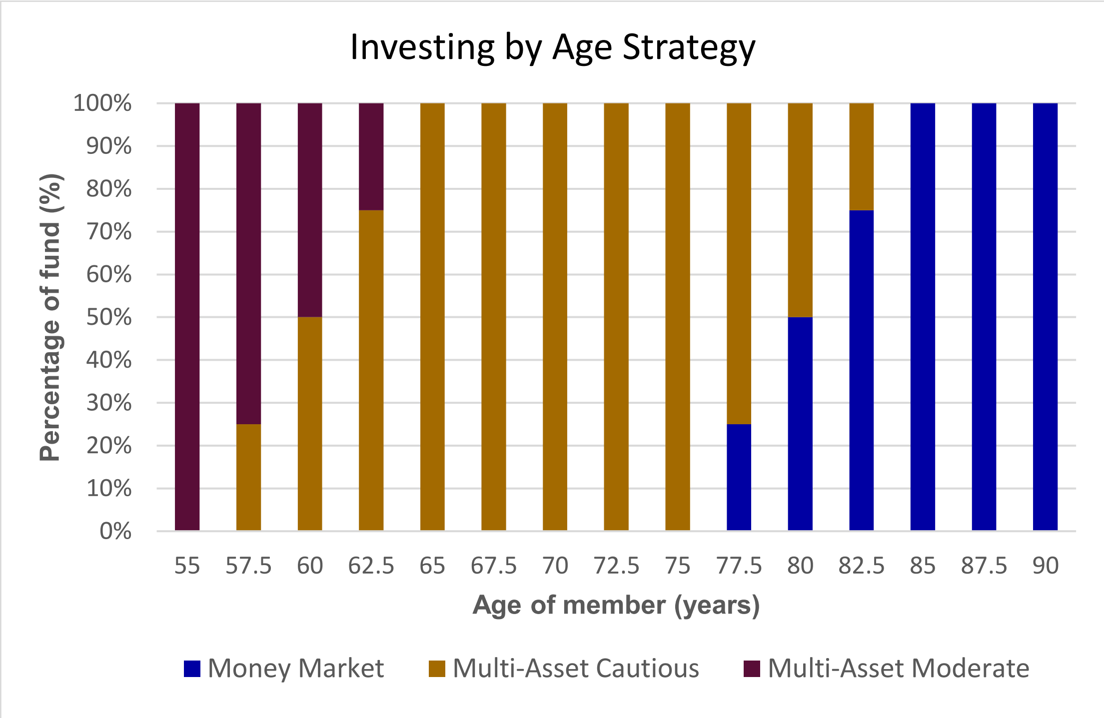
Asset class	Fund name	Annual Management Charge % Per Annum
Equity	UK Equity	0.75
	UK FTSE-All Share Tracker	0.50
	Asia Pacific Equity	0.75
	European Equity	0.75
	Global Equity	0.75
	US Equity	0.75
	International Growth	0.75
Multi-Asset	Managed	0.75
	Multi-Asset Cautious*	0.75
	Multi-Asset Moderate*	0.75
	Multi-Asset Growth	0.75
Bonds	Sterling Corporate Bond	0.75
	UK Government Bond	0.50
Cash/Money Market	Money Market*	0.50

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

Lifestyle Option – Investing by Age Strategy

Utmost Life's Investing by Age Strategy replaced the Equitable Life With Profits Fund, and the key objective of this strategy is to provide sufficient returns to ensure that members are not worse off at retirement than if they had remained invested in the Equitable Life With Profits Fund. Aon believes that the asset allocation has the potential to achieve this level of returns over the longer term. The Investing by Age Strategy automatically transitions from the Multi-Asset Moderate Fund to the Multi-Asset Cautious Fund and eventually to the Money Market Fund, as follows:

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



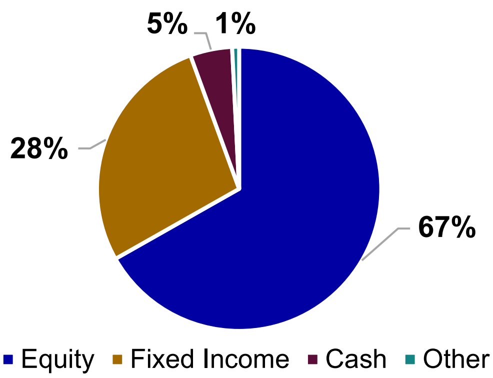
This lifestyle option provides an automatic de-risking strategy for members, however it has some limitations:

- It determines investment allocation by age attained rather than the term to selected retirement age, and
- It provides no flexibility for members to choose the age at which their fund is de-risked.

This strategy retains a multi-asset approach until members are approaching age 85 and is therefore best suited to members who access funds flexibly. If members take their AVC at age 65, their funds will still be exposed to c.43% equity investment risk at retirement, even though they are likely to access these funds as cash. However, the key investment objective of this strategy is to provide sufficient returns to ensure members are not worse off at retirement than if they had remained invested in the Equitable Life With Profits Fund and as such, Aon is comfortable with this asset allocation.

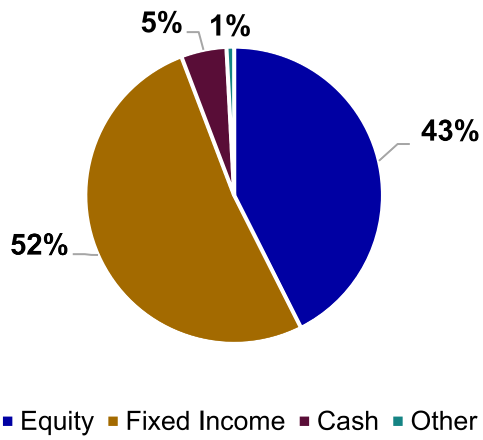
The funds used in this strategy are managed by J.P. Morgan Asset Management and Abrdn Standard Investments. Asset allocations of the Multi-Asset Moderate fund and the Multi-Asset Cautious fund are subject to change over time, based on investment manager views, and are not the same as at launch. Both funds aim to provide long-term capital growth by investing in a combination of asset classes including equities, fixed income, property and cash. Further details on each fund used in the strategy are set out below:

Multi-Asset Moderate Fund



The chart shows the asset allocation at 31 May 2024. The objective of this fund is to provide capital growth in the long term by investing in a combination of asset classes, with the potential for moderate levels of price fluctuations. Since launch in January 2020, asset allocations have flexed depending on market conditions. The 67% allocation to equities as at 31 May 2024 is broadly aligned to the 60% allocation at launch, whilst exposure to fixed income has decreased from 35% to 28% over the same period.

Multi-Asset Cautious Fund



The chart shows the asset allocation at 31 May 2024. This fund aims to provide capital growth in the long term by investing in a combination of asset classes, with the potential for low to moderate levels of price fluctuations. The fund was launched in January 2020. Exposure to equity has increased slightly from an initial 30% allocation at launch, while fixed income has decreased from 60% to 52% over the same period.

Money Market Fund

This fund aims to preserve capital whilst providing returns in line with prevailing short-term money market rates. As the investments are in short-term deposits this fund may produce an overall return close to zero or even negative returns in low interest rate environments.

Aon’s views on the performance of funds in which NILGOSC members are invested

Aon has provided its views on performance of the funds in which NILGOSC members are invested. Further details on fund performance are set out in Annexes A and B.

UK FTSE All-Share Tracker Fund (Passive Fund)

The UK FTSE All-Share Tracker is a passively managed fund with an objective of tracking the index FTSE All-Share as closely as possible. This objective has been met as the fund has tracked its benchmark before charges over all periods to 31 March 2024 reported at Annex B, although it is slightly behind benchmark before charges on a one-year and a three-year basis. Aon has no concerns over quality or suitability.

Managed Fund

The Managed Fund outperformed its benchmark before fees over the one-year, three-year and five-year periods to 31 March 2024. Aon considers this fund to be relatively well diversified and has no concerns over the quality of this fund.

Multi-Asset Cautious Fund

The Multi-Asset Cautious Fund outperformed its benchmark over the one-year and three-year periods to 31 March 2024. Aon believes the asset allocation of the fund can achieve the returns required as part of the Investing by Age strategy, and therefore meet its investment objective, over the longer term.

Multi-Asset Moderate Fund

The Multi-Asset Moderate Fund outperformed its benchmark over the one-year and three-year periods to 31 March 2024. Aon believes the asset allocation of this fund can achieve the returns required as part of the Investing by Age strategy, and therefore meet its investment objective, over the longer term.

Money Market Fund

This fund aims to preserve capital whilst providing a return in line with prevailing short term money market rates. Returns on the fund increased in line with interest rates and were slightly ahead of its benchmark over the one-year, three-year and five-year periods to 31 March 2024. As such, Aon has no concerns over the quality of this fund as a short-term holding or to meet the needs of members who wish to take minimal investment risk with their AVC.

Aon considers the underlying managers (Abrdn Standard Investments and J.P. Morgan Asset Management) to be suitable managers of the assets members in the funds hold with them, and have not raised any concerns over performance or investment capabilities.

The Utmost Life website provides full details of the funds available to you, their objectives, and Utmost Life's risk rating of these funds and charges, to help you select funds most suitable for your needs at:
www.utmost.co.uk/investment-funds/fund-information-heritage-equitable-life-joining-utmost-1-january-2020/fund-information-heritage-equitable-life/.

A fund Guide entitled 'Guide to how we manage our unit-linked funds for Heritage Equitable Life Policies', which is specific to members who transferred from the Equitable Life With Profits is also available at:
www.utmost.co.uk/investment-funds/how-we-manage-our-unit-linked-funds/.

Utmost Life Administration Update

Administration

Utmost Life's service standards have been maintained at five to ten working days for most tasks during 2023. This is reflective of Aon's experience, which is that Utmost operates well within these standards and service has been relatively good, taking account of the challenges and limitations of operating an older platform.

Investment Manager Capabilities

J.P. Morgan Asset Management is the manager of the Utmost Life funds. However, Abrdn Standard Investments continues to manage a portion of the unit-linked funds transferred from Equitable Life, while the gradual transition between managers is carried out.

Aon has confirmed that there are no concerns over the past performance of the funds in which members are invested and it has no concerns over the financial stability or overall investment capabilities of the underlying managers. Aon considers J.P. Morgan Asset Management and Abrdn Standard Investments to be suitable managers of the assets that members hold with them.

Recent Developments and Other Information

Market volatility and your AVC investment

Recent years have seen market volatility and economic uncertainty due to a range of factors and events including the Ukraine crisis and central banks tightening their monetary policy in response to inflationary pressures. Uncertainty and market volatility affects investment values and may concern members. When investment markets are experiencing volatility, the value of your AVC investment may go up or down, and each AVC investment fund will perform differently depending on the types of assets it invests in. If your AVC plan is invested in only one investment type it will be entirely exposed to the ups and downs of that particular type of investment.

If you are close to retirement, you should review the AVC funds you are invested in to ensure that you are protected from the possibility of big falls in value close to retirement.

If you are further from retirement and therefore a long-term investor, expectations are that long-term growth should offset the impact of short-term volatility. However, you should ensure that your investments are suitable for your needs and investment risk appetite.

We understand that seeing short-term drops or fluctuations in your AVC investment value may be worrying, however it is important not to panic, and to instead consider the current volatility in relation to your longer-term intentions for your AVC investments. It is important that you are comfortable with the asset types you are invested in. You should review your investment choices in light of recent market volatility and ensure that they remain suitable for your needs. If you are unsure whether your selected AVC investments suit your needs, you might like to seek advice from a qualified financial advisor. If you haven’t got a financial advisor, you can find a list of advisors at www.moneyhelper.org.uk. **Please remember that NILGOSC cannot provide investment advice.**

Increase in Normal Minimum Pension Age

The normal minimum pension age will be increased from 55 to 57 from 6 April 2028. This is the earliest age that you can take your pension benefits including your AVC (apart from ill-health). It is expected that there may be some protections for existing members who could previously have taken their pension benefits earlier. At this stage we do not know what protections, if any, will apply to members for the NILGOSC main Scheme.

Changes to Lump Sum Allowances and Lump Sum and Death Benefits Allowances

The Lifetime Allowance (LTA) was abolished from 6 April 2024. From that date two new limits were introduced to control tax relief on lump sums.

- A ‘lump sum allowance’ – you can usually take 25% of the amount of your pension as a tax-free lump sum. The most you can take tax-free under the lump sum allowance is £268,275 and you will need to add up how much of your allowance you’ve used in all your pension schemes. If you take more than this limit you will pay tax on the extra amount.
- A ‘lump sum and death benefits allowance’ – this limit of £1,073,100 applies to all tax-free lump sums from your pensions. It includes lump sums taken when you are alive (and which counted towards the lump sum allowance) plus serious ill-health lump sums and certain death benefits paid to your beneficiaries. If you breach this limit your personal representative will pay tax on the extra amount.

Most people will not exceed these limits unless they are high earners or have significant pension savings. There are transitional arrangements for benefits taken before 6 April 2024 and the new allowances may be higher if you have LTA protection. There is no longer a limit on benefits paid as a regular pension (weekly/monthly etc.) as they are subject to income tax.

Using your AVC

Deciding how to use your AVC is one of the most important financial decisions you are likely to make, so we recommend you take guidance from Pension Wise to help you decide which option is best for you. More information on Pension Wise is in the Advice and Guidance section.

You can use your NILGOSC AVC fund at retirement in the following different ways. Some options are not available to all members. You can take a combination of the options that are open to you.

- **Tax-free cash** – If you take your AVC at the same time as your main Scheme benefits, you can take up to 100% of it as tax-free cash. You can do this if your total lump sums from the LGPS (NI) are not more than:
  - 25% of the total value of your LGPS (NI) benefits, including the AVC fund;
  - £268,275; and
  - £268,275 less any tax-free lump sums you have already taken from pensions.
- **Top-up LGPS (NI) pension** – You can use some or all of your AVC fund to buy a top-up pension from the LGPS (NI). The top-up pension you buy will increase in line with inflation. Any dependants who are entitled to a survivor pension when you die will automatically get part of the top-up pension. The amount of top-up will depend on your age and whether you are retiring on ill-health grounds. The pension income you receive is taxable and the rate of tax payable will depend on your overall income. NILGOSC's Pensions Administration team can provide a personal quotation to members who are interested in this option in the approach to retirement.
- **Annuities** – You can use your AVC fund to buy one or more annuities from an insurance company, bank or building society of your choice. An annuity is a regular guaranteed income that is paid to you for life. Your chosen provider will take the AVC plan and pay you a pension in return. The amount of pension you are paid depends on your age, interest rates and whether you choose to include dependant's benefits. Annuities have different features which may be of interest to you such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases. When you buy an annuity you can usually take some of your AVC fund as a tax-free lump sum at the same time.
- **AVC and flexible retirement** – If you chose to pay AVC before 1 February 2003, your AVC contract will end when you flexibly retire. You will have to use all of your AVC plan in one of the ways set out above when you take your flexible retirement benefits. If you chose to pay AVC on or after 1 February 2003 you can choose to take all or none of your AVC plan when you flexibly retire.
- **Defer taking your AVC fund** – If you left the LGPS (NI) before 1 April 2015, you do not have to take your AVC when your take your main scheme benefits. You can leave your AVC plan invested up to age 75 at the latest. However, you are then restricted to 25% of your AVC plan as tax-free cash subject to HMRC limits.

Transfer out your AVC Plan

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

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

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

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

Protect your AVC Investment from Fraudsters

Sadly, the last decade has seen an increase in pension companies being formed to defraud the public of their pension savings, by encouraging them to transfer their pension savings to unsuitable or bogus schemes. Unfortunately, the current cost-of-living crisis has led to an increase in these companies, with many using people's possible financial uncertainty to manipulate them into transferring their savings. NILGOSC has pledged to protect scheme members by following the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice.

What should you look out for?

According to the PSIG, victims of pensions scams report receiving cold or unsolicited calls, offers of free pension reviews, offers of upfront cash and promises of high investment returns. These should be viewed as warning signs of a scam. You may even be introduced to these companies by a friend or family member who is also unknowingly being scammed.

You should be very wary of a scheme offering to help you release cash from your pension before you're 55. This is known as pension liberation and is almost certainly a scam which will result in you having to pay a tax bill of 55% plus other charges, and you could lose your entire pension pot.

And…

- Do not click links or open emails from senders you don't already know.
- Do not give out personal details like bank details, address, existing pension or investment details.
- Beware of adverts on social media channels and search engines like Google.

How do you protect yourself?

Reject Unexpected Offers - chances are it is high risk or a scam. If you receive a cold call regarding your pension, the safest thing to do is hang up – the call is illegal and probably a scam. If you have been offered a free pension review, please be very cautious. Professional financial advice on pensions is not free. A free offer from a company you have not dealt with before is probably a scam.

Check who you are dealing with - Is the individual or company offering you advice on transferring your pension qualified to do so? You can confirm this by checking the FCA Register https://register.fca.org.uk/s/ and calling the FCA's Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pension advice. There are many different areas of registration and its important the advice you receive is specifically on pension transfers.

Don't be rushed or pressured into making a decision - This is another red flag of a possible scam. Take your time and make sure you are happy. This will be time well spent. If you make the wrong decision and transfer your pension to a scam scheme your monies are unlikely to be recovered. Better to make sure you are making the right decision at the outset.

Get impartial advice - You have worked hard to build up your pension savings, so a little extra time spent to make sure any transfer is in your best interest is very worthwhile.

Advice and Guidance

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

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

MoneyHelper is a government service that offers free and impartial money advice, including pensions and retirement information, as well as help with finding an independent financial advisor. You can find out more at www.moneyhelper.org.uk/en/pensions-and-retirement or call for free on 0800 011 3797.

Pension Wise is a government service from MoneyHelper that offers free impartial pensions guidance about your AVC (which is a defined contribution pension) options. You can book an appointment via their website www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise, or by telephone on 0800 138 3944. Since 1 June 2022, members wishing to transfer out an AVC are required to either book a Pension Wise appointment and provide confirmation of receiving guidance from Pension Wise, or formally opt out of this guidance. It is not possible to proceed with the transfer until this step has been taken. Please note, Pension Wise does not provide guidance about taking benefits from a defined benefit scheme such as the LGPS (NI).

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

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

Further Information

Further information on NILGOSC's AVC Scheme can be found on the Members' section of the NILGOSC website at: www.nilgosc.org.uk/additional-voluntary-contribution.

If you require any further information in relation to your AVC fund, the Pensions Administration Team at NILGOSC is happy to help with your questions, but please remember that NILGOSC staff cannot give you financial advice about your investments. They can be contacted by phone on 0345 319 7325 or by email at info@nilgosc.org.uk.

Yours sincerely,

Louise Hickland

Louise Hickland
Head of Investment Services

Annex A: Fund performance and Charges for Year to 31 March 2024

The table below lists all the Utmost Life AVC funds that NILGOSC members are currently invested in, and details the annual management charge, the one year investment return to 31 March 2024 and the performance relative to each fund's benchmark for the same period.

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

Fund[1]	**Annual Management Charge (%)**	**1 year return to 31 March 2024 (%)**[2]	**Performance relative to benchmark**[3]	**Aon view**
UK FTSE All-Share Tracker	0.50	7.7	-0.7	No concerns over quality or suitability.
Managed	0.75	9.4	-0.3	No concerns over quality or suitability.
Multi-Asset Cautious	0.75	6.0	1.4	The asset allocation of this fund can achieve the required returns over the longer term.
Multi-Asset Moderate	0.75	10.7	1.0	The asset allocation of this fund can achieve the required returns over the longer term.
Money Market	0.50	4.7	0.7	No concerns over quality or suitability.

[1] The UK FTSE All-Share Tracker is passively managed. All other funds listed are actively managed.
[2] Performance is provided net of fees for all funds.
[3] The benchmark is the relevant index against which the performance of each fund is measured.

Annex B: Long-Term Fund Performance and Charges to 31 March 2024

The table below shows the annualised performance to 31 March 2024, benchmark and relative performance of all the Utmost Life AVC funds in which NILGOSC members are currently invested. Performance is shown net of fees.

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

Fund[4]	**1 Year (% per annum)**	**3 Years (% per annum)**	**5 Years (% per annum)**
UK FTSE All-Share Tracker	7.7	7.3	4.9
Benchmark	8.4	8.0	5.4
Relative Performance	-0.7	-0.7	-0.5
Managed	9.4	5.2	4.8
Benchmark	9.7	3.2	4.9
Relative Performance	-0.3	2.0	-0.1
Multi-Asset Cautious	6.0	-0.6	-
Benchmark	4.6	-1.1	-
Relative Performance	1.4	0.5	-
Multi-Asset Moderate	10.7	3.3	-
Benchmark	9.7	3.2	-
Relative Performance	1.0	0.1	-
Money Market	4.7	2.0	1.2
Benchmark	4.0	1.6	1.0
Relative Performance	0.7	0.4	0.2

[4] The UK FTSE All-Share Tracker is passively managed. All other funds listed are actively managed. The benchmark is the relevant index against which the performance of each fund is measured.