

July 2011

Important Information: Update on the latest developments at Equitable Life

You need to read this letter and make sure you understand the latest developments and how they affect the money you have invested in Equitable Life. You will recently have received your Equitable Life benefit statement and you may wish to refer to this statement to check the type of your investment funds.

NILGOSC continues to monitor the situation at Equitable Life and take professional advice on how its members may be affected. The recent developments are as follows:

- Equitable Life has increased with-profits policy values by 12.5% (based on values as at 31 December 2010) for retirements and transfers from the Equitable Life with-profits fund with effect from 1 April 2011. There is no guarantee that this enhancement will continue to apply throughout the policy term and any contributions paid after 31 December 2010 will not qualify for the enhancement.
- In addition with-profits policy values will be increased by 2% per annum, backdated to January 2011, for any policies remaining in force at 1 April 2011.
- A 5% reduction in policy value applies to any transfer out.
- On 16 May 2011, HM Treasury published a paper that sets out the rules for calculating losses and payments to eligible **with-profits** policy holders. This is known as the Payment Scheme.

A number of steps need to be taken by Equitable Life to determine the position of individual members. National Savings and Investments has been appointed to deliver the Payments Scheme and it will make contact with you directly if any payment is due. It is unlikely that you will be contacted before June 2012. NILGOSC will let you know if you are a with-profits policyholder and *not* entitled to a payment. **You do not need to take any action at present.**

More information on the Payment Scheme is included at Annex A.

Further information on the latest developments at Equitable Life is available at www.equitable.co.uk.

As well as updating you on the latest developments, we want to remind you of the choices you have for investing the money you have already built up in the Equitable Life with-profits and unit-linked funds. You can leave your existing funds with Equitable Life or transfer them to the range of funds offered by the alternative in-house AVC provider, Prudential.

The advice the Committee has received is summarised in the table below.

Equitable Life Investment Fund	Adviser's information for members
With-profits	Members should consider carefully whether they wish to transfer their investments to the range of funds offered by the alternative provider, Prudential. (See Annex B.)
Managed	There are concerns over the long-term security of Equitable Life's unit-linked funds and there is a possibility that the value of these funds could be reduced if Equitable Life became insolvent. Members should consider carefully whether they wish to transfer their investments to the range of funds offered by the alternative provider, Prudential. (See Annex C.)
Deposit	Members should consider ceasing contributions to this fund and consider transferring them to the alternative provider, Prudential. (See Annex C.)
Life Assurance	The rates continue to be competitive relative to the rest of the market and there is a ready alternative with Prudential should the Equitable Life voluntary life assurance arrangement cease.

Any investment decision will be a personal one, because it depends on your financial circumstances, your approach to investment and your attitude to risk. The Committee and its advisers cannot give you financial advice. If you are thinking of moving your Equitable Life investments you are recommended to get independent financial advice before doing so. If you do not already use a financial adviser but would like to speak to one you can find a financial adviser in your area by typing in your postcode into the 'Find your adviser' search tool on the website www.unbiased.co.uk.

Finally, if after reading this letter and taking financial advice you wish to transfer your funds from Equitable Life to Prudential please complete and return the attached transfer request form to NILGOSC at the address on the form or contact NILGOSC at 0845 308 7346 and ask for Pensions Administration.

Yours sincerely

A handwritten signature in black ink that reads "Zena Kee". The signature is written in a cursive, slightly slanted style.

Zena Kee
Pensions Manager

This update gives an overview of the situation at Equitable Life to help you, but you should not take it as financial advice. The facts and main issues can change at any time. This update gives our adviser's understanding of the situation at 15 June 2011. It has been based on information that is available to the public, research our advisers have carried out and other information that they believe is reliable.

Annex A

The Payment Scheme – With-profits policy holders only – Information only

Background

The Payment Scheme sets out the rules for calculating relative losses and payments to eligible with-profits policyholders incurred as a result of regulatory failure. It also describes the process for communicating and making payments to policy holders.

Payment Scheme methodology

The main points are summarised below:

- To be considered for receipt of payment individual group pension scheme members must be (or have been) invested in one eligible policy.
- In order to qualify for a payment the eligible policy must have made a 'relative loss'.
- The relative loss or gain is calculated for each member.
- Relative loss is only calculated in respect of premiums paid after 31 December 1992.
- Members will receive 22.4% of any relative loss calculated (subject to a minimum payment of £10). Members will receive a single payment.

Eligible with-profits policyholders

The policy must have started between 1 September 1992 and 31 December 2000

Or

The policy must have received a premium payment between 1 January 1993 and 31 December 2000.

Payments will be made directly to individual members.

Payment Scheme Operation

HM Treasury has appointed National Savings and Investments (NS&I) to deliver the payment scheme on its behalf. The main points to note are:

- It is due to be launched before the end of June 2011.
- Where possible members will be contacted directly. However, NILGOSC may be asked to provide up-to-date contact information.
- It is expected that all payments will be made to members over the first three years of the Payment Scheme (by June 2014).
- A website and call centre will be operational.
- There will be a final date after which a policyholder can no longer make a claim.

Time-line

Members are unlikely to be contacted before June 2012. **You do not need to take any action at present.**

Annex B

Equitable Life With-profits investments

What you need to know

Different fund values

Your Equitable Life with-profits investment has three possible values:

- **your guaranteed value** is the minimum amount that will be paid if you retire or die.

Your guaranteed fund value increased by 3.5% for the calendar year 2010. (The increase was also 3.5% in 2009). This is the minimum increase that must be applied.

- **your policy value** is based on the underlying value of the investments in the Fund, and so it changes over time. It can be higher or lower than the guaranteed value.

Increases to policy values and interim bonuses declared are not guaranteed as Equitable Life has the power to cut policy values, reduce or remove bonuses and apply financial adjustments if required. The first page of this communication confirms the most recent position in relation to policy values.

- **your transfer value** is what Equitable Life will pay if you move your investment to another AVC investment choice. It is the policy value less any financial adjustment.

If you transfer your with-profits investment, your guaranteed value does not apply. This means your transfer value payment may be more or less than your guaranteed value.

Since 24 April 2007, Equitable Life has been quoting transfer values of 95% of the policy value if you transfer your AVC investment on an individual basis. In other words, the transfer value of your investment would be the policy value less 5% of its value. This figure of 5% is known as a financial adjustment. Equitable Life can change this figure without notice at any time.

Your annual benefit statement

Your latest annual benefit statement shows the transfer value at the statement date. This includes the financial adjustment which Equitable Life was using at the statement date. The up-to-date figure may be different.

The statement also shows your guaranteed value at the statement date. If you retire or die, Equitable Life will normally pay out the higher of your policy value or your guaranteed value, (but see 'The risks you need to understand' in the next section).

Equitable Life with-profits investments - the risks you need to understand

There are a number of risks you face as an investor in the Equitable Life Fund (the Fund). These include the following:

- The possibility of Equitable Life becoming insolvent.
- The impact from the unknown cost and outcomes from legal issues.
- The investment risk from the underlying investments made by the Fund.
- The difference between Equitable Life's predictions about future costs and returns and what happens in reality.
- The fact that the Fund is shrinking as policyholders leave and as the Society sells off parts of the Fund means that any risks the Fund carries are being spread across fewer and fewer policyholders.

Some of these risks are discussed in more detail below.

Is the Fund solvent?

Equitable Life has maintained a solvent financial position despite challenging financial conditions in recent years. However, our advisers believe that Equitable Life's financial position remains relatively weak.

Outstanding legal issues

Equitable Life faces uncertainty with regard to its provisions for mis-selling and other risks. There is a possibility of further litigation.

What investments does the Fund hold?

The amount of future bonuses, above any minimum Equitable Life must pay, will depend partly on the investment performance of the Fund. As most of the Fund's investments are in bonds and cash, future bonuses are likely to be modest.

What is the impact of the Fund shrinking?

The Fund is shrinking and has been for a number of years. This is due to policyholders taking their benefits out of the Fund and the sale or transfer of parts of the Fund to other organisations. In the event of an increase in transfers, this could mean that Equitable Life becomes a forced seller of assets. In this circumstance, in order to protect the interests of all with-profits policyholders, it is anticipated that policy value reductions would be implemented.

The issues you need to consider

Reasons to consider transferring your investments may be:

- You believe that Equitable Life will become insolvent before you take your retirement benefits.
- You believe there will be further reductions to policy values.
- You are willing to accept the transfer value offered by Equitable Life now and, by transferring, you will have a greater degree of certainty about what you will get.

- You believe the risks of remaining are higher than you want to bear for the potential returns you may receive.

Reasons to consider staying may be:

- You intend to retire and take your benefits in the near future.
- You believe your transfer value is low when you compare it to your guaranteed value, and you think it is worth staying to get your guaranteed value at retirement.
- You believe that non-guaranteed bonuses will continue to be paid in future.
- You are happy to bear the risks from this investment and believe that the potential returns justify the risks you are facing.

Other reasons to consider:

This page lists some general issues you may wish to consider, but you personally may have other issues which may influence your decision.

Annex C

Equitable Life Unit-linked investments

What you need to know

The Committee's advisers have concerns over the long-term security of Equitable Life's unit-linked funds including the following funds:

The Managed Fund

The UK FTSE 100 (L) Fund

The Deposit Account Fund.

The risk you need to understand

There is a possibility that if Equitable Life becomes insolvent the value of these funds could be reduced. This means that you are running an additional risk when you invest in these funds, but you are not receiving additional returns to reward you for the extra risk.

Transfer Instructions – transfer of AVC from Equitable Life to Prudential

Please fill in this form and return it to: NILGOSC, Templeton House, 411 Holywood Road, Belfast, BT4 2LP

PLEASE USE BLOCK CAPITALS

Full Name: _____

Date of Birth: _____ Telephone number: _____

Please tick either Choice 1 or Choice 2.

Choice 1 I wish to transfer the value of my existing Equitable Life With-Profits investments to the Prudential.

I wish to transfer the value of my existing Equitable Life Unit-Linked investments to the Prudential.

Choice 2 I wish to remain invested in the Equitable Life With-Profits Fund.

I wish to remain invested in the Equitable Life Unit-linked Fund.

Your signature

I have read the update from NILGOSC dated July 2011 and I understand that:

- Any transfer out of the Equitable Life With-Profits Fund may have a financial adjustment applied to it. This can change and the transfer value is not guaranteed. At 22 June 2011 the individual transfer value quoted by Equitable Life was 95% of my policy value.
- If I wish to transfer to Prudential, NILGOSC will on receipt of this request forward me a transfer pack for completion and return.
- If I do not return this form my existing Equitable Life AVCs will continue to be invested with Equitable Life.

Signed:.....

Date:

If you are in any doubt about your investment options you are recommended to seek independent financial advice. If you do not return the form your Equitable Life AVCs will continue to be invested as they are currently.