

NHS Superannuation Scheme (Scotland)

Circular No. 5 /2006

To NHS Employers
FAO All Scheme Members

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Dear Sir/Madam

Standard Life – Proposed Demutualisation

The NHS Superannuation Scheme (Scotland) has a group money-purchase AVC arrangement with Standard Life and many scheme members have taken advantage of the preferential rates on offer.

Standard Life has announced their intention to seek approval to demutualise later this year. The purpose of this circular is to inform members, particularly those who are investing in With Profits under the AVC arrangement with Standard Life, what will happen with regard to voting for the proposal, and, if appropriate, what may be done with any windfall which arises.

It should be made clear at the outset that the large number of Scheme members who chose to transfer their investments from Equitable Life into Standard Life's Managed Fund as part of the bulk transfer arrangement have no entitlement to any part of the windfall/share allocation mentioned in this circular as they do not have an investment in With Profits (unless of course they transferred to it subsequently). Pages 13-15 of the Proposal Document, which can be accessed via the website link provided towards the end of this letter, explain this matter further.

1. Voting on the proposal to demutualise

In terms of Standard Life's Rules, the NHS Superannuation Scheme (Scotland) is the Eligible Member and entitled to the demutualisation entitlements, should this proceed. SPPA is therefore permitted to vote on behalf of the Scheme with regard to the proposal to demutualise.

2. Which Way will SPPA vote?

SPPA will take advice from the pension scheme actuaries before determining how to exercise this vote. At all times the intention will be for SPPA to act in the best interest of the pension scheme member.



3. Windfall payments

If demutualisation proceeds, there will be a fixed share allocation of 185 shares to the NHSSS (Scotland) as the eligible member. In addition, the Scheme will receive a variable share allocation based on the amount and period of investment in With Profits under the group AVC arrangement with Standard Life. This is described in greater detail on Pages 17-18 of the Proposal Document.

4. Distribution of shares/windfall

It is SPPA's intention, subject to agreement by Scottish Ministers, that any windfall payments be apportioned in a fair manner to the appropriate investing scheme members. Each such member would therefore receive a benefit representing a share of the variable share allocation and a share of the fixed share allocation. Any windfall would be added to the member's AVC fund.

It is understood that Standard Life's proposed demutualisation has generated a fair amount of interest, and expectation, but SPPA wishes to make those Scheme members who have With Profits investments under the group AVC arrangements aware that, even if demutualisation proceeds and the windfall is distributed as described above, for many members their share of such windfall will be very small indeed. For several, this would be as little as the value of a single share which, based on the advice provided by Standard Life's financial advisers, might be within the price range of £2.40 - £2.90.*

For further information on the proposal to demutualise, members should view the Standard Life internet site at www.standardlife.co.uk



Ian M Clapperton
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* Please see the conditions/assumptions outlined in Page 19 of the Proposal Document