

## **Forester Life Limited – Directors’ Annual Report to Communication Workers Fund’s With-Profits Planholders – 2023**

### **Introduction**

This annual report explains how we managed the Communication Workers fund in 2023. In particular, it considers:

- if our operation of the Communication Workers fund during 2023 complied with the fund’s Principles and Practices of Financial Management (PPFM). The PPFM is the document that we are required by law to produce and which sets out how the company will manage the fund. A copy of the PPFM can be found on our website at [www.foresters.com/wp](http://www.foresters.com/wp) ;
- the way we have exercised management discretion in making key decisions during 2023 and whether this was consistent with the PPFM; and
- how we have addressed any competing or conflicting rights, interests or expectations of the fund’s planholders.

In order to ensure that the PPFM is maintained and complied with, we have established a Forester Life Funds Advisory Panel. The panel acts in an advisory capacity to inform and monitor the decision-making of Forester Life in its management of the Communication Workers Fund and thereby protect the interests of the planholders in the fund.

In addition to taking advice from the panel, we also receive advice from our With Profits Actuary (WPA) on the management of the fund. The WPA is required to produce an annual report to planholders and a copy of the report for 2023 is also available on our website. The panel, although not required to do so, can choose to write to planholders if they feel it appropriate. However, as the panel considers that this report provides a full and fair view of the fund’s operation during 2023, it does not intend to produce a separate report.

### **Statement of Compliance**

Forester Life, having considered the advice of the panel and the WPA, believes that in respect of the calendar year 2023 it has complied with the PPFM in all material respects. In particular, management discretion has been exercised appropriately and the competing or conflicting rights, interests or expectations of different groups of planholders have been taken into account.

### **Overview of 2023**

In managing the fund, key areas of management discretion concern payouts, investment management, expenses, management of the fund’s surplus assets and changes to the PPFM. Each of these areas is now considered below.

## **Payouts**

Forester Life aims to provide the fund's with-profits planholders with a fair return on their investment. This is achieved through the setting of bonuses, smoothing of returns and determining surrender values. To do this, we calculate a value known as an asset share. An individual plan's asset share consists of the payments made into it, less management expenses, tax and other charges, plus any allowances for exceptional miscellaneous profits and losses. These amounts are then built up at the rate of investment return allocated to the plan.

In addition, as the Communication Workers Fund is closed to new business, payouts will include a distribution of the fund's surplus assets. This surplus is the excess of the assets required to meet the plans' guaranteed payments and is currently paid as an enhancement to payouts.

From 1 January 2023 to 30 April 2023 the enhancement for plans surrendering was set 5% lower than for other claim types. This was in line with the PPFM at that time.

From 1 May 2023 the enhancement for plans surrendering was set to the same level as for other claim types. We amended the PPFM from 1 May 2023 to allow this.

There were no changes to the annual bonus rates in 2023, whilst final bonus rates were amended from 1 May 2023.

We believe that the methodology of setting final bonus rates for maturing plans based on asset shares for those plans together with any allowance for distribution of the inherited estate means that maturity pay-outs are appropriate and fair.

Similarly, the methodology for surrender pay-outs is based on the asset share of the individual surrendering plan together with any allowance for distribution of the inherited estate, and we consider this to also be appropriate and fair.

In respect of smoothing, there were no changes to the methodology set out in the PPFM during 2023.

All of these actions ensured that almost all pay-outs during 2023 were within the target ranges set out in the PPFM. Of those outside the range, most were due to smoothing, preventing some final bonus rates for longer term plans from being reduced by as much as they would have been.

## **Investment Management**

Investment management of the Communication Workers Fund is undertaken by Schroders.

The investment objective of the Communication Workers Fund is to maximise the investment return on the with-profits planholder assets by taking an acceptable level of risk, subject to being able to meet plan benefits with an appropriate level of certainty and taking into account the amount of surplus, expected strains and past communications made to planholders.

During 2023, we increased the proportion of the fund invested in gilts and reduced the proportion of the fund invested in index linked gilts.

## **Management of Expenses**

The expenses charged to the fund in 2023 were in line with the methodology specified in the transfer agreement that led to the establishment of the Communication Workers Fund.

## **Changes to the PPFM**

From 1 May 2023, we changed sections 2.19 and 2.20 to target surrender payouts at the same proportion of asset share as for other claim types.

From 1 June 2023, we made the following changes to the PPFM:

- In the background information, we updated the year in which we expect the number of plans to fall below 1,000 from 2034 to 2036, based on our latest modelling estimates.
- In sections 6.10 and 6.11, we removed the references to direct holdings of property and index-linked securities, as the fund no longer has any of these assets.
- In section 8.6, we amended the wording to clarify that no charges are made for guarantees, other than those payable on death claims.

These changes were communicated within the annual statements.

**Further Information**

If you have any questions regarding this document, please write to the following:

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