

## **Forester Life Limited – Directors’ Annual Report to With Profit Fund Planholders – 2023**

### **Introduction**

This annual report explains how we managed the With Profit Fund in 2023. It considers:

- if our operation of the With Profit 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 <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 in order to inform and monitor the decision-making of Forester Life in its management of the With Profit 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 it feels 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. 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 pay-outs, investment management, expenses, management of the fund’s surplus assets and changes to the PPFM. Each of these areas is now considered below.

## **Pay-outs**

Forester Life aims to provide the With Profit Fund's 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. These amounts are then built up at the rate of investment return allocated to the plan.

In addition, as the With Profit Fund is closed to new business, pay-outs will include a distribution of the fund's surplus assets. In order to distribute the surplus pay-outs are calculated as a proportion of the asset share, subject to any guaranteed values, to ensure that the entire assets of the fund are distributed to planholders over the remaining term of the liabilities.

There were no changes to the way we calculate pay-outs during 2023, and pay-outs were in line with the target ranges set out in the PPFM. This, together with the fact that the methodology uses individual asset shares to determine pay-outs, means that we consider pay-outs from the fund to be fair and reasonable.

## **Investment Management**

Investment management of the With Profit Fund is undertaken by Schroders and we regularly monitor performance.

The aim of the investment strategy is to secure the guaranteed liabilities of the fund with a high degree of confidence. The investment style is that of active portfolio management, seeking superior investment returns by way of income and capital appreciation.

During 2023, we increased the proportion of the fund invested in equities 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 PPFM, an appropriate proportion of the total expenses incurred by Forester Life. The Company monitors expenses to ensure that the charges to planholders are fair.

## **Changes to the PPFM**

We updated the wording in the PPFM to clarify annual bonuses are set each year, to increase the maximum proportion of the fund that may be invested in equities from 45% to 50%, and there were some further minor amendments to help with clarity. These changes were communicated within the annual statements and became effective from 1 June 2023.

**Further Information**

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

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