

HERTFORDSHIRE COUNTY COUNCIL

INVESTMENT COMMITTEE

THURSDAY 20 JUNE 2002 AT 10.00 AM

Agenda Item No:

4

EQUITABLE LIFE UPDATE

Report of the Finance Director

Author of the report: Jill Digby (Telephone: 01992 555388)

1. Purpose of the Report

To inform members of recent developments with Equitable Life and holders of their with-profits ABCs since the last Committee meeting on 6 March 2002.

2. Summary

Since March, Equitable have announced a further reduction in policy values and an increase in the exit penalty.

Policy statements have just been received showing values as at 5th April 2002 but these do not reflect the latest reductions.

Letters have been sent to with-profits policy holders notifying them of the changes. The statements will be sent out by the end of June.

There continue to be adverse media reports on Equitable's financial position and long-term future.

3. Conclusion

Equitable Life's position continues to cause concern. Corporate Accountancy and ITNET Pensions will continue to keep policy-holders informed of any developments, deal with queries and advise on access to independent financial advice.

4. Developments Since 6 March 2002

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| 15 March 2002 | Letter sent to all with-profits AVC holders who had asked to be part of a bulk transfer, notifying them that this option had now been withdrawn and that they would now need to apply for an individual transfer. |
| 15 April 2002 | Equitable announce a further reduction of 4% to existing policy values and an increase in the exit penalty of 4% to 14% for those transferring out of the with-profit fund before retirement. |
| 23 April 2002 | Letter sent to all with-profits AVC holders notifying them of all developments since 30 October 2001. |
| 31 May 2002 | Statements of fund values as at 5 April 2002 received from Equitable. These do not include the 4% reduction apply on 15 April 2002. Equitable have indicated they will not be able to provide up to date statements until July 2002 at the earliest. |

5. Future Communications with Policy Holders

- 5.1 The statements to 5 April 2002 will be sent out to policy holders with an explanatory letter by the end of June 2002.
- 5.2 Pressure will continue to be applied to Equitable to provide up to date statements, which will then be issued to policy holders.