



**13 February 2005**

**Resolution to contract R&SA policyholders back into State Second Pension**

*In its latest policyholder initiative, Resolution will forgo State premiums to benefit 50,000 of its contracted-out personal pension plan holders*

Resolution Life Group ("Resolution", or "the Company"), the closed life fund holding group, is to ensure all its personal pension plan holders are contracted back into the State Second Pension ("S2P").

Resolution has written to 50,000 policyholders with Royal & SunAlliance (R&SA) Life personal pension plans who are currently contracted out of S2P to inform them that they will be contracted back into S2P from 2004/5 unless they communicate a wish to remain outside the state scheme. In future years, this is expected to significantly reduce the £70 million of rebates R&SA received in 2003/4.

S2P succeeded the State Earnings-Related Pension Scheme ("SERPS") in April 2002. S2P is payable in addition to the Basic State Pension. Employees build entitlement to S2P by paying National Insurance Contributions ("NICs") to the UK Government.

Since 1988, employees have had the option to contract out of S2P, or SERPS. By contracting out, employees authorise the Government to pay, or rebate, NICs that would have gone to their additional State Pension to a private pension of their choice.

Clive Cowdery, CEO of Resolution, said: "Longer life spans and lower investment returns mean that the current rebates for contracting out of the state scheme are unlikely to match the benefits given up. Despite there being a small risk that contracting out of S2P for the present and future years might yield greater benefits, we think there is a far larger probability that our policyholders will benefit from rejoining S2P."

He added: "It is in policyholders' interests to review actively their contracted out position, but mostly they don't. We have taken this decisive action to help the majority of policyholders, for whom rejoining the State pension scheme makes sense."

A fact sheet produced by the Association of British Insurers on contracting out of S2P is available by following the link <http://www.abi.org.uk>.

For further information please contact:

**Resolution Life Group**

Sir Brian Williamson

+44 20 7887 1314

Clive Cowdery

+44 20 7887 1314

**Financial Dynamics**

Robert Bailhache

+44 20 7269 7200 / +44 7771 565659

Louise Dolan

+44 20 7269 7192 / +44 7884 238344

[www.resolutionlifegroup.com](http://www.resolutionlifegroup.com)

**Notes to Editors**

## **Resolution's other policyholder initiatives**

This is Resolution's second policyholder initiative since acquiring Royal & SunAlliance's UK life operations on 1 October 2004. On 20 November, Resolution announced its intention to give R&SA Life customers holding bonds invested in its with-profits funds ("R&SA Bonds") transparency and flexibility in exercising 10-year guarantees. This includes introducing a three-month window after the spot guarantee date during which the guarantee will continue to apply to encashments. It affects up to 80,000 customers holding R&SA Bonds on which guarantees apply from 2006 onwards.

## **Background on Resolution**

Resolution was formed in 2004 for the sole purpose of buying and running closed UK life funds. Acting as an industry utility, it aims to offer a market-based solution to the uncertainties facing savers in closed funds, based on aligning the interests of savers, owners of closed funds, and long-term investors.

Resolution is backed by institutional investors, including pension funds, life assurance funds, and investment trusts and funds. This group has a long-term investment approach, which is suited to an orderly run-off of closed life books.

To date Resolution has announced transactions worth £1.05 billion, owns closed funds with an embedded value of £1.6 billion at the end of 2004, manages more than £25 billion of assets, and serves 2.25 million policyholders with more than 3 million in-force policies.