

Terms of Reference of the With-Profits Advisory Arrangement (the “Advisory Arrangement”)



Purpose

The role of the Advisory Arrangement is to act in an advisory capacity to inform the decision making of the Committee of Management. The Advisory Arrangement also acts to protect the interests of all Sheffield Mutual with-profits policyholders (including closed-book policyholders).

Structure and Membership

The Advisory Arrangement shall be:

- An advisory committee of the governing body (“Committee of Management”).
- Independent and composed of only the Society’s two Trustees, the With-Profits Actuary and the Chief Executive.

Meeting Frequency

The Advisory Arrangement will meet as required, but no less than twice per annum, with additional telephone conference calls held as required.

General

- The Advisory Arrangement has responsibility for with-profits governance in accordance with COBS 20.5.
- The ultimate responsibility for managing the with-profits fund rests with the Committee of Management.
- The Committee of Management will ensure that any person carrying out the Advisory Arrangement has the appropriate knowledge, skills and experience to perform, or contribute to, as appropriate, the role set out.

Terms of Reference

1. To decide on the specific matters, it will consider in order to enable it to carry out its role as appropriate to the circumstances of the with-profits fund.
2. To assess whether the fund is managed in accordance with the Principles & Practices of Financial Management (“PPFM”).
3. To assess whether the Society is complying with the principles and practices set out in the PPFM.
4. To assess whether the Society is addressing the rights and interests of with-profits policyholders compared with other stakeholders in a way that is consistent with treating customers fairly.
5. To provide advice and guidance on any other issues that with-profits policyholders might reasonably expect the advisory arrangement to be involved in.
6. To identify surplus and excess surplus and the merits of distribution / retention.
7. To consider how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied.
8. To consider the relative interests of policyholders with and without valuable guarantees.
9. To consider with-profits customer communications, such as bonus statements, product literature and reports to with-profits policyholders, and whether the Advisory Arrangement wishes to make a statement to with-profits policyholders in addition to those made by the Society.
10. To consider and assess any significant changes to the risk / investment profile of the fund.
11. To assess future sales targets and its impact on the assets and surplus of the fund.

12. To assess the impact of any planned or implemented management actions.
13. To assess relevant management information, including any policyholder complaints.
14. To assess and consider the appropriateness of the costs and expenses incurred in running the fund.
15. To consider the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters.
16. To advise the Committee of Management on the suitability of candidates for the proposed appointment of the with-profits actuary.
17. To assess the performance of the with-profits actuary at least annually and report to the Committee of Management.
18. To act as the 'voice of the customer' and provide oversight in relation to the fair treatment of closed-book policyholders.

Other Matters

The Advisory Arrangement will receive guidance, input and advice from the Society's With-Profits Actuary as required and any reasonable requests for additional support and / or external resource in order to perform its role effectively will be authorised by the Committee of Management.

The Society will keep full records of all requests of, and material produced by, the Advisory Arrangement, and of all decisions and reasons of the Committee of Management.

Updated by J Bellamy 10 March 2020

