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SCHOOLTEACHERS FRIENDLY SOCIETY
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LIVERPOOL
L18 1BR



SCHOOLTEACHERS FRIENDLY SOCIETY

Special General Meeting 18th December 2010



Published by The Schoolteachers Friendly Society
30 Mather Avenue, Liverpool, L18 5HS
Tel: 0151 724 1930

Website: www.schoolteachers.org.uk
Email: info@schoolteachers.org.uk

The Schoolteachers Friendly Society is a registered non-directive unincorporated friendly society, and is authorised and regulated by the Financial Services Authority. We are members of the Association of Financial Mutuals and of the Financial Services Compensation Scheme.

REGISTERED OFFICE: 30 MATHER AVENUE, LIVERPOOL L18 5HD
Tel: 0151 724 1930 Fax: 0151 724 1971
Email: info@schoolteachers.org.uk Website: www.schoolteachers.org.uk
Authorised and regulated by the Financial Services Authority

Dear Member,

BACKGROUND

As a result of new European legislation, which will come into effect at the beginning of 2013, the Society’s required minimum capital requirement will significantly increase at that time. In consultation with the Society’s Actuary, the Board of Management does not believe that the Society will be able to build up sufficient capital reserves to be able to meet this new capital requirement by the beginning of 2013 without significantly reducing the Schoolteachers Sickness Income Plan (“SIP”) Apportionment and Allocation rates and the Tax-exempt Investment Plan (“TIP”) bonuses.

As an example, the Society’s required minimum capital requirement is currently in the region of £700,000 whereas, under the new Solvency II legislation, the Society’s required minimum capital requirement will increase to approximately £3.2m at the beginning of 2013.

It should be noted that no change in the profile of the Society’s methods of operation, risks or liabilities has caused the increase in the Society’s minimum capital requirement and it is purely as a result of the new European legislation.

The Board has concluded that the financial interests of members would be best served by combining the Society with a larger friendly society.

The Board, after careful evaluation and after taking advice from the Society’s Actuary, is recommending that the Society’s operations, policies and assets be transferred to Oddfellows.

REASONS FOR CHOOSING ODDFELLOWS

Oddfellows, like the Society, is a mutual

Financial Strength

Conscious that the Society is unlikely to meet its minimum solvency requirement at the end of 2012, the Board is keen to ensure that the Society would become part of a society with larger capital resources.

The Oddfellows insurance fund is larger than the SFS fund (£82m vs. £45m) with reserves available from both within and outside its insurance fund.

Oddfellows also has additional capital resources of over £200m available from its fraternal funds, which may be made available should further capital ever be needed to support its long-term insurance fund.

Cost Control

Keeping costs down has long been a priority for the SFS Board. This will prove to be a major challenge for the Society in the future, particularly with regard to regulatory and professional advisor costs which are expected to rise as a result of the new legislation. Control and containment of the future expenses of running the Society were further important factors in determining the need for a transfer to a larger society where costs can be shared across a larger organisation.



**SCHOOLTEACHERS FRIENDLY SOCIETY
SPECIAL GENERAL MEETING**

Saturday 18 December 2010 at 11.30am – Village Hotel, Fallows Way, Whiston, Merseyside L35 1RZ

FORM OF ATTENDANCE and PROXY

Please complete either Section A or Section B, but not both. Be sure to sign it, and then send the whole form to SFS in an envelope using the FREEPOST address overleaf (no stamp required).

SECTION A - FORM OF ATTENDANCE

Yes, I will be attending the SGM in person

My name

Address

.....

Postcode..... Telephone

Date of Birth Membership No

Signature Date

SECTION B (If you do not expect to be attending the SGM in person)

FORM OF PROXY

I

of

being a member of Schoolteachers Friendly Society hereby appoint

the Chairman of the meeting*

OR

Name

Address

as my proxy to attend, speak and vote in my name and on my behalf at the SGM of the Society to be held on 18 December 2010 and at any adjournment thereof.

Unless instructed to vote for or against the resolution by placing an “X” in the box below, the proxy will abstain or vote at his/her discretion.

FOR

AGAINST

Special Resolution

Signature Date

* if you do not wish to appoint the chairman of the meeting as your proxy, please strike out the reference to the chairman and insert name and address of proxy.

HOW TO VOTE

There are two ways to vote

You can either:-

- attend the meeting on 18 December 2010 in person. If you want to do this, you should complete and sign Section A on the voting form, tear off the whole page and return it to us in an envelope using the FREEPOST address (no stamp needed) set out at the end of this booklet so as to arrive by 11.30 a.m. on 16 December 2010

or

- if you cannot come to the meeting, you should complete and sign Section B on the proxy voting form, tear off the whole page and return it to us in an envelope using the FREEPOST address (no stamp needed), to arrive here by 11.30 a.m. on 16 December 2010

The purpose of Section B

Section B enables you to choose someone to attend the meeting and vote on your behalf if you cannot come yourself. This person is known as your proxy.

Most members choose the Chairman of the meeting to act as their proxy. The Chairman will automatically act as your proxy unless you choose someone else, by filling in the "Proxy Details" part of Section B.

If you want to tell your proxy how to vote, place an "X" in the appropriate voting box. If you do not do this, your proxy may vote as he or she decides.

To summarise:

- Please complete and sign either Section A or Section B, but not both
- Please tear off and return the whole page in an envelope using the FREEPOST address (no stamp required)
- Please post the envelope in time to reach us by 11.30 a.m. on 16 December 2010

The Board is pleased to report that a suitable costing basis has been agreed with Oddfellows for 3 years following the transfer whereby the costs attributable to your fund will be controlled.

Bonus Prospects

As a result of the volatility of the investment markets over the last three years, the Board has had to adopt a very conservative investment strategy aimed at protecting members' funds and the Society's overall solvency margins.

The Transfer to Oddfellows should, it is anticipated, over time allow the investment strategy of the SFS fund to be adjusted to reintroduce investments with stronger growth potential.

This, with the control of running costs mentioned above, should enhance the prospects of better financial returns for the Society's members.

Continuity of Operations

Ensuring that the SFS members experience minimal disruption and continue to receive the same level of customer service from the SFS staff were important factors in relation to any transfer to another society.

The Board is pleased to report that agreement has been reached with the Oddfellows whereby the Society's Chief Executive will be appointed to the position of Insurance Director and as an Executive member of the Board of Management of Oddfellows, two SFS Board members will join the Oddfellows Insurance Committee which oversees the whole of the Oddfellows' insurance business, and all of the SFS staff will transfer across to Oddfellows. Our office premises at Mather Avenue Liverpool will remain open to continue with the administrative management of the SFS business for so long as it is cost effective to do so.

The Board believes that this will help to protect the interests of the SFS members and to ensure continuity of operations for the benefit of the SFS members in the future.

TRANSFER PROPOSAL

Assuming the Transfer proceeds, members of the SFS will become Benefit Members of Oddfellows. Members with SIP and TIP policies will become National Benefit Members of the Oddfellows, at no cost for the first year, and will be able to participate in the social activities within the many Oddfellows branches, the advice service, the care service and legal aid. SFS members will then be able to decide if they wish to subscribe to the services available from Oddfellows after the first year.

The SFS business will be ring-fenced (i.e. kept separate) from other funds within Oddfellows subject to the obligations of all such sub-funds to provide mutual support set out in the Transfer document. The SFS fund will continue to accept premiums from existing and new policies.

All the benefits which members currently have under their SFS policies will continue as before. The current SFS staff will become employees of Oddfellows and it is intended that they will continue to administer the Society's policies.

A formal statement of the financial positions of SFS and Oddfellows and the principal terms of the Transfer is set out on pages 6, 7 and 8. This statement has been approved by the Financial Services Authority ("FSA").

TRANSFER PROCESS

The transfer of SFS to the Oddfellows will be achieved by way of a transfer of all the engagements under the provisions of Section 86 of the Friendly Societies Act 1992 (“the Act”), and the process for achieving the Transfer is as follows:

1. Special General Meeting

SFS will hold a Special General Meeting (“SGM”) of members, at which a Special Resolution authorising the Transfer must be approved by at least 75% of the members who vote, either in person or by proxy. Contained within this booklet are the notice of the meeting and a proxy voting form.

The Board would like as many members as possible to attend the SGM to express their opinions and vote on the proposal. You are encouraged to vote, even if you are unable to attend in person. The proxy voting form at the end of this booklet enables you to vote without actually coming to the meeting.

2. Representations to FSA

Assuming the Transfer is approved by the SFS members at the SGM, a formal notice will then be published in the Press, enabling any interested person to make written or oral representations to the FSA about the proposed Transfer.

The Press notice will be published in the Daily Mail, the Liverpool Daily Post, the Lincolnshire Echo and the London, Edinburgh and Belfast Gazettes as soon as possible after 18 December 2010.

The last date for interested persons to make written representations about the Transfer proposal to the FSA, or to seek an oral hearing, will be 12 January 2011, with the date for a hearing of oral representations, if one is required, being 31 January 2011.

3. Oddfellows Approval

The Oddfellows will not need to hold a Special General Meeting to approve the Transfer but will proceed pursuant to a Board resolution approving the Transfer. This procedure has been approved by the FSA.

4. Approval by FSA

The Transfer can proceed only with the approval of the members of SFS, the Board of Oddfellows and the FSA.

Assuming the SFS members vote in favour at the SGM, we hope to gain FSA approval by 14 February 2011, with the Transfer being effective on 28 February 2011.

RECOMMENDATION

Your Board strongly believes that the proposed Transfer is the best way forward for the Society’s members and recommends that you vote in favour of the Special Resolution to be considered at the SGM on 18 December 2010.

You are most welcome to come to the SGM to vote in person. If you are able to attend, please complete Section A of the proxy voting form at the end of this booklet, and return



SCHOOLTEACHERS FRIENDLY SOCIETY

Number: 454 F

NOTICE OF MEETING

Notice is hereby given that a Special General Meeting of the Schoolteachers Friendly Society (“the Society”) will be held at the Village Hotel, Fallows Way, Whiston, Merseyside L35 1RZ on Saturday 18 December 2010 at 11.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a Special Resolution.

SPECIAL RESOLUTION

That all the engagements of the Society be transferred to Independent Order of Odd Fellows Manchester Unity Friendly Society (“the Oddfellows”) pursuant to, subject to and in accordance with Section 86 of the Friendly Societies Act 1992 (“the Act”) to take effect from 28 February 2011 or such later date as may be agreed by the Boards of Directors of the Society and of the Oddfellows and as the Financial Services Authority shall confirm pursuant to Part II of Schedule 15 to the Act.

By order of the Board

Steve Code

Secretary

26 November 2010

Note:

The resolution will not be effective unless it is passed as a Special Resolution by not less than three quarters of the members of the Society entitled to vote on it and voting either on a poll at a meeting or in a postal ballot.

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Authorised and regulated by the Financial Services Authority

We're here for your benefit

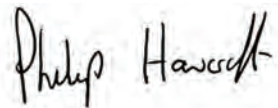
The Oddfellows society was originally set up in 1810 to help, protect and care for members, at a time when there were no trade unions, no welfare state and no National Health Service. This tradition of helping people has continued to the present day. Provided the transfer is approved, you will become a member of the Oddfellows, and, in addition to the benefits of your policy, you will be entitled to the following discretionary benefits for so long as you remain a National Benefit Member::

- **Emergency Financial Aid** – up to £600 cash in the event of emergencies such as flood or fire;
- **Educational Awards** – bursaries for members undertaking first time degree courses (allocated on a competition basis);
- **Orphan Gift Fund** – financial support until the end of full-time education for a child who has lost one or both parents (available where the child or one of the parents is a member);
- **Care Service Helpline** – for health issues or advice on care support;
- **Advice Line** – covering a range of everyday issues such as managing debt, parent and grandparent rights, housing or employment issues;
- **Access to social events and activities through our Branch network;**
- **Membership of the active Travel Club** – organised group holidays for members.

The Oddfellows has always been about bringing people together. We trust that you agree that the proposed transfer is the best way forward for Schoolteachers Friendly Society members and that you will be joining the Oddfellows, a Society with your best interests in mind.

Our website www.oddfellows.co.uk provides further information on the Oddfellows and the terms and conditions which apply to the benefits.

Yours sincerely,



Philip Howcroft

Chief Executive



the whole form to the free-post address (no stamp required) set out at the end of this booklet.

However, if you are unable to attend in person, please complete Section B of the proxy voting form at the end of this booklet, and then return the whole form ensuring that the form is signed, to the free-post address (no stamp required) so as **to arrive no later than 11.30am on 16 December 2010.**

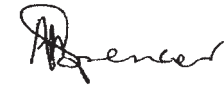
The Board wishes to ensure that your views are taken into account by casting your vote, either in person at the SGM, or by post, using the proxy voting form.

The Board strongly recommends that you vote "FOR" the proposal, because it believes this to be the best way forward for your Society.

The non executive members of the Board will not receive any compensation for the loss of their roles on the Board, either from the Society or from the Oddfellows, if the Transfer goes ahead.

Please take this opportunity to vote. If you have any questions or would like further information in advance please do not hesitate to write to me or email 'info@schoolteachers.org.uk' marking it for my attention. Alternatively, you can telephone Steve Code, Chief Executive, at the Society's office on 0151 724 1930.

Yours sincerely,



Andrew Spencer

Chairman

STATEMENT OF PROPOSED TRANSFER OF ENGAGEMENTS

Statement approved by the Financial Services Authority under paragraph 2(2) of Schedule 15 to the Friendly Societies Act 1992

Proposed Transfer of The Schoolteachers Friendly Society (454F) (“Schoolteachers”) to Independent Order of Odd Fellows Manchester Unity Friendly Society (223F) (“Oddfellows”)

Proposed effective date: 28 February 2011

Comparative financial positions

Balance Sheets as at 31 December 2009

ASSETS £000	Schoolteachers	Oddfellows LTB fund	LIABILITIES £000	Schoolteachers	Oddfellows LTB fund
Land and buildings (Note 5)	230	703	Fund for future appropriations	1,535	3,670
Other financial investments (Note 6)	15,108	45,664	Technical provisions		
Assets held to cover unit-linked liabilities	29,597	35,200	Linked	29,296	32,783
Fixed assets	12	11	Non-Linked	14,154	44,910
Net current assets	331	1,028	Other reserves	293	1,243
	<u>45,278</u>	<u>82,606</u>		<u>45,278</u>	<u>82,606</u>

Notes:

- The above figures are extracted from the audited Financial Statements of Schoolteachers and Oddfellows for the year ended 31 December 2009. A notional balance sheet has been constructed for the Oddfellows’ Long-Term Business (LTB) fund.
- The Oddfellows’ LTB fund balance sheet of £82,606,000 is augmented with fraternal assets held outside the LTB fund of £259,570,000 to give total admissible assets of £342,176,000 (as at 31 December 2009).
- There are no significant changes in the financial position of Schoolteachers or Oddfellows since 31 December 2009.
- Neither Schoolteachers nor Oddfellows has any significant future capital commitments.
- On the basis of an independent valuation by Smith & Sons Property Consultants on 21 August 2008, land and buildings of Schoolteachers are stated at open market value in the figures as at 31 December 2009.

On the basis of an independent valuation by CB Richard Ellis Ltd as at 31 December 2009, land and buildings of Oddfellows LTB fund which are held as investment properties (with the exception of property transferred from Nottingham Oddfellows Assurance Friendly Society Limited) are stated at an open market value of £3,000.

Valuation of property transferred to Oddfellows from Nottingham Oddfellows

12. What do I have to do now?

We would like you to read the information contained within the booklet and then vote on the special resolution, either by attending the SGM in person or, if you are unable to attend, by proxy.

The Board strongly recommends that you vote “FOR” the resolution to transfer, because it firmly believes this is the right course of action to safeguard the long term future of the SFS fund for the benefit of the SFS members.

Apart from voting, there is nothing further you need to do.

13. Is there someone I can discuss this with?

Yes, please feel free to call Steve Code at SFS on 0151 724 1930.

If you would like independent advice concerning your options, you should contact a professional adviser – for example, your Independent Financial Adviser or your solicitor.



Andrew Spencer

Chairman

November 2011

A Message from Philip Howcroft, Chief Executive of the Independent Order of Odd Fellows Manchester Unity Friendly Society which we call the Oddfellows

Dear Member

November 2010

With our deep shared roots in the friendly society movement, I am looking forward to welcoming Schoolteachers Friendly Society members to the Oddfellows should the transfer be agreed.

Firstly, let me assure you that your policy and the Schoolteachers fund will be in experienced and capable hands. At the Oddfellows we have a philosophy of putting our members at the forefront of our operations, focusing on what services and value we can add. We believe that your Society has similar beliefs, and therefore both Societies believe that a transfer to the Oddfellows would be beneficial to all policyholders and members.

We are an Order Society with nationwide members and Branches. Our aim is to improve the quality of life of our members and help them get the most out of life. As is the case with your Society, we are a mutual, not-for-profit organisation whose assets are used for the benefit of our members.

year and will be able to participate in the social activities within an Oddfellows Branch, the advice service, the care service and legal aid.

- b) the benefits and premiums of transferred members will be in accordance with the rules and product terms of Schoolteachers as at the date of the Transfer.
10. Except as otherwise stated in this Statement, the interests of the members of the Committees of Management of both societies in the Transfer is limited to the holding of policies in their respective societies only.
11. No compensation for loss of office or other consideration attributable to the Transfer will be payable to the non-executive directors on Schoolteachers' Board of Management. The Schoolteachers' CEO is a salaried employee of Schoolteachers, and has an employment contract which contains notice and termination provisions. Schoolteachers' CEO will become an executive member of the Oddfellows' Board, and two members from the Schoolteachers' Board will become members of the Oddfellows' Insurance Committee.

Proposed Terms of Transfer

Subject to the approval at a Special General Meeting of Schoolteachers and at a meeting of the Board of Directors of Oddfellows and to confirmation by the Financial Services Authority, the Transfer will take place on 28 February 2011, or as soon as practicable thereafter.

The principal terms of the proposed Transfer are:

- Members of Schoolteachers will become members of Oddfellows.
- Assets and liabilities of Schoolteachers will be transferred into the Long Term Business Fund of Oddfellows, but will be kept as a separate and distinct sub-fund, to be known as "the Schoolteachers Fund", ring-fenced from the other sub-funds of Oddfellows (subject to the obligations of all such sub-funds to provide mutual support).
- The Schoolteachers Fund will remain open for new business.
- Oddfellows will charge the Schoolteachers Fund with the costs incurred in administering the transferred business. Oddfellows intends to allocate all direct costs to the Schoolteachers Fund, the staff costs attributable to the Schoolteachers Fund based on the time spent on the fund, together with other indirect costs deemed to be attributable to the Schoolteachers Fund. The other indirect costs are to be fixed for a period of 3 years from the Effective Date, starting at £60,000 in the first year, but subject to increases in line with RPI for the second and third years.
- Oddfellows will devise and implement an investment strategy for the Schoolteachers Fund which will aim to generate sufficient investment income to ensure bonuses are paid to the Schoolteachers members in line with their reasonable expectations.
- It is anticipated that the business will continue to be administered from the offices of Schoolteachers, in Liverpool for so long as it is cost effective to do so.

The Proposed merger of SFS and Oddfellows – Your Questions Answered

1. What has prompted this move?

The SFS Board believes the security and performance of members' policies will be enhanced by the transfer.

New European legislation due for implementation at the beginning of 2013 will require the Society's minimum capital requirement to increase. The Board does not believe the Society will be able to achieve its new minimum capital requirement by the beginning of 2013 without it being to the detriment of the Society's members.

The Board believes the prospects for improving financial returns for SFS policyholders during an economic recovery will be much better if SFS becomes part of the larger Oddfellows.

By acting well in advance of the new capital requirements in 2013 the Board has been able to negotiate a transfer arrangement that it considers to be in the interests of members and one it urges you to support.

2. What is Oddfellows?

Oddfellows was formed in 1810 and, like SFS, is a mutual friendly society run for the benefit of members, with no shareholders. Their head office is in Manchester, with numerous branches throughout the country looking after the interests of around 119,500 members (compared to our membership of around 74,800).

3. Why was Oddfellows chosen?

From the research which was undertaken on our behalf regarding the financial strength of a number of societies, the Oddfellows was identified as having a capital surplus. The proposal from Oddfellows was viewed as being attractive for several reasons: overall size and financial strength, synergy which could be developed between the two organisations, controlled operating costs and realistic prospects of stronger financial returns for SFS members.

4. What will SFS members gain from the transfer?

The financial security that comes from being part of a larger organisation, plus the prospect of improved returns on investments.

5. How will the transfer affect the value of my SIP or TIP policy?

It is expected that over time the value of the SFS SIP and TIP policies will improve more rapidly, as a separate fund within Oddfellows, than as a sole fund of an independent SFS.

This is attributable to two main factors:

- future operating costs should be lower as part of Oddfellows as a result of the economies of scale;
- investment growth prospects will be improved over the longer term because of Oddfellows' strength which will it is envisaged enable a more growth-orientated investment strategy to be employed.