

Longevity hedge Q&A

1 What decision has the Trustee made?

The Trustee has entered into longevity insurance arrangements to provide long term protection to the Scheme against the costs associated with increases in life expectancy of members. The transaction will provide greater protection and improved security of members' benefits. It will have no impact on the payments that members (or their dependants) receive now or in the future.

2 Who is PICA?

PICA is one of the largest life insurance companies in the United States. PICA is a subsidiary of Prudential Financial, Inc. of the United States it is not affiliated with Prudential plc, a company headquartered in the United Kingdom.

3 Why was PICA selected to provide reinsurance?

The Trustee continues to look for ways of improving the security of the Scheme and consider that this transaction provides considerable benefit to the Scheme. The Trustee took detailed professional advice, conducted a thorough review of the market and ran an extensive competitive selection process before selecting PICA to provide the reinsurance.

4 What does this mean for me and what do I need to do?

You do not need to do anything. Your position as a member of the Scheme is unchanged. The Trustee retains responsibility for paying your benefits and the payment of pensions will continue in the same way as now.

5 Does PICA hold my personal data?

We are required to provide PICA with certain information about members and their dependants. This data will be used by them only for the purposes of providing the insurance contract (including to record, manage and finance their payments under these arrangements). Various obligations on PICA and the Captive have been included as part of the transaction to ensure that this data is properly protected in accordance with the requirements of the EU's General Data Protection Regulations.

6 What will happen to my pension benefits?

Your pension benefits are not changing and pensions will continue to be paid from the Scheme in the same way as now. Similarly, there is no change to any benefits that may be payable to your spouse or dependant(s) following your death. The Scheme will retain the direct relationship with its members and continue to manage all benefits.

7 What does this mean for me and what do I need to do?

You do not need to do anything. Your position as a member of the Scheme is unchanged. The Trustee retains responsibility for paying your benefits and the payment of pensions will continue in the same way as now.

8 Are all members being treated equally?

Yes. The transaction does not change the position of any individual members. The insurance belongs to the Scheme as a whole.

9 Why has the Trustee used a Bermudan captive insurance company?

To maximise the efficiency of the arrangements and having taken detailed professional advice, the Trustee decided to make use of HSBC's existing infrastructure in Bermuda to enable it to access the reinsurance market directly and achieve the best value for the Scheme.

10 Has the Scheme used an innovative structure to avoid paying tax?

No. The use of a captive insurance company does not affect the tax position of the Scheme. The Bermudan captive is being used to enable the Trustee to access the reinsurance market and achieve the best value for the Scheme.

11 Which members are covered by the transaction?

This is an investment decision by the Trustee. The transaction does not change the position of any individual members. The policy belongs to the Scheme as a whole.