

BAA Pension Scheme *administered by*  
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Trustees of the BAA Pension Scheme  
c/o Equiniti  
Sutherland House  
Russell Way  
Crawley  
West Sussex  
RH10 1UH

February 2022

## **BAA Pension Scheme – Changes to the investments held by the Scheme**

The Trustee of the Scheme is pleased to inform you that it has entered into an agreement to purchase a £370m bulk annuity insurance policy with Legal & General as an investment of the Scheme. This is an important step in reducing the exposure of the Scheme to investment and other risks (such as costs from members living longer than expected). It covers around 10% of the Scheme's liability risks and builds on the relationship established between the Scheme and Legal & General following the previous transaction in 2018.

This letter and the attached Q&A are to give you some information about the insurance policy and to provide you with answers to some questions you may have. We also include a privacy notice from L&G setting out how they will look after your data.

**Importantly, this transaction does not change your Scheme benefit entitlements and there are no actions for you to take. This letter is provided purely for your information.**

### **A little more detail**

Over the last year, the Trustees and the Company have been investigating ways in which they could reduce the risks associated with the Scheme over the long term, including by purchasing an insurance contract to cover those risks.

Following an extensive due diligence process and receipt of advice from our specialist advisers, I am pleased to confirm that we have purchased a bulk annuity insurance policy (also called a "buy-in") from Legal & General, one of the UK's leading pension insurance providers. Further detail on Legal & General is provided in the attached question and answer document.

The bulk annuity insurance policy provides income to the Scheme covering a significant proportion of the Scheme's pensions in payment and replaces some of the other investments previously held by the Scheme. Legal & General will pay the insured benefits to the Scheme as they fall due, for onward payment by the Trustee to the relevant members. This means that we have substantially reduced the key risks it is exposed to, as the Scheme's financial position will depend less on things like the returns earned on the Scheme's assets or assumptions about how long members will live.

The Trustee has worked closely with the Company throughout this process and the Company is fully supportive of this decision. There is no change to the relationship between the Company and the Scheme.

**This decision by the Trustee does not change your pension entitlement (or the value of the benefits that would become payable on your death). Your entitlements under the Scheme remain as they were before. If you are receiving a pension already, you should carry on receiving the same payments in the same way and on the same date as you do now.**

The insurance policy we have signed is between the Trustee and Legal & General. This means that your benefits continue to be administered by EQ on the Trustee's behalf. All contacts for information about the Scheme or your benefits remain as they were before. If that changes at any stage, we will let you know.

#### **How to get more information**

We have enclosed a questions and answers note with this letter which we hope is helpful. If you have any further questions, please contact BAA Pension Scheme, Equiniti, Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH or via email at [baa.pensions@equiniti.com](mailto:baa.pensions@equiniti.com)

Yours sincerely

**Phil Wilbraham**  
**Chair of the Trustees of the BAA Pension Scheme**

BAA Pension Scheme (the "Scheme")

The Trustees' bulk annuity insurance policy with Legal & General – Questions and answers

Date: February 2022

1. Why have I received this letter?

This letter has been sent to you for information only as a member of the Scheme. There is no action for you to take; this announcement is being provided purely for your information.

2. What decision have the Trustees made?

The Trustees, with the support of their advisers and the Company, have purchased a bulk annuity insurance policy with Legal & General to be held as an investment of the Scheme. This policy provides income to the Scheme covering a proportion of the Scheme's pensions in payment. The purchase of this policy is an important step in the Scheme's strategy to increase the security of members' benefits and reduce risk over time. This policy is in addition to the existing Legal & General policy that the Trustees invested in back in 2018.

Under the insurance policy, Legal & General will pay the purchased benefits (pensions) to the Trustees. All members continue to receive their benefits from the Trustees in the usual way, so will not notice any change.

3. What is a bulk annuity policy?

A bulk purchase annuity policy (also called a "buy-in") is a type of insurance contract entered into between the Trustees of a pension plan and an insurance company. It is purchased as an investment in a similar way to bonds and equities, however buy-ins reduce risk within the Scheme. The Trustees make a one-off payment to the insurance company and, in return, the insurance company makes payments to the Scheme to cover the monthly pension payroll for some of the Scheme's pensioners. This means that certain risks previously faced by the Scheme (including changes in life expectancy) will be covered by the insurance company, so increasing the security of all members' benefits.

4. Why has the Trustee chosen Legal & General?

The Trustees and the Company, together with their advisors, carried out an extensive exercise to obtain quotations and review proposals from a number of insurers.

As part of this process, the Trustees undertook detailed due diligence on Legal & General to ensure they were comfortable that they were an appropriate insurer with which to insure members' benefits over the long-term. This included giving consideration to a number of factors, including Legal & General's financial strength, reputation, quality of service and the quality of its administration systems, as well as the cost of the insurance policy. As part of this process, the Trustees obtained detailed professional advice.

Legal & General is a market-leading insurance company and provides a range of financial products to both individuals and institutions, such as pension schemes. Legal & General was established in 1836 and has been providing insurance solutions to pension schemes for over 30 years.

Further details can be found at:

<https://www.legalandgeneral.com/institutional/pension-risk-transfer/>

As an insurance company, rather than a pension scheme, Legal & General is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

As a result of this exercise, and taking into account the advice received, the Trustees were satisfied that Legal & General was a suitable insurer with which to purchase the insurance policy.

5. Is there any additional protection for my benefits?

The insurance regulatory framework is set up with strict reserving requirements and oversight from the PRA and FCA to provide a secure environment for providing pension benefits over the long term.

In addition to financial strength of Legal & General, benefits secured with an insurance company are covered by the Financial Services Compensation Scheme (FSCS). The FSCS is designed to provide compensation of 100% of the value of the insurance policy to the policyholder (ie the Trustee who holds the policy for the Scheme) in the unlikely event of an insurance company being unable to meet its obligations.

Overall, the Trustees concluded that investing in an insurance policy with Legal & General was in the best financial interests of all members, because it would protect the security of pension benefits and reduce long-term risks for the Scheme. The Company will also continue to support the Scheme, as it has done in the past – as noted below the Trustee remains responsible for paying members' benefits and you will see no change as a result of this exercise.

6. What happens now?

Your benefits in the Scheme continue to be administered by the Trustees. All benefits will be paid in line with the Scheme rules, as they have been before, and pensions continue to be paid each month on the same date by the Scheme's administrators.

The Company will also continue to support the Scheme, as it has done in the past.

7. Are all members being treated equally?

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

8. Do the Trustees plan to purchase further bulk annuity policies?

The Trustees intend to consider further investments in bulk annuities as part of the Trustees' strategy to reduce risk over time and further increase benefit security. The Trustees will take such steps if they believe it is in members' interests to do so based on professional advice and taking account of market conditions and bulk annuity pricing at the time.

9. Will there be any other changes to the Scheme in the future?

The insurance policy we have signed is between the Trustees and Legal & General. This means that the Scheme will continue to be managed by the Trustees.

10. Does this investment affect the Scheme's relationship with the Company?

No. It is simply a different method of investing for the Scheme. Arrangements with the Company will remain unchanged and they continue to support the Scheme.

11. What else do I need to know?

The purchase of this buy-in requires the Trustees to provide member details and benefit information to Legal & General, in a similar way to the existing buy-in. The Trustees take the confidentiality of your information very seriously. Legal & General must comply with the General Data Protection Regulation (GDPR) to ensure that your data is properly protected. Legal & General's privacy policy can be found at <https://www.legalandgeneral.com/institutional/pension-risk-transfer/privacy-policy/> (a copy is also attached to this correspondence).

12. Who should I contact for further information?

If you have any further questions in the meantime, please contact BAA Pension Scheme, c/o Equiniti, Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH or via email at [baa.pensions@equiniti.com](mailto:baa.pensions@equiniti.com)