

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

United Utilities Pension Scheme (“the Scheme”) United Utilities PLC Group of the Electricity Supply Pension Scheme (“the Group”)	
Why have I received a letter/email?	<p>If you are a pensioner or deferred pensioner (someone who no longer contributes but has not taken their pension) you should have received a letter in the post. If you are a current employee you should have received an email. There is no action for you to take; this announcement is being provided purely for your information as a member of the Group, a defined benefit (DB) section of the Scheme or the hybrid section of the Scheme (in relation to your DB benefits). If you are in the defined contribution (DC) section of the Scheme this does not apply to you.</p>
Who is the Trustee of the Scheme/Group?	<p>The Trustee is a board of directors who act separately from United Utilities, and who hold assets in the trust for the beneficiaries of the Scheme/Group.</p> <p>It is responsible for ensuring that the pension schemes are run properly and that members' benefits are secure.</p>
What decision has the Trustee made?	<p>The Trustee, with the support of its advisers, has purchased an insurance policy with Legal & General as a bulk annuity. This is great news for the Scheme/Group, and our members. The bulk annuity is an investment of the Scheme/Group and there will be no change to the way members receive their pension. The purchase of this policy is an important step in the Scheme's/Group's strategy to increase the security of members' benefits and reduce risk over time.</p> <p>This type of investment is common practice in the pensions industry to improve security for members. For example National Grid, Rolls-Royce, British Airways, the Co-operative and Morrisons have purchased insurance policies in recent years.</p>
What is a bulk annuity policy?	<p>A bulk annuity policy (also called a “buy-in”) is a type of insurance contract entered into between the trustees of a pension scheme and an insurance company. It is purchased by the Trustee as an investment to be held by the Trustee of the Scheme/Group and is designed to reduce risks associated with investment returns, inflation and life expectancy by closely matching members' benefits as they are put into payment.</p> <p>The Trustee pays a single premium to an insurance provider, and in return that insurer will pay the Trustee monthly amounts to cover a large proportion of the Scheme's/Group's future pension payments. The bulk annuity will provide a stable source of income from which to pay pension benefits.</p> <p>The pension payments that are not insured will be paid from the Scheme's/Group's other assets.</p>

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<p>Why has the Trustee chosen Legal & General?</p>	<p>The Trustee, together with its advisors, carried out an extensive exercise to obtain quotations and review proposals from a number of insurers.</p> <p>As part of this process, the Trustee undertook detailed due diligence on Legal & General to ensure the Trustee was comfortable that they are an appropriate insurer with which to insure members' benefits over the long-term. This included considering a number of factors, including their financial strength, reputation, quality of service and the quality of its administration systems, as well as the terms of the insurance policy and whether the policy provides good value for the Scheme/Group. As part of this process, the Trustee obtained detailed professional advice.</p> <p>Legal & General is a FTSE listed market-leading insurance company and provides a range of financial products to both individuals and institutions, such as pension schemes. Legal & General is a UK insurance company and is one of the main insurers providing bulk annuity policies to UK company pension schemes.</p> <p>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).</p> <p>As a result of this exercise, and taking into account the advice received, the Trustee was satisfied that Legal & General was a suitable insurer with which to purchase the insurance policy.</p>
<p>Is there any additional protection for my benefits?</p>	<p>The insurance regulatory framework is set up with strict requirements and oversight from the PRA and FCA to provide a secure environment for providing pension benefits over the long term.</p> <p>In addition to the 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 (i.e. the Trustee who holds the policy for the Scheme) in the unlikely event of an insurance company being unable to meet its obligations.</p> <p>Overall, the Trustee 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/Group. United Utilities will also continue to support the Scheme/Group, as it has done in the past – as noted above the Trustee remains responsible for paying members' benefits and you will see no change as a result of this exercise.</p>
<p>What happens now?</p>	<p>Your benefits in the Scheme/Group continue to be managed by the Trustee. All benefits will be paid in line with the Scheme/Group rules, as they have been before, and pensions continue to be paid each month on the same date by the Scheme's/Group's administrators.</p> <p>United Utilities will also continue to support the Scheme/Group, as it has done in the past.</p>

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Are all members being treated equally?	Yes. The transaction does not change the position for individual members. The insurance policy belongs to the Scheme/Group as a whole.
Does the Trustee plan to purchase further bulk annuity policies?	The Trustee intends to consider further investments in bulk annuities as part of its strategy to reduce risk over time and further increase benefit security. The Trustee will take such steps if it believes 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.
Does this investment affect the Scheme's/Group's relationship with United Utilities?	No. It is simply a different method of investing for the Scheme/Group. Arrangements with United Utilities will remain unchanged and they continue to support the Scheme/Group.
What else do I need to know?	The Trustee takes the confidentiality of your information very seriously. The purchase of this buy-in requires the Trustee to provide some member details and benefit information to Legal & General. As such Legal & General will become a 'Data Controller' of your data as defined by the General Data Protection Regulation (GDPR) and are required to adhere to the strict controls set by data protection legislation. The Legal & General privacy policy can be found at Legal & General Pension Risk Transfer Privacy policy (legalandgeneral.com)
Who should I contact for further information?	If you have any further questions in the meantime please contact the pension administrators. Contact details can be found at https://www.unitedutilities.com/corporate/careers/pensions/contact-us/