

# **Increasing the security of your benefits – Buy-in announcement – Member Q&A**

## ***What decision has the Trustee made?***

The Trustee, with agreement of the Company (M&S plc), has taken an important step to provide additional protection for your benefits in the Scheme by making a significant investment totalling £1.4 billion with two UK regulated insurance companies (“Aviva Life & Pensions” and “Phoenix Life”) called a ‘buy-in’ or ‘bulk annuity policy’.

## ***How does a buy-in work?***

Put simply, the Trustee invests an amount (called a premium) with each insurer for a proportion of the Scheme’s pensions, in return the insurer guarantees that it will make monthly payments to the Scheme to cover the payments for those pensions.

## ***How is a buy-in different to an individual annuity?***

An individual annuity provides an individual (typically a member of a defined contribution pension scheme) with a pension for life in exchange for a pot of retirement savings.

A buy-in is an investment held by a Trustee that provides income to a defined benefit pension scheme relating to all or a proportion of the pension payments due.

## ***Why is the Trustee taking this step?***

The Scheme’s financial health and strong funding position has allowed the Trustee to follow a strategy of reducing risk by aligning investments more closely with the pension benefits we will need to pay to members.

These buy-in policies help protect the Scheme against risks such as poor economic conditions and paying pensions for longer than currently expected. It makes the future cost of paying those benefits easier to predict, which improves the financial security for all members’ benefits.

## ***How did the Trustee make this decision?***

The Trustee, alongside the Company, took detailed professional advice, completed a thorough review of the market and ran a competitive selection process before deciding to purchase the bulk annuity policies.

## ***Who are “Aviva Life & Pensions” and “Phoenix Life”?***

Aviva and Phoenix are substantial UK insurance companies, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and PRA. This regulatory framework is set up with strict capital requirements and is overseen by the PRA to provide a secure environment for providing pension benefits over the long term.

## ***What does this mean for my pension in the Scheme?***

Your benefits are not affected by this investment and all pensions will continue to be paid directly from the Scheme in line with the Rules.

***Are all members being treated equally?***

Yes. The insurance policies are investments that belong to the Scheme as a whole to reduce the overall funding risk of the Scheme and improve the financial security for all members, not just a proportion of members.

***Does the insurer hold my personal data?***

We may need to provide Aviva and Phoenix with limited personal data about the members this investment covers (including about their dependants, where applicable). This data enables them to provide the bulk annuity policies (including to record, manage and finance their payments to the Scheme). This may include data being sent outside the European Economic Area.

The Trustee, Aviva and Phoenix are legally responsible for processing personal data and ensuring it is appropriately protected. This means they must comply fully with the requirements of the Data Protection Regulation 1998 and from 25 May 2018 the General Data Protection Regulation.

You can find out more about how the Trustee shares and manages your personal data by reading its Privacy Policy, which is available at [www.mandspensionscheme.com/privacy-policy](http://www.mandspensionscheme.com/privacy-policy).

***Does the Trustee plan to purchase further buy-in policies?***

The Trustee will continue to pursue opportunities that further protect the security of benefits as part of the Trustee's strategy to reduce risk over time, which may include further buy-in policies. 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 insurance pricing at the time.

***Does this mean the Company is no longer supporting the Scheme?***

The Company (M&S plc) will continue to support the Scheme in the same way it does at present and its obligations have not changed.

The Trustee will continue to work closely with the Company to maintain an appropriate level of funding in the Scheme.

**Date: 11 May 2018**