

PRUDENTIAL

Staff Pension Scheme

Defined Benefit Section



Longevity Insurance

Your questions answered

OCTOBER 2019

When considering the funding for the Scheme, the Trustee, with advice from the Scheme Actuary, has to make a number of assumptions, including how long it expects to pay pensions to members. If members and/or their Spouses, Civil Partners or other Dependants live longer than it is assumed, the Scheme will require more money as it will be paying their pensions for longer.

The potential for our members and/or their Spouses, Civil Partners or other Dependants living longer than expected is a financial risk that to date the Scheme has had little protection from. The Trustee has worked with our professional advisers and the Principal Employer to investigate ways to reduce the level of this risk.

The Trustee has now entered into a longevity insurance arrangement to provide long term protection to the Scheme against the costs associated with increases in the life expectancy of our members. The arrangement

will provide greater protection and improved security of members' benefits through the reduced risk.

This short Booklet provides you with more information by seeking to answer some of the most likely questions you and your fellow members may have.

If members live longer than it is assumed, the Scheme will require more money as it will be paying the pension for longer.





What does this mean for me?

This arrangement will not affect the benefits provided by the Scheme or the support of the Scheme's Principal Employer.

The Trustee retains responsibility for paying your benefits and the payment of pensions will continue in the same way as now. In addition, there will be no change to the approach to the provision of annual discretionary pension increases as a result of the arrangement. Similarly, there is no change to any benefits that may be payable to your Spouse, Civil Partner or other Dependant(s) following your death. Your pension will continue to be paid from the Scheme and the Trustee will continue to manage all benefits in the usual way.

Do I need to do anything?

No, your pension will continue to be paid as before.

However, notwithstanding the longevity insurance arrangement, the more information the Trustee has about its members, and those who may receive a Dependant's pension in the future, the better it can understand the potential longevity risk to the Scheme.

Therefore, we would encourage all members to provide details of their Dependents. You can do this online by logging into your Scheme record via MyPension. To access MyPension go to the Scheme website **www.prudentialstaffps.co.uk** and click or tap on the MyPension button at the bottom of each page.

Why are you writing to tell me this?

This is a significant transaction and we are conscious that it is likely to be covered in the press.

We wanted to ensure that you are kept informed about the arrangement by the Trustee and that you are provided with the full reasoning and details of the arrangement.



Why do this now?

The Trustee has been monitoring the possibility of entering into a longevity insurance arrangement for a while as part of its intention to continue to manage the risks of the Scheme.

The risk profile of the Scheme and reinsurance market means that now is a good time to undertake the transaction.

Has COVID-19 had any impact on this decision?

The Trustee considered the impact of COVID-19 and concluded that it is still appropriate to enter into the arrangement at this time.

What about my personal data?

The Trustee is required to provide Pacific Life Re and the captive insurance company (called Scaffell Insurance IC Limited) with certain information about the members and their Dependants covered by the arrangement.

This data will be used by them only for the purposes of providing the insurance contract. Obligations on all parties have been included as part of the arrangement to ensure that this data is properly protected in accordance with the requirements of data protection law.

The Trustee has updated its Data Privacy Statement in light of the above and has also added links to the Data Privacy Statement of Pacific Life Re and the captive insurance company (called Scaffell Insurance IC Limited) on the Scheme website **www.prudentialstaffps.co.uk**.





What is a longevity insurance arrangement?

It is not possible for anyone to accurately predict how long members of the Scheme will live.

This creates uncertainty for the Scheme in terms of funding future pension payments, because if members and/or their Dependants live longer than currently anticipated pensions will need to be paid for longer, which costs more. The Scheme can reduce this uncertainty through a longevity insurance arrangement.

Under such an arrangement, the Scheme makes a series of known payments to a reinsurer based on current life expectancies. In return, the reinsurer agrees to make payments to the Scheme to cover the pensions paid to each member covered by the insurance. If a pension needs to be paid for longer than expected the Scheme will continue to receive the payments

from the reinsurer. Therefore, the Scheme has insured itself against the risk that future benefit payments continue for longer than anticipated.

As with any insurance policy, the Scheme is arranging for protection that may or may not be needed. In this case, there is the potential for a pension not to be paid for as long as anticipated. However the Trustee believes the certainty provided by paying a series of known payments outweighs this risk.

In the UK, reinsurers can only contract with entities with a primary insurance licence. It is for this reason that the Trustee has established a captive insurer whose sole purpose is to enable the Trustee to enter this arrangement with Pacific Life Re.

A stylized illustration on the left side of the page. It features a white house with a green roof and several windows, set against a background of green hills and trees. The sky is light blue with a white cloud. The overall style is modern and clean.

Why was Pacific Life Re selected to provide reinsurance?

The Trustee took detailed professional advice, conducted a thorough review of the market and ran an extensive competitive selection process before selecting Pacific Life Re to provide the reinsurance.

Pacific Life Re is a subsidiary of Pacific LifeCorp. Pacific Life Re operates in Europe through a UK office.

Pacific Life Re has significant experience in such longevity insurance arrangements, having worked with insurers, banks and other pension schemes to transfer longevity risk related to almost £40 billion of liabilities since 2008.

What is the captive insurer?

Scaffell Insurance IC Limited, the captive insurer, is an insurance company which is owned and has been established by the Trustee with the sole purpose of facilitating the transfer of longevity risk to Pacific Life Re. It does not provide any other insurance.

Which members are covered by the arrangement?

The arrangement covers retirees and Dependants in payment at 6 April 2019 and their eligible spouses or civil partners.

However, it is important to note that the transaction does not change the position of any individual members. The arrangement is held in the Trustee's name and reflects an investment decision of the Trustee on behalf of the Scheme as a whole.

Are all members being treated equally?

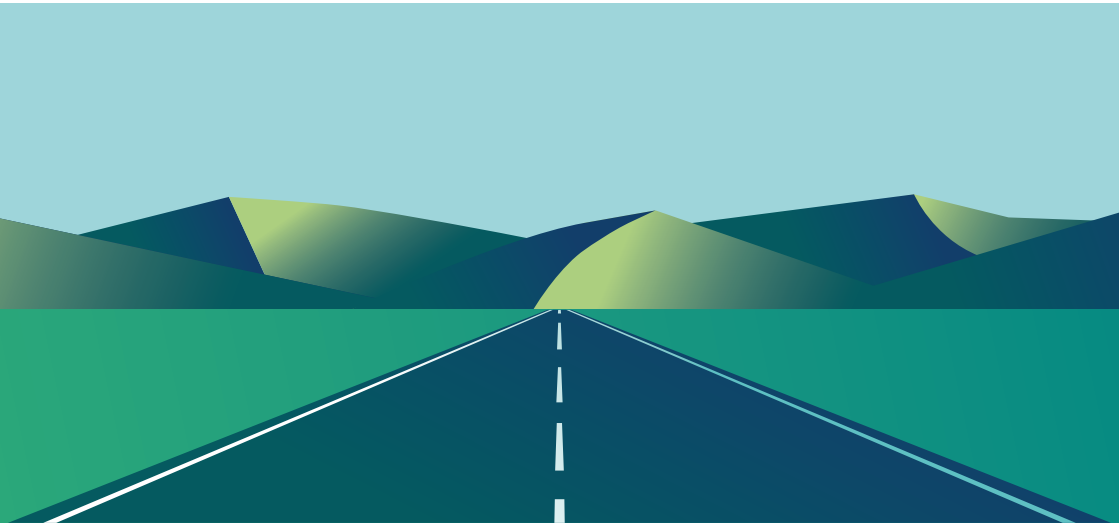
Yes. Although the transaction only protects longevity risk around the Trustee's payment obligations in relation to a group of members it does not change the position of any individual members.

The arrangement is held in the name of the Trustee and reflects an investment decision of the Trustee on behalf of the Scheme as a whole.

How does this arrangement make my benefits more secure?

The arrangement covers pensions of retirees and Dependants in payment at 6 April 2019 and those of their eligible spouses or civil partners.

However, it is important to note that the transaction does not change the position of any individual members. The arrangement is held in the Trustee's name and reflects an investment decision of the Trustee on behalf of the Scheme as a whole.



Further information

If you have any further questions, not covered in this Booklet, please contact the DB Section Administrator. You can contact them either by:

Writing to: **Prudential Staff Pension Scheme**
XPS Administration
Priory Place
New London Road
Chelmsford
CM2 0PP

Emailing: **pspsdb@xpsgroup.com**

Telephone: **01245 673515** (UK callers)
(44) 1245 673515 (Overseas callers)

Published by the Trustee of the Prudential Staff Pension Scheme
10 Fenchurch Avenue, London EC3M 5AG. Concert 2020 — 002838