

## Q&A

### A new investment for managing risk within the Scheme: November 2019

#### 1) What is a buy-in Policy?

It is a policy that provides the Scheme with insurance protection against a potential rise in funding costs due to adverse market conditions and members living longer in the future than the Scheme currently expects and funds for.

#### 2) How does the Policy work?

Under the Policy the Scheme pays a premium now to the insurer – Legal & General – covering a subset of its obligations to members. In return, Legal & General will make payments to the Scheme covering the pensions that the Scheme will pay to these members.

#### 3) Will this affect my pension?

No, this will not affect your pension benefits regardless of which section you are a member of. The Policy is an investment held by the Scheme, in the same way that the Scheme holds other assets (e.g. bonds). It helps the Trustees and National Grid to reduce future funding risks but does not alter your benefits in any way. There is also no impact on the level of benefits that could be payable to your dependant(s) should you die.

#### 4) Have my benefits been bought out?

No, the Scheme is still responsible for paying your pension. The Policy is an investment held by the Scheme which helps the Trustees and National Grid to reduce future funding risks but it does not impact on the amount of pension you will receive and does not alter your benefits in any way.

#### 5) Who will pay my pension?

UKPO will continue to pay your pension on behalf of the Scheme. Any queries about your pension payments should be addressed to UKPO as normal.

#### 6) I am an active/deferred member does this impact me?

No, this Policy does not impact in any way the amount of pension you will receive when you retire from, or, leave the Scheme.

**7) Who is covered by the policy? Am I?**

Although the Policy is designed to cover a cross-section of Section B's current pensioner and dependant liabilities, the Policy is an asset of the Scheme, and does not belong to, or impact on, any one member individually.

**8) Is National Grid supportive of the transaction?**

Yes, National Grid is fully supportive of this transaction and is keen to reduce pension risks where good opportunities arise to do so.

**9) Are there any risks associated with the Policy?**

The Scheme holds a range of assets with differing levels of risk. This insurance policy is amongst the safest. The Trustees chose Legal & General as it is a highly secure insurer. There are specific protections for the Scheme provided under the terms of the Policy, and also via the UK regulatory regime within which Legal & General operates.

**10) Is taking out this 'insurance' an unusual thing for pension schemes to do?**

Taking out this kind of insurance is becoming increasingly common for many schemes, especially for schemes as well funded as ours. There are a number of defined benefit pension schemes who have purchased similar insurance protection recently, and this is the second time we have done this following a similar transaction we completed earlier this year.

**11) Why have the Trustees taken this step?**

The Trustees continually work with National Grid and its advisers to find the most efficient ways of managing the risks faced by the Scheme. The buy-in is in line with the Trustees' ultimate objective to ensure all pensions are paid to members correctly and on time as they should be.

**12) Do I need to do anything?**

No, the Policy does not alter your benefits in any way, or require you to take any action.

**13) How long does it last?**

The Policy is designed to be in place to cover the pensions paid by the Scheme over the remaining lifetime of the relevant pensioner and dependant members.

**14) What advice did the Trustees seek prior to implementing the Policy?**

The Trustees took detailed specialist actuarial and legal advice on the risks and benefits of entering into this Policy and undertook a full and competitive market broking exercise to ensure good value for money for the Scheme.

**15) Will you share my personal information with Legal & General?**

We may share your personal data with Legal & General and its re-insurers during the lifetime of the insurance policy. They will become data controllers. Legal & General and its re-insurers comply with GDPR. For more information on how your personal information is processed, you can view the Scheme's Privacy Notice on the Scheme website [here](#). You can view Legal & General's privacy statement [here](#).