

# Questions & Answers

## What is a buy-in?

A buy-in is a type of insurance policy whereby a pension scheme insures some or all of its liabilities (future pension payments) with a specialist insurance company. A premium is paid to the insurer and in return, the insurer makes regular payments to the pension scheme to reimburse the monthly pensions and other benefits that the scheme pays out.

The buy-in policy is an asset which belongs to the scheme and is not assigned to individual members. The scheme remains responsible for paying benefits to all members. It does not affect the way in which any members receive their pension or change any of the benefits they are due from the scheme.

## What is a buy-out?

Under a buy-out, a scheme's liabilities are transferred to the insurer and the Trustee's obligation to the members ends. In a buy-out, the insurance policy would effectively be converted into individual policies for each member, and the insurer would take on the responsibility for paying members' benefits directly.

## What risks do these types of policies insure against?

By entering into a buy-in policy, the Plan would own an investment which would provide a better match for the pensions it needs to pay. In particular, the buy-in policy would aim to protect the Plan from future changes in life expectancy, and changes in financial conditions such as long-term interest rates and price inflation. Insuring these risks makes the future costs of running the scheme easier to predict and future funding more stable.

## Would my benefits be more (or less) secure if they were moved to an insurer?

All of the specialist insurers who operate in this area are regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA). The PRA requires insurers to hold significant capital reserves to back the policy contracts written. In theory, these reserves should be sufficient to protect the insurer, and by extension the pension scheme members, against very extreme ('1 in 200') adverse events.

Mitchells & Butlers, on the other hand, has no requirement to hold such reserves in respect of the Plan and therefore the move to an insurer is considered positive.

## What are the benefits to the Company of a buy-in?

The buy-in policy would help to remove the risk to Mitchells & Butlers of further rising pension costs, by paying the insurer to take on the risk.

## Would a buy-in affect the Plan's relationship with Mitchells & Butlers?

No. It is simply a different form of investment for the Plan. Arrangements with Mitchells & Butlers will remain unchanged and, importantly, Mitchells & Butlers will continue to support the Plan, as required.

### **Why has the Trustee decided to insure your Plan benefits via a buy-in policy with Standard Life?**

The Trustee's main consideration is to protect all members' benefits to ensure they can be paid when they become due now and in the future. Purchasing this buy-in policy means the Trustee has increased the protection of members' benefits. The Trustee carried out a detailed selection process that included an assessment of prospective providers' track records in similar transactions, their financial strength and the wider regulatory regime, before coming to select Standard Life.

Standard Life is a well-known, reputable insurance company of long standing and is one of the UK's strongest insurance companies. It is subject to a strict regulatory regime and, like all other insurers in the UK, Standard Life is authorised and closely regulated by the FCA to ensure consumers get a fair deal, and also the PRA (a part of the Bank of England) to ensure it meets the obligations of the policies it issues, now and in the future.

The Trustee's buy-in policy is also expected to be fully covered under the Financial Services Compensation Scheme (FSCS) and so in the unlikely event that Standard Life were to fail (and no insurer writing this type of business has ever failed in the UK), then the FSCS would step in to ensure that members' benefits continue to be honoured and paid in full.

### **What does a buy-in mean for me and what do I need to do?**

The letter enclosed with this Q&A document is for information only and you do not need to take any action. The Trustee retains responsibility for paying your benefits and, where relevant, the payment of your pension will continue in the same way as now. You can expect further communications from the Trustee, so please do remember to let the Plan administrator know if you move home, and please also check the pensions website for updates:

**[www.mbplcpensions.com](http://www.mbplcpensions.com)**

### **Where can I get further information?**

If you have a question, please contact XPS as follows:

**By email:** [mitchellsandbutlers@xpsgroup.com](mailto:mitchellsandbutlers@xpsgroup.com)

**By phone:** 0121 387 8962 (between 9am and 5pm)

**By post:** Mitchells & Butlers Pension Plan Administration Team, XPS Administration, PO Box 562, Middlesbrough TS1 9JA

