

TUI GROUP UK Pension Trust (“TUI GUPT”) – Questions & Answers

Following our letter of 30 March 2020 we are setting out some Q&A’s in relation to the Trust, its assets and actions the Trustee is taking in relation to the impact of the Coronavirus, COVID-19.

Q1. How is TUI GUPT governed?

- A. The Trust is governed by a Trustee Board which meets regularly. There have been a number of special trustee meetings called over recent days so that the Trustee Directors can consider the impact of COVID-19 on the operation of the Trust and decide on what action should be taken in response.

The Trust meets legal requirements for all schemes

The Trustee Directors must act within the legal framework that applies to UK pension schemes, which includes the Rules for each of the Schemes, as well as the legislation and decisions of the courts relevant to pensions and trusts. They must be prudent, responsible, honest, impartial, and act in the best interests of the beneficiaries.

The Pensions Regulator also publishes Codes of Practice and Guidance Notes for trustees to help with their governance and duties.

How Trustee Directors are chosen

The law says that at least one third of Trustee Directors must be nominated by the members. TUI GUPT has 10 Directors in total, four of whom are nominated by the members, one is nominated by BALPA, one Director is an Independent Director and the remaining 4 are appointed by the Company.

Our annual newsletter provides details of the governance arrangements and the Trust’s advisers.

Q2. What is the financial position of the Trust?

- A. Our newsletter issued in September 2019 can be accessed on the website; it provides details of the funding position of the BAL, TUI UK and TAPS Schemes as at 30 September 2018.

The actuarial valuations at 30 September 2019 are underway and the initial results show a further improved position for each Scheme. Details will be communicated when the work is finished.

At the time of writing (end March 2020), the global stock markets have been adversely affected over the past few weeks, but we believe our investment strategy for the Defined Benefits (DB) schemes has built in resilience. This is primarily because only a small minority of our assets are held in the stock markets following our activity to de-risk the investments over the past 2 years. Additionally, a significant portion of our assets are held in liability driven investment programmes, which are designed to protect against changes in long-term interest rates and inflation expectations.

In addition to the assets held by the Trust, the Trustee has access to other security which may become available in certain situations, including;

- Security which the Company and the Trustee put in place in 2016 to provide added protection for the Schemes if there is a problem with the payment of employer deficit contributions. This security is currently in the form of surety bonds; and
- A Parent Company Guarantee from TUI AG to provide added security in the event that the UK employers participating in the Trust become insolvent.

Q3. What action is the Trustee taking to ensure member service is not interrupted by the COVID 19?

A. The Trustee is working with Equiniti, our pension administration partners to ensure that key activity continues to be managed. Our top priorities remain our members and the protection of the following critical services:

- Ongoing payment of pensions or annuities to our Pensioner members;
- Activities which would result in benefits being put into payment including members who are retiring, members or pensioners who have died and members who have requested payment of a transfer value;
- Financial transactions for the Trustee, such as investment switches;

Put simply, our focus is on sustaining those activities where, if not done, they could quickly create financial difficulties for members and their families.

Following the latest guidance from Government, Equiniti have reviewed their categorisation of key people and many of their staff are working from home. However, they are confident that they have robust processes in place for remote working to continue to support our members.

Despite the best efforts of all involved, we are anticipating some disruption as people adjust to the new working circumstances and to the changes in lifestyle the imposed lockdown is causing.

- **International Payments**

If you reside overseas and are a Pensioner member, please note that there is a risk that the banking systems of some economies may be affected by COVID19. This could result in temporary cessation of international payments to recipient bank accounts in that territory or country, i.e. pension or annuity payments may be delayed and so not reach the relevant individual when expected. Equiniti are actively monitoring this situation and if we become aware of any issue which directly affects our pensioners, we will let you know.

- **Equiniti Customer Experience Centre Birmingham**

If you need to telephone Equiniti, your call is answered by their customer team in Birmingham. Equiniti are in the process of switching this operation to be home-based. There may be delays during the settling in period, but if you need to contact Equiniti to make a request you can do so by logging in to the website or by emailing them.

The website can be accessed through the following link <https://mytuirpension.equiniti.com/>

BAL Scheme – BALPensions@Equiniti.com

TAPS Scheme – TAPSPensions@Equiniti.com

TUI UK Scheme – TUIUKPensions@Equiniti.com

We would encourage you to make any requests to Equiniti via the website or by email throughout this period. It is also possible for some benefit projections to be completed online by members, for example;

- TUI UK members can access retirement projections at different ages;
- BAL members will shortly be able to access transfer value quotations.

We are closely monitoring the volumes of member requests with Equiniti so that we can support them in prioritising the key activities. Please bear with us during what is a challenging time for all parties.

Q4. Does Equiniti have access to the Trust investments?

- A. Our Scheme assets are held on trust by the Trustees. They are invested with a number of different investment managers in line with our published investment strategy. Equiniti does not have access to these funds.

Equiniti operate bank accounts on behalf of the Trustees; there is an account for each Scheme and there are agreed authorities in place with the bank to enable Equiniti to make benefit payments to our members.

Q5. Can the Company access the Trust Investments?

- A. The assets of the Scheme are held under trust by the Trustees and completely ringfenced from the Company.

Q6. What happens to my pension if the UK Employers become insolvent?

- A. If the UK Employers become insolvent the Trust would terminate and the Trustee would be responsible for winding up the Trust and would look to secure pensions for all Schemes' members. This can be achieved in a number of ways depending on the funding position of the Schemes at the date of the wind up:
- Your pension may be secured by an annuity with an insurance company or an alternative provider;
 - The Scheme may be transferred to another authorised legal structure which would assume the pension liabilities and the duties of the current trustee board.
 - You may request to take a transfer value to another arrangement if your pension hasn't yet come into payment; or
 - The Scheme may be taken over by the Pension Protection Fund ("PPF").

The Schemes may be treated differently depending on their funding positions at the point in time that an insolvency occurs. Currently BAL and TAPS are fully funded on a PPF measure and therefore would not enter the PPF. The Trustee would have the option of securing a higher level of benefits for these members with an alternative provider. The funding position for TUI UK is currently such that it would enter the PPF, and members would receive PPF level benefits.

Q7. What is the Pension Protection Fund?

- A. The Pension Protection Fund (PPF) is a public corporation set up by Parliament in 2005. It acts as a safety net to protect members of defined benefit pension schemes, like the Schemes in the Trust. It makes sure people get at least PPF level benefits if their scheme can no longer afford to pay them their promised pension.

There are around 5,600 schemes whose members are protected by the PPF. These schemes pay a levy every year for this protection. This levy is a bit like an insurance premium.

Since 2005, the PPF has taken on over 236,000 members from over 900 schemes. In most cases, these members transferred into the PPF when the sponsoring employer of their pension scheme went insolvent. However, very occasionally, the PPF will also consider taking on a scheme without the employer going insolvent. When a scheme transfers into the PPF, its assets transfer in too.

Q8. How much pension will I get if my Scheme enters the PPF?

- A. The answer to this depends on a number of factors, including whether you are over "minimum pension age" (or retired early due to ill health or receiving a spouse or dependants' pension) or are under "minimum pension age" on the date that your Scheme enters the PPF assessment period. A general summary of the position is set out below.

For this explanation, the term “minimum pension age” means the earliest date at which you can take your pension without a reduction for early payment.

If some of your pension is payable unreduced from a certain age, eg from age 60 and the rest of your pension is payable unreduced from a higher age, eg 65, and you have not yet reached the higher age, then these 2 portions of your pension would be treated differently as outlined below.

- **If you are over minimum pension age – or retired due to ill health or receiving a spouse or dependant pension**, you would get the same amount of pension as you get from the Scheme. However, future increases to these payments may be lower than they would be in the Scheme. Further information on the increases which would apply can be found on the **PPF’s website**
- **If you are under minimum pension age** - you would get 90% of the pension you would get from the Scheme, subject to an upper limit.

As noted above, future increases to these payments (both in the period before retirement and after retirement) may be lower than they would be in the Scheme.

Like the Scheme, the PPF pays a spouse’s / dependant’s pension if a member dies before their spouse/dependant. However, these pensions may be lower in the PPF than in the Scheme.

You can find out more about PPF benefits **on their website**.

Q9. Is the PPF backed by the Government?

- A. No. Whilst the Pension Protection Fund (PPF) was set up by Parliament, it is run independently at arm’s-length from Government. It is not taxpayer-funded. Instead the PPF collects an annual levy, a little like an insurance premium, from approximately 5,600 schemes it protects. The PPF is also funded by the assets of the schemes that transfer into it and from investment returns on the existing PPF assets.

Q10. How secure is the Pension Protection Fund?

- A. The Pension Protection Fund (PPF) is confident that it is in a strong financial position and well equipped to take on schemes. It has been protecting members since 2005, and it is already responsible for over 236,000 members from around 900 transferred schemes. It manages over £30bn in assets and benefits from the returns it achieves on those assets.

In order to determine the levy it needs to raise every year, the PPF carries out modelling of certain stressed scenarios and is able to raise additional funds through increasing future levies.

Q11. Who pays the PPF levy?

- A. Technically the PPF levy is a liability of the Schemes. Currently the Company pays the levy on behalf of the Trustee as set out under the 2016 funding agreement.

If the Company failed to pay the levy, the PPF would require the Schemes to make the payment.

Q12. Will my defined contribution (DC) investments be impacted as a result of the Coronavirus (COVID-19)?

- A. It is likely your investments will have reduced in value over the last few weeks, given that financial markets have been impacted significantly by the COVID-19.

Most members with DC or AVC benefits are invested in one of the “default” investment strategies. The default investment strategies in the DC and AVC Sections (which are designed for members who don’t want to make investment decisions) are “lifestyling” investment approaches. If your funds are in one of these strategies, your investments will automatically switch over time from

being in riskier investments into less risky investments over the 15 years prior to your chosen retirement date.

For those of you who are close to your expected retirement age (e.g. within 15 years), the recent market falls therefore may not have been as significant on retirement account values as you might initially anticipate. This is because the lifestyling investment strategies are designed to try and protect you from the full impact of possible market falls close to your target retirement date.

If you are further away from your retirement date (e.g. 15 years or more), whilst your retirement account value is likely to have gone down materially, there are plenty of years for markets and hence your account value to recover before you retire and need to access your funds.

If your DC or AVC pension pot is invested in your own choice of funds, you should regularly review your investment choices to ensure they are still in line with your retirement objectives and attitude to risk. This is especially important as you get closer to your Target Retirement Age because your DC pension pot won't automatically be moved into lower risk funds.

Q13. Can I change my defined contribution (DC) investments?

- A. The Trustees, with the help of their advisers, are continuing to monitor the Schemes' investments.

Whilst you might understandably be concerned at present, we would encourage you to take financial advice before making any significant financial decision. Please be careful to avoid any short-term actions that could potentially have negative longer-term impacts on your retirement choices.

If you are closer to retirement, you may want to consider your plans carefully. If you have chosen your own investment funds and are planning to retire in the near future, understanding the recent performance of your investments is particularly important before deciding to withdraw your DC pension pot.

The Trustee recommends that you take financial advice before making any significant changes to your investments. If you want to consider seeking financial advice to see what's best for you, you can use the **Money Advice Service's adviser directory** to find a financial adviser (you may be charged a fee for any advice you receive).

Q14. Pension fraud: are you ScamSmart?

- A. Pension fraud remains a threat to your savings so it's important that you know what warning signs to look out for and are aware of the risks. **In the current climate, the Pensions Regulator is highlighting the risks to members of unscrupulous individuals who seek to take advantage of vulnerable members.**

The Government is trying to help to tackle the problem and has banned cold calling about pensions. Companies can no longer make unsolicited calls and those that do could face significant fines.

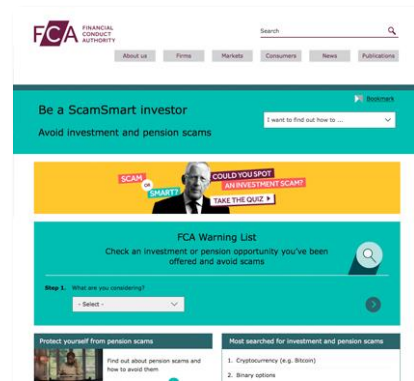
Note that not all calls about pensions have been banned. To be legal, the caller must be Financial Conduct Authority (FCA)-authorised, or the trustee or manager of your scheme, and you must either have agreed to receive calls from the caller or have an existing client relationship with the caller and have not opted out of receiving such calls.

The Financial Conduct Authority has also launched a ScamSmart campaign including a quiz on www.fca.org.uk/scamsmart to see if you could spot a scam.

Follow their three rules to keep your savings safe:

- Reject unexpected offers
- Spot the warning signs
- Check if a firm is FCA-authorized

If someone approaches you with an offer that sounds too good to be true, know what to look for and what your next steps should be. If you have any doubts about the legitimacy of any offer you receive, speak to an expert before you sign up for anything.



If you think you may be a victim of a pension scam, contact Action Fraud. Phone **0300 123 2040** or go to their website, www.actionfraud.police.uk, and fill in an online fraud report.

30 March 2020