



## THALES UK PENSION SCHEME

### Securing your benefits: a message from the Scheme Trustee

**Thales has recently approached the Trustee board of the Thales UK Pension Scheme (TUPS) with a proposal that would enable us to fully secure members' pensions with an insurance company. The Trustee has agreed to support the Company in obtaining competitive quotes from the insurance market and expects to start receiving firm quotations in Q3 2023, at which point we will update members.**

This letter explains what this could mean for you as a member of the Scheme, and the enclosed document answers some common questions about the type of insurance transaction being proposed by the Company.

#### Background

The Pensions Regulator has made it clear that it expects defined benefit (DB) pension schemes to put plans in place for reducing risks, becoming more self-sufficient and being less reliant on their sponsoring companies to support them.

The Trustee, working with its advisers, has taken a number of steps in recent years to reduce the risks associated with the funding of TUPS and to improve the security of members', including:

- Reducing the proportion of assets invested in investments generally considered to be riskier such as equities
- Increasing the levels of inflation and interest rate hedging in the scheme

Most DB pension schemes have a longer-term target to fully secure their members' benefits by purchasing an insurance policy known as a 'bulk annuity' (or, more simply, a buy-in followed by a buy-out).

Some schemes are closer to achieving this goal than others, depending on how well funded they are. For TUPS, which still has a large funding shortfall, the transaction would need Thales to make a significant contribution towards the cost of buying the insurance policy. However, Thales recently approached the Trustee board and, subject to a suitable price and terms being agreed with the selected insurer, offered to make just such a contribution, which would enable the Trustee to secure members' benefits in this way.

*Continued overleaf*

## Why is Thales proposing this now?

As you've probably heard in the news, financial markets have changed dramatically over the past nine months. Although it has been a challenging period for the UK economy, these changes have also resulted in more attractive insurance pricing for pension schemes wishing to de-risk and provide more security for the pensions that members have already built up.

A buy-in/buy-out is an insurance transaction that transfers many of the risks associated with running a pension scheme to an insurance company and, for the sponsoring employer, removes the volatility associated with funding a pension scheme.

Please note: if the Trustee and Thales agree to a full Scheme buy-in, this WILL NOT reduce the pension you've already built up in TUPS. In fact, buy-ins with an insurer are generally considered to provide significant security for member benefits. This is because:

- Schemes don't then need to rely on their investments, or additional support from the sponsor company, to pay all the pensions that have been promised to members.
- Insurance companies are heavily regulated in the UK to ensure they have sufficient capital to meet their obligations, and the Financial Services Compensation Scheme would also provide further protection to ensure you receive your benefits in full.

## What happens next?

The Company has initiated a consultation with employees who are active members in TUPS. This is because an insurer will not cover benefits that continue to build up in the future, so TUPS would need to close to the future build-up of pensions before the transaction could proceed. Your benefits in the Scheme are not affected by this consultation.

We will write to you again once a decision has been reached, and if we proceed down the route of securing your benefits with an insurance company we will provide regular updates.

Yours sincerely,



**Peter Rowley**  
Chair of the Trustees

### Further support

If you have any questions about your benefits in the Scheme please contact the TUPS administrator, Equiniti. Please note, they won't be able to answer questions about the issues covered in this letter.

**Tel:** 0203 890 2128

**Email:** [thales@equiniti.com](mailto:thales@equiniti.com)

**Postal address:** Thales Pensions Team, Equiniti,  
Sutherland House, Russell Way, Crawley RH10 1UH