Sun Life Financial
of Canada

2 July 2021

Dear Member

Sun Life Assurance Company of Canada UK and Irish Employee Benefits Scheme ("the Scheme") - Update about the actions taken to reduce risk and improve the security of your benefits

The Trustees of the Scheme are pleased to let you know about their ongoing steps to reduce risk and further improve the overall security of the Scheme.

As you may be aware from the funding statement in 2019, the Trustees bought a bulk annuity insurance policy (known as a "buy in") from an insurance company called Pension Insurance Corporation (PIC). Earlier this year, the Trustees bought a second buy in from an insurance company called Rothesay. Together these policies protect the funds in the Scheme from the majority of its risk relating to changes in life expectancy, inflation and other investment risks.

These transactions had the full support of the Company and are part of the Trustees objective of making your pension secure for the future. **Your current and future benefits from the Scheme are not affected**. You remain a member of the Scheme and the Trustees continue to be responsible for paying your benefits. There is no action for you to take as a result of this letter.

We have included some frequently asked questions with this letter to provide you with more information.

If you have any questions about the content of this letter or the information sheet please email me at owen.moody@paragonpensions.com.

Yours faithfully

Owen Moody
Paragon Pension Services
Secretary to the Trustees of the
Sun Life Assurance Company of Canada UK and Irish Employee Benefits Scheme

What is a buy in?
A buy in is a bulk annuity policy bought from an insurance company. The insurer makes monthly payments to the Scheme. These payments match the value of pension payments. A buy in policy is an asset of the Scheme, like the Scheme's other investments.

Why did the Trustees choose to do this?
In recent years the Trustees, with the support of the Company, have taken various steps to de-risk the Scheme's investment strategy. This has helped stabilise the Scheme's funding position from market volatility.

Purchasing buy in policies was the natural next step because as well as reducing investment volatility, a buy in policy also reduces changes in the Scheme's funding level that might arise due to future changes in life expectancy. The Trustees took professional advice on these transactions, including on the price and terms offered.

Other pension schemes have taken similar steps.

Are all of the Scheme's benefits covered by the two buy in policies?
No. Most of the Scheme's liabilities are covered by the two policies but some are not. The assets needed to cover the benefits of those not included in the buy in policies are retained directly by the Trustees. Whether your benefits are insured under one of the two buy ins or not, does not affect your benefits. This is because the buy ins are investments of the Scheme and the responsibility to pay pensions to members remains with the Trustees.

Will the Trustees do further buy ins?
It is the Trustees longer term objective to insure all members' benefits so a further transaction at some point in the future is likely. It is unlikely that the Trustees will complete a third transaction soon, but they will continue to monitor the Scheme's funding level, readily available assets and market pricing in the event a suitable opportunity arises. The longer term objective is to secure all member's benefits with insurers.

How are my benefits affected?
There is no change to your pension benefits or any benefits payable on your death. The Trustees retain responsibility for paying your pension. If you are already receiving a pension, the administration team will continue to pay this to you in the same way as at present.

Who are PIC and Rothesay
Both PIC and Rothesay are insurance companies regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). You can read more about both insurers on their websites:

www.rothesay.com/about-us
www.pensioncorporation.com/about-us

Why have the Trustees used two different insurers?
There are a number of insurers that provide buy in contracts to pension schemes. The market is competitive and at any point in time, a particular insurer may be more or less competitive than its peers. Some insurers also specialise in certain types of benefit which impacts on how

competitive their pricing and other terms may be. The Trustees carried out a full market review when choosing both insurers and chose the provider that best met their objectives.

Are my benefits insured and if so, with which insurer?
The PIC policy purchased in February 2018 covered a selection of pensioners in the Scheme at that time. This represented about 40% of the Scheme's liabilities. The Rothesay policy covers some further pensioners and a selection of benefits for members whose pensions have not yet started. There are approximately 700 members whose pensions are not insured with either provider.

It is important to note that whilst the policies cover members' benefits they are investments of the Scheme as a whole and so it is the Trustees (not the individual members) who are the policyholder. The Trustees use the money received from the insurance companies and from retained investments to meet all members' benefits.

What protections are available if the insurance companies fail to pay benefits?
Both PIC and Rothesay operate under a strict set of regulations and are regulated by the PRA and the FCA.

These Regulators set tight financial controls which insurance companies must follow. These controls mean the insurance company must hold extra funds to protect policyholders against exceptional circumstances.

Data protection
As part of administering the two buy in policies, the Trustees may share your data with one of the insurers. You can see their privacy notices at:

www.pensioncorporation.com/privacy-policy/
www.rothesay.com/media/nkpc4tko/bo-pn-oct-2020-limited.pdf

What do I need to do next?
Nothing. This letter is just for information.