



Rolls-Royce UK Pension Fund Trustees Limited
Pensions Team (A-90)
PO Box 31
Derby DE24 8BJ
United Kingdom

Telephone +44 (0) 1332 333335 **Email** pensions.web@rolls-royce.com

PRIVATE AND CONFIDENTIAL

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Date as postmarked

Your pension number: [REDACTED]

Dear [REDACTED]

News about the Rolls-Royce UK Pension Fund (the Fund)

The Trustee is pleased to advise you that it has entered into an agreement to secure member benefits with Pension Insurance Corporation (PIC). This is known as a buy-in.

What's happening?

The Trustee has decided to use the assets of the Fund to buy an insurance policy from PIC, guaranteeing all future benefit payments from the Fund. The Trustee has the full support of Rolls-Royce plc in taking this step.

PIC are one of the UK's largest insurance companies and are pension benefit payment specialists. They already insure the benefits of 400,000 pension scheme members.

What you need to know

Focussing on the long-term security of the Fund and making sure that you can rely on the pension you've been promised is the Trustee's most important role. Although the Fund is currently in a strong financial position, its funding level can be affected by factors beyond the control of both the Trustee and the Company, such as movements in investment markets or geo-political factors. The buy-in with PIC reduces these risks.

The buy-in contract we've signed insures all of the Fund's benefits with PIC. The Trustee Board is still responsible for paying these benefits and running the Fund. And the way that you contact us about your pension stays the same.

Rolls-Royce UK Pension Fund Trustees Limited
Registered Office: Moor Lane, Derby, DE24 8BJ, England
Company number: 06723165

What happens next?

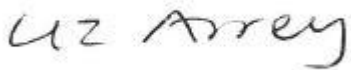
The buy-in is the first step in the journey, as the Trustee Board is likely to move to a full buy-out during the next 12 months. After buy-out, you'll become a PIC policyholder, with PIC issuing you with an individual policy document. We'll keep you updated on our progress towards this goal.

You do not need to take any action as a result of this announcement. Our member website **www.rolls-roycepensions.com** is still the hub for all members, and pensions that are in payment will continue to be paid as normal.

The media often carries stories about Rolls-Royce, and you may read about this arrangement with PIC over the coming weeks. We wanted you to hear this news from us first and have attached a short Q&A to this letter, which we hope will answer your questions.

We'll be in touch again over the coming months to keep you updated.

Kind regards

A handwritten signature in black ink that reads "Liz Airey". The signature is written in a cursive, slightly slanted style.

Liz Airey

Chairman of the Rolls-Royce UK Pension Fund Trustees Limited

Q&A

Section 1

Questions about the buy-in with Pension Insurance Corporation (PIC)

1.1: What's happening to the Rolls-Royce UK Pension Fund?

The Trustee of the Rolls-Royce UK Pension Fund (the Fund) has entered into an agreement to insure member benefits with Pension Insurance Corporation (PIC). This is known as a buy-in.

The Trustee has decided to use the assets of the scheme to buy an insurance policy, guaranteeing all future benefit payments from the Fund for the lifetime of its members and their dependants.

1.2: What is a buy-in?

A buy-in (also referred to as a 'bulk purchase annuity policy') is a type of insurance contract between the trustees of a pension scheme and an insurance company. It is purchased as an investment in a similar way to how bonds are owned by pension schemes. With a buy-in, the trustees make a one-off payment to the insurance company, and, in return, the insurance company makes payments back to the pension scheme, equal to the benefits being paid.

This means that some of the risks previously faced by the pension scheme, such as changes in interest rates or life expectancy, will be covered by the insurance company in future. This increases the security of your pension benefit in the Fund.

1.3: The Fund is well funded. Why are you doing this?

The most important role for the Trustee is to do everything possible to make sure you can rely on the pension you've been promised. They do this by focussing on the long-term security of your benefits. Although the Fund is currently in a strong financial position, its funding level can be affected by factors beyond the control of both the Trustee and the Company, such as movements in investment markets or geo-political factors. The buy-in greatly reduces these risks.

1.4: What does this mean for my pension benefits?

The benefits you're entitled to as a member of the Fund will continue to be paid in full, as promised.

1.5: Is my pension safe?

Insurance companies like PIC have to operate to a much higher level of solvency than any UK company pension scheme. They are regulated by the Bank of England's Prudential Regulatory Authority (PRA) and have to hold much higher levels of reserves. Pensions held with insurance companies also benefit from protections provided by the Financial Services Compensation Scheme (FSCS), which is designed to provide policy holders with 100% of the value of their benefits in the unlikely event of an insurer becoming insolvent.

1.6: Who are Pension Insurance Corporation (PIC)?

PIC are one of the largest UK insurance companies specialising in providing security for pension scheme benefits. They're trusted to pay the benefits of schemes from employers like RSA Group (formerly Royal & Sun Alliance), British American Tobacco, Siemens and the FSCS Pension Scheme, paying £16.2 billion in pensions so far with a 99% customer satisfaction rating.

1.7: Have any other pension schemes done a buy-in?

Yes. It's becoming increasingly common for well-funded defined benefit pension schemes to secure their member benefits with an insurance company. Pension schemes from well-known employers like ICI, Kellogg's, Siemens, National Grid and Asda have all entered into arrangements with specialist insurance companies to secure some or all of their pension benefits.

1.8: Hasn't the Fund done something like this before?

Yes, in June 2019 the Fund secured the benefits of 33,000 of its pensioner members with Legal & General. And before that, the benefits of 11,000 former members of the Vickers Group Pension Scheme section of the Fund.

1.9: Why did the Trustee select PIC as the insurer?

The Trustee selected PIC after a comprehensive and complex tender process. As part of this process, the Trustee undertook due diligence on PIC to ensure it was comfortable that they were an appropriate insurer. This included giving consideration to a number of factors, including PIC's financial strength, reputation, and ability to provide a high-quality service to members. The Trustee took professional advice throughout the process.

Section 2

Questions about my membership

2.1: Are my pension benefits going to change in any way?

If you are receiving a pension, it will continue as now, unchanged. If you are yet to take your benefits, your core pension figures will not change.

2.2: Will there be disruption to the service I receive from the pensions team?

No. As part of the buy-in agreement, the administration of the scheme remains the responsibility of the Trustee Board and will continue as it does now. It's been a priority for both the Trustee Board and Rolls-Royce that you continue to receive the same excellent service in respect of your pension that you do today.

2.3: What will happen to the member website www.rolls-roycepensions.com?

We know how many of you value the excellent functionality of our member website and PIC will work with the administration team to make sure functionality is maintained. You'll be able to continue to use your log in as you do now.

2.4: Who will I be receiving my pension from?

If you're currently receiving a pension from the Fund, this will continue to be paid by the Trustee. The same applies to any pension coming into payment during the buy-in period.

2.5: I'm a Rolls-Royce Retirement Savings Trust (RRRST) member – does this affect my membership of that scheme?

No. The RRRST is completely unaffected by this agreement. The RRRST is independent of the Fund and will continue to run as it does now.

2.6: I'm receiving a former Rolls-Royce pension from Legal & General (L&G). Will this change too?

No. If your former Rolls-Royce pension is being paid to you by L&G it will continue to be paid to you by L&G.

2.7: Are all Fund member benefits being insured as part of this agreement?

Yes. The buy-in does not change the position for individual members. The insurance policy belongs to the Fund as a whole.

Section 3

Questions about the funding surplus

3.1: I read that the scheme was 115% funded at the last valuation. Does that mean there will be a surplus?

There are two different ways of measuring the funding level of defined benefit pension schemes.

The technical provisions basis: this measures the funding position relative to the estimated cost of providing the Fund's promised benefits (which are technically known as its liabilities), now and in the future. This basis is mainly used to work out if the Company needs to pay any cash into the scheme – particularly if there is a deficit.

Rolls-Royce UK Pension Fund Trustees Limited
Registered Office: Moor Lane, Derby, DE24 8BJ
Company number: 06723165

The solvency basis: this measures the funding position relative to the cost of buying insurance policies for all members of the Fund.

At the last actuarial report dated 31 March 2025, the Fund had an estimated surplus of £708m on the *technical provisions basis*, making it 118% funded when comparing its assets against its liabilities. So that means that the Company does not currently need to put in any extra cash funding.

However, *the solvency basis* is quite different. Because insurance companies are required to invest in low-risk assets and hold high reserves, their funding test is higher. Funding on the *solvency basis* at 31 March 2023 was around 96% but, since then, has improved to around 100%. This has allowed the Trustee to enter into a buy-in contract with PIC.

If, as is likely, the Trustee moves to a full buy out, any surplus would be confirmed at that point.