

How secure are your funds in the Babcock Retirement Savings Scheme (DC Section)?

The Trustee is comfortable with the level of security that is currently available to the Scheme's DC assets and doesn't believe that this issue should be of concern to members.

The first point to bear in mind is that all assets are held under a trust which is legally separate and ring-fenced from the Company. This means that if Babcock or any of its subsidiary employers were to suffer financial difficulty, they would not be able to call upon any of the funds held in the Scheme.

The Trust is managed by a board of Trustees who have a duty to act in the best interests of the membership and independently of the Company even where they are also employed by the Company.

Although the Babcock Retirement Savings Scheme is part of the wider Babcock International Group Pension Scheme which also has defined benefit sections, the rules of the Scheme are written so that any deficit in the defined benefit sections cannot be made good using money from the Babcock Retirement Savings Scheme.

The funds available for you to invest in are provided through an insurance policy with Aviva. The Trustee doesn't invest in the assets directly, but Aviva arranges this for the Trustee via third-party arrangements with a number of fund managers. This is a common way of investing for UK pension schemes and helps the Trustee to give members easy access to a range of investment funds.

The Trustee's policy with Aviva is currently covered by the Financial Services Compensation Scheme (FSCS). The FSCS is a compensation fund of last resort for customers of financial services firms – including pension schemes. In the highly unlikely event that Aviva, as our DC platform provider, is unable to meet its financial obligations to members of our Scheme, the Trustee would be able to make a claim to the FSCS for 100% of the value of the policy, with no upper limit.

As indicated above, the investment funds provided through our Aviva policy also include funds run by third-party fund managers – Aviva Investors, BlackRock, HSBC, Legal & General Investment Management, Impax and Pictet.

These funds include the following funds available to members:

- Emerging Market Equities
- Global Equities
- Diversified Growth Fund
- Target Increasing Annuity
- Target Level Annuity
- Money Market Fund
- Shariah Fund
- Climate Fund

The Lifestyle funds (including the default fund) are also included in this section as they are constructed from some of the funds above.

In the unlikely event that Aviva Investors, BlackRock, HSBC, Legal & General, Impax or Pictet were unable to meet their financial obligations, the FSCS would not provide protection. However Aviva would make a claim against the fund manager in an attempt to recover any losses. There is a risk that some or all of your investment would not be recovered in these extreme circumstances. However, the underlying investment funds and the arrangements to access them are structured to minimise the risk of this happening, and the funds are subject to strict financial regulation and the managers are regularly monitored by the Trustee. Financial security is one of the key elements considered by the Trustee in investing your money. Please refer to the flowchart below which summarises the security of assets position for the Scheme.

March 2023

