

June 2024

Important ARP updates

We're writing to tell you about our plans for the ARP over the next few years. There is a lot going on at the moment, and we think it is helpful for you to know what we are planning, and to reassure you that we continue to always have ARP members' best interests at heart.

The most important points to remember are that none of our changes will negatively impact your ARP benefits and the changes we're going to make form part of our long-term aim to secure your benefits in full.

This letter is for information only, you do not need to take any action.

Why now?

Our overall aim for the ARP is to secure members' benefits in full with individual insurance policies.

To help achieve this, we need to get the ARP in the best shape possible – to make it attractive to potential insurers and to meet all compliance obligations. It's the ARP's overall financial strength today, which makes this possible and the timing right.

Let's now look at each of the main points in a little more detail.

→ 1

GMP equalisation

All UK pension schemes like the ARP have a legal requirement to adjust pensions for the effect of unequal Guaranteed Minimum Pension (GMP) built up between 17 May 1990 and 6 April 1997. (GMP ceased to build up after this date.) Put simply, the ARP must pay equal pensions to men and women, for all benefits built up from 17 May 1990 onwards. In doing this, we also propose to simplify pensions by converting GMP into a different form of pension.

We've already done this for most pensioner members of the ARP and will be communicating with the remaining pensioner members over the coming months. We'll also be writing to all non-pensioner members about this.

Please be assured: the value of your pension **won't reduce** from equalising or simplifying it and you **may receive a small increase** to your pension.

→ 2

Merging three Sections

The ARP currently has five main Sections, a result of legacy mergers and acquisitions over many years. While every Section falls under the ARP trust, different benefits are payable to members in the different Sections. The benefits payable depend on the Section (or Sections) in which you built up benefits and when you did so.

The Aon UK Section, the Aon Bain Hogg Section and the A&A Section will be merged into one Section which will be called the Aon UK Limited Section.

Merging the Aon UK, Aon Bain Hogg and A&A Sections will not impact the benefits payable to members in any way.

→ 3

Creating a new DC sub-fund

Working closely with the Company, we've agreed in principle, subject to the outcome of the Company's consultation, that we'll set up a new DC sub-fund within the Aon UK Limited Section.

This will be for current UK-based Aon employees. It will be called the **Aon OnePlan**.

If you're currently building up DC savings in Aon's BigBlue Touch plan, you'll have received separate communications about this from your employer.

→ 4

Using the surplus

As we've mentioned, the ARP has several Sections in surplus due to sustained Company contributions and improved market conditions.

When a pension scheme is aiming to secure members' benefits with an insurer and there's an overall funding surplus, the trustee and sponsoring company need to work together to agree how best to use it. This is what we've done with Aon, and we've agreed to a number of member-focused improvements and investments. You have been (or will be) contacted about these opportunities if you are (or will be) eligible:

- We introduced the option for eligible members to transfer their legacy DC savings back into the ARP from the Aon Master Trust at retirement to use as a tax-free lump sum alongside their defined benefit (DB) pension.
- We're funding the provision of paid-for impartial financial advice for eligible members in the run-up to retirement. (If you've not yet retired, you'll hear more about this in the coming months.)
- The majority of pensions in payment within the ARP have guaranteed increases each year, but not all of them. For a small group of members, we will be applying a discretionary increase to their pension where increases to their pensions haven't kept pace with CPI inflation since they retired. We don't yet know who will receive an increase but, as set out above, it is only a small number of members. We are aiming to let you know by the end of the year if it applies to you.

We've also agreed in principle to the Company's proposal to use some of the surplus for a limited period to pay its employer DC contributions for current UK-based Aon employees who choose to join the **Aon OnePlan**.

Question and answers

We've set up a dedicated area of the ARP website with some initial Q&As to address any general queries you may have.

www.aonretirementplan.co.uk/case-for-change/

We'll add more targeted Q&As as we move through the various stages.

→ Scan me



Working together

We have been, and continue to be, in regular discussions with the Company to ensure a smooth path for these changes and the longer-term aim to secure members' benefits in full.

Regarding the ARP's overall funding surplus – as Trustees, we have a limited role in how this is used. However, we've worked closely with the Company to agree a suite of changes that benefit ARP members. Some of these we've already put in place, others are coming soon. We've summarised these overleaf.

We've also agreed in principle that the Company can use some of the consolidated surplus for a limited period to fund its defined contribution (DC) employer contributions within the ARP. The Company is consulting with affected employees on this proposal.

To enable this, subject to the outcome of the Company's consultation, we'll create a new DC sub-fund called the Aon OnePlan, which will be part of the new Aon UK Limited Section.

→ HAPLAP

Are you a member of the HAPLAP Section?

Your HAPLAP benefits won't currently be affected by any of the changes we've outlined in this communication.

While not currently part of the changes outlined here, the HAPLAP Section remains subject to the same level of governance and robust stewardship as the other Sections of the ARP. We have invested significant sums over the years in enhancing the HAPLAP member experience – as we have for all ARP members – and will continue to do so.

Looking further ahead: Securing benefits in full with an insurer

Securing member benefits in full with an insurer removes risks that pension schemes like the ARP must manage, such as life expectancy, future inflation and investment risk.

To do this, the pension scheme pays the insurer to take on the liability of members' benefits. For a one-off payment, the insurer guarantees to pay the benefits for each member covered by the policy.

Over the next few years, we're aiming to secure members' benefits in full with one or more insurers across all Sections (except the HAPLAP Section – see further information on this on page 6).

Be assured that we'll keep you updated as and when we make progress that affects you.

Selecting insurers

If we proceed as intended, we'll carry out a comprehensive review of market-leading insurance companies with specialist experience of pensions. These Insurers are very secure, highly regulated, and backed by the required level of capital to more than cover all policies they hold. Our advisers will provide us with detailed due diligence on potential providers ahead of any transactions.

What's happening?

Most Sections of the ARP currently have more assets than we expect will be needed to pay all members' benefits. This is known as having a funding surplus. The main reasons for this are:

- the Company's contributions to the ARP over the years, and
- positive investment returns.

This means that, overall, the ARP is financially strong.

It puts us in a good position to start preparing the ground to move towards securing members' benefits in full.

Our next steps towards achieving this are:

1 We'll continue reviewing members' benefits to address a legal requirement called 'GMP equalisation'. We've already done this for most pensioner members of the ARP. We'll complete this review for pensioner members and do the same for members who haven't yet retired.

2 We plan to merge three Sections of the ARP (the A&A, Aon Bain Hogg and Aon UK Sections) into one new combined Section. The new Section will be called the Aon UK Limited Section. The HAPLAP Section and the HPF Section are being treated slightly differently and will not be a part of this planned merger. They will remain legally separate Sections of the ARP.

3 We'll start working towards securing benefits with an insurer for a specific group of members of the HPF Section.

You can read more on each of these points further on in this letter.

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We'll add more targeted Q&As as we move through the various stages.

→ Scan me



→ HAPLAP

Are you a member of the HAPLAP Section?

We're not currently planning to secure HAPLAP members' benefits with an insurer. This is due to the complexity of these benefits and the limited ability to secure those benefits with an insurer on favourable terms. Please be assured that your benefits won't be affected by this and the HAPLAP Section will continue to run as it does now.

→ HPF

Are you a member of the HPF Section?

We're aiming to start on the ARP's journey to secure members' benefits in full with an insurer with a specific group of pensioner members in the HPF Section. We plan to start writing to affected pensioner members later this year and expect the process to be completed during 2025.

To be clear – this doesn't include all members of the HPF Section. It's our intention that some members will follow the initial group at a later date, so don't worry if you're a member of the HPF Section and you don't receive a letter about this in the next few months – be assured that we'll write to you at the right time and your benefits won't be affected.

And finally...

We understand the importance you place on your ARP benefits and want to reassure you we're taking the right, carefully considered steps to secure your pension in full against risk.

Your ARP benefits are safe and well-managed.

Be assured that we'll keep you informed if you're affected, with targeted communications so you understand when changes will happen and how they might impact you personally.

Yours sincerely

Jane Curtis

On behalf of the Trustee of the Aon Retirement Plan

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