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RENTOKIL INITIAL SECURES DEFINED BENEFIT PENSION SCHEME BUY-IN WITH PENSION INSURANCE CORPORATION

Agreement will deliver security for members while removing future risk and returning surplus funds to the Company

Tuesday, 4 December, 2018 - Rentokil Initial plc (FTSE RTO, “the Company”) and the Trustee of the Rentokil Initial 2015 Pension Scheme (“the Scheme”) today announce an agreement for a bulk annuity insurance ‘buy-in’ for the Scheme with Pension Insurance Corporation (“PIC”), a specialist insurer of defined benefit pension schemes. The Scheme has liabilities of £1.5 billion.

The agreement secures the benefits of members - providing certainty and security for the Scheme’s 14,200 members (7,500 pensioners and 6,700 deferred pensioners), as the Scheme is now fully hedged against longevity, interest rate and inflation risks.

The buy-in has been secured in anticipation of a full ‘buy-out’ of the Scheme. This is expected to be completed in 2020. It will be one of the largest full buy-outs ever undertaken in the UK.

The buy-out will completely extinguish all future pension liabilities from the Company’s balance sheet and the associated accounting surplus – with no Company cash payments being necessary. On the completion of the buy-out it is anticipated that there will be a small cash surplus which will be returned to the Company. As at 31 December 2018, the accounting surplus (which was £373.2m at 30 June 2018) will be written down to the estimated cash surplus.

Through the buy-out process members of the Scheme will be provided with individual annuity policies with PIC, who will then be responsible for paying their benefits in full, providing security to members for their pension benefits now and in the future. At half year 2018, PIC (A+ rated) had insured 162,800 pension scheme members and had £27.9 billion in financial investments, accumulated through the provision of tailored pension insurance buy-outs and buy-ins to the trustees and sponsors of UK defined benefit pension schemes.

The Company’s Defined Contribution scheme, managed by Fidelity, is unaffected.

Andy Ransom, Chief Executive of Rentokil Initial plc, said:

“This transaction is a fantastic outcome for our pensioners, the Company and our shareholders. We have supported the Scheme over many decades and over that period made significant cash contributions to remedy a deficit that has existed between the Scheme’s assets and liabilities. That funding, combined with excellent stewardship by the Scheme’s trustees, and the high quality support of the advisers to the Company and the Trustee, has resulted in a very positive situation whereby the Scheme can now be transferred to an A+ rated insurance company, PIC. This action de-risks the Scheme for the benefit of members and the Company.

“While many other companies will have to continue investing heavily into their pension schemes for years to come, we can focus our future investments on delivering profitable growth.”

Chris Pearce, Chairman of Trustee, said:

“This is great news for members. After many years of support from Rentokil Initial and careful management with Aon (our Actuary) and Willis Towers Watson (our investment adviser) we can now secure our members’ benefits through Pension Insurance Corporation (PIC), a company which has strong financial credentials and a track record of excellent customer service. I want to thank our advisers, Aon, and our lawyers, Linklaters, for their help in arranging a strong agreement with PIC which will continue the excellent pensions our members enjoy.”

John Baines, Partner at Aon, said:

“We are proud to have helped Rentokil Initial capture very attractive pricing during the busiest ever year in the bulk annuity market, at a time when they were surrounded by other large transactions in the market. The deal was made possible by reacting quickly to wider market developments in order to bring together an attractively priced, innovative and bespoke agreement.”

Mitul Magudia, Head of Business Development at PIC, said:

“We are proud to have secured this buy-in, which will guarantee the benefits of the 14,200 members of the pension scheme. This is PIC’s largest transaction in 2018 and will be one of the largest full buy-outs ever undertaken in the UK. We already have a full pipeline of new business transactions for 2019 and we expect to see many more transactions of similar size and nature in the future.”

Notes to Editors

About Rentokil Initial plc

Rentokil Initial (FTSE100) is one of the largest business services companies in the world, operating in over 70 countries. The Company is the global leader in Pest Control and Hygiene services, operating these and other route-based businesses through teams of local experts.
www.rentokil-initial.com

About Pension Insurance Corporation

The purpose of Pension Insurance Corporation plc (“PIC”) is to pay the pensions of its policyholders. PIC provides secure and stable retirement incomes through leading customer service, comprehensive risk management and excellence in asset and liability management. At half-year 2018, PIC had insured 162,800 pension scheme members and had £27.9 billion in financial investments, accumulated through the provision of tailored pension insurance buyouts and buy-ins to the trustees and sponsors of U.K. defined benefit pension schemes. Clients include FTSE 100 companies, multinationals and the public sector. PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN 454345).
www.pensioncorporation.com

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