



PENSION INSURANCE
CORPORATION

PIC INSURES £3.4 BILLION OF THE BRITISH AMERICAN TOBACCO UK PENSION FUND

London, 1 August 2019 – Pension Insurance Corporation plc (“PIC”), a specialist insurer of defined benefit pension funds, has concluded a pension insurance buy-in with the Trustee of the British American Tobacco UK Pension Fund (the “Fund”), insuring £3.4 billion of liabilities.

The agreement secures the benefits of 10,600 members (8,300 pensioners and 2,300 non-pensioners), providing long-term certainty and security. It is the third largest transaction in the UK to date and is the largest ever transaction including both pensioner and deferred members.

The Fund has total liabilities of £4 billion, including a residual section open to ongoing accrual. The Trustee was advised by LCP, who acted as lead transaction adviser and advised the Trustee on strategic journey planning, transaction structuring and negotiated and executed the transaction. Linklaters provided legal advice to the Trustee and PIC was advised by Herbert Smith Freehills.

Brian Barrow, Chairman of the British American Tobacco UK Pension Fund, said: “This transaction is very good news for our members, insuring the vast majority of benefits within the Fund. It achieves a significant step towards the Trustee’s objective of reducing risk and increasing the security of members’ benefits. We are delighted that we have been able to complete a transaction of this scale successfully, despite the recent market volatility. PIC has been flexible and innovative throughout and I want to thank them and our advisers for helping us achieve our de-risking goals.”

Mitul Magudia, Head of Business Development at PIC, said: “This project required experienced advisers, a highly knowledgeable trustee board and a wealth of experience to help navigate the many complex facets. Insuring both pensioner and deferred members introduces more complexity to an insurance transaction, when compared to similarly-large pensioner buy-ins and requires careful consideration of areas including, residual risks, asset strategy and reinsurance.

This transaction continues to advance the development of innovative structures in the de-risking market and we are really pleased to have been able to help the Trustee secure its members’ benefits following their excellent stewardship.”

Michelle Wright, Head of Trustee Consulting at LCP and adviser to the Trustee said: “This landmark transaction is an important milestone for the market. The Fund exemplifies the growing trend of large schemes accelerating their de-risking plans due to attractive pricing and improved affordability. The Fund is the fifth scheme¹ with a FTSE100 sponsor to complete a transaction this year. The competitive pricing negotiated with PIC allowed the Fund to maximise the amount insured. Having now insured three quarters of its liabilities, the Fund has successfully achieved another important step in reducing risk and increasing the security of members’ benefits.”

Jay Shah, Chief Origination Officer at PIC, said: “We are seeing ever greater demand in the pension risk transfer market, especially from larger schemes. Many are within touching distance of being fully able to insure their pension scheme liabilities with well capitalised insurance businesses.

“This is PIC’s largest ever transaction, taking our assets past £39 billion. We have a full pipeline of new business and expect more schemes to follow British American Tobacco’s (“BAT”) lead over the next 12 months.”

- Ends -

Notes to Editors:

1 - Schemes with a FTSE100 sponsor to complete a deal so far this year include 3i, BAT, Marks & Spencer, Pearson and Rolls-Royce.

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About Pension Insurance Corporation

The purpose of Pension Insurance Corporation plc (“PIC”) is to pay the pensions of its current and future 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 2019, PIC had insured 218,000 pension scheme members and had £39.6 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). For further information please visit www.pensioncorporation.com

About LCP

At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy and employee benefits.

LCP offers clients better control over the financial future of their pension schemes with intuitive, real-time technology. Visit www.lcpvisualise.com and www.lcphorizon.com for more information.

The firm has more than 700 staff based at locations in London, Winchester, Ireland, and - operating under licence - the Netherlands.

About LCP's de-risking practice

LCP provides specialist advice in insurance de-risking (buy-ins, buy-outs and longevity swaps) from the strategic planning and preparation stages, through negotiation, contract execution and well into post-execution transition and aftercare. To date in 2019, LCP has been lead adviser on transactions including Pearson (£500m), Commerzbank (£1.2bn), Marks & Spencer (£1.4bn) and QinetiQ (£690m).