



## PIC COMPLETES THIRD BUY-IN WITH THE BRITISH AMERICAN TOBACCO UK PENSION FUND AND NOW COVERS ALL £4.1 BILLION OF LIABILITIES

London, 9 February 2023 – Pension Insurance Corporation plc (‘PIC’), a specialist insurer of defined benefit pension funds, has concluded a third pension insurance buy-in with the Trustee of the British American Tobacco UK Pension Fund (the ‘Fund’), insuring approximately £250 million of liabilities. PIC has now insured all £4.1 billion of the Fund’s liabilities, covering the pensions of all 10,000 members.

The Fund and PIC formed a strategic partnership at the outset to provide a strong foundation and terms for future transactions. This gave the Fund a high level of certainty on pricing and process, and the terms of the buy-ins allowed the Fund to manage its illiquid assets without loss of value.

The first buy-in was completed in May 2019 and the second in 2021. This final buy-in was completed in October 2022. This latest buy-in means the Fund is the largest pension scheme in the UK to have insured all its liabilities through a series of buy-ins phased over time<sup>1</sup>.

The Trustee was advised on its strategic journey by LCP, who also acted as lead adviser for all transactions. Linklaters provided legal advice to the Trustee, and Hymans Robertson is the Scheme Actuary. PIC was advised by Herbert Smith Freehills.

Graeme Munro, Chairman of the British American Tobacco UK Pension Fund, said: “After many years of de-risking the Fund we are pleased to have reached a major milestone of having all our liabilities insured with PIC. This is another step towards the Trustee’s objective of increasing the security of members’ benefits and reducing risk. We have been

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consistently impressed with PIC's commitment to excellent customer service ever since the first transaction and this was an important factor in our decision to transact with them again. I would like to thank PIC and our advisers for their collaborative and flexible approach in getting the transaction done in volatile market conditions."

Mitul Magudia, Head of Business Development at PIC, said: "It has been a pleasure working with the Trustee and its advisers on securing this final buy-in. This transaction underlines the excellent relationship formed between the Fund, its advisers, and PIC. This relationship has been fostered over the last four years, since our initial transaction in May 2019. These three linked transactions have moved the market forward in respect of what is possible in the risk transfer market. We expect the approach taken here to form a template for a number of large schemes currently preparing to move to insurance."

Yadu Dashora, Partner at LCP and lead adviser to the Trustee on their de-risking strategy and all three transactions said: "Successfully completing a phased buy-in journey from start to finish requires careful planning and execution. For many schemes like the Fund, this will require bespoke solutions for illiquid asset holdings. The Fund is a leading example of how to navigate this well, pioneering a range of solutions that will serve other schemes well over the next few years as they seek to follow in the Fund's footsteps and reach full insurance."

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#### **Notes to Editors:**

- 1) The previous record was held by the Philips Pension Fund, which insured £1.1 billion of liabilities through three buy-ins with a series of insurers, with the final £2.4 billion of liabilities secured through a buy-in with PIC in 2015.

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#### **About PIC**

The purpose of PIC is to pay the pensions of its current and future policyholders. PIC provides secure retirement incomes through comprehensive risk management and excellence in asset and liability management, as well as exceptional customer service. At 30 June 2022, PIC had insured 293,400 pension scheme members and had £44.1 billion in financial

investments, accumulated through the provision of tailored pension insurance buyouts and buy-ins to the trustees and sponsors of UK defined benefit pension schemes. To date, PIC has made total pension payments of almost £9 billion to its policyholders. 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](http://www.pensioncorporation.com)