

Legal & General agrees innovative bulk annuity with the Hitachi Data Systems Retirement Benefits Plan

- Third bulk annuity completes seven year journey to insure all members' benefits

Legal & General Assurance Society Limited ("Legal & General") today announced that in H1 2019 it completed a bulk annuity transaction with the Hitachi Data Systems Retirement Benefits Plan (the "Plan"), covering around 120 members.

This is the third transaction between Legal & General and the Plan, with Legal & General having completed two prior pensioner only buy-ins in 2012 and 2013. This latest transaction provides insurance cover for all the remaining members of the Plan: both those who have retired since 2013 and the deferred pensioners.

This latest transaction required a particularly innovative approach to align with the Plan's construct and provisions for members' benefits. The Plan is unusual insofar as each member's pension is based on the higher of their earnings related defined benefit (DB) pension and their defined contribution (DC) account over their active service period.

Working with the Trustees and their advisers, Legal & General found a solution which allowed the Trustees to ensure the members continue to receive a pension based on the higher of the DB and DC benefit calculation until the Plan is wound up and bought out.

This solution was agreed ahead of transacting, ensuring that the deferred pensioner members have suitable time to consider their options before a bulk crystallisation event occurs at buyout.

The Trustees were advised by Willis Towers Watson providing actuarial and consulting advice and gunnercooke providing legal advice. CMS provided legal advice to Legal & General.

Frankie Borrell, Director, Legal & General Pension Risk Transfer, said:

"We are delighted to have helped Hitachi and the Trustee over the past seven years. This is another great example of a group of trustees and their sponsor having the confidence and trust to start and finish their de-risking journey with us.

The dual benefit dynamic presented some interesting challenges for the transaction, but all parties showed great focus on delivering an outcome that had members' interests at the heart."

Neville Byford, Chair of the Sefton Park Trustee Company, the Trustee of the Plan, said:

"We are pleased to have taken this latest important step in our de-risking journey. All parties worked together to find a solution which meets the objectives of the Trustee and Plan sponsor whilst protecting the security of members' benefits."

PRESS RELEASE

Katherine Gilder, Willis Towers Watson Transaction specialist, said:

“By completing multiple tranches of buy-in over the last seven years, the Trustee has taken advantage of pricing opportunities in the market whilst also managing its residual assets to achieve the growth required to meet its long-term objective. Even with the innovative approach we developed to deal with the Plan’s unusual non-pensioner benefits, the latest buy-in tranche was executed in short timescales highlighting the contractual efficiencies that can be achieved from multiple transactions with the same insurer.”

Adam Bushby, pensions partner, gunnercooke, said:

“I have been delighted to advise the Trustees as their lead lawyer on all three of their buy-ins with Legal & General over the past seven years. This last transaction needed to be carried out rapidly in ten weeks. I was very pleased with the pragmatic way in which the advisers worked together to ensure that the project was delivered right on time for our clients.”

Caroline Kurup, Partner, CMS, said:

“It was great to see all parties working together to develop the innovative solutions that ensured members continued to receive a pension based on the higher of the DB and DC benefit calculation, until the Plan was wound up and bought out. We were delighted to partner with Legal & General to help them complete this particular de-risking journey for another repeat client.”

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FURTHER INFORMATION

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ABOUT LEGAL & GENERAL

Established in 1836, Legal & General is one of the UK’s leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1 trillion in total assets under management, we are the UK’s largest investment manager for corporate pension schemes and a UK market leader in pensions de-risking, life insurance, workplace pensions and retirement income. We have also invested over £19 billion in direct investments such as homes, urban regeneration, clean energy and small business finance.

Legal & General Retirement works with trustees and sponsoring companies of Defined Benefit (DB) Pension Schemes to settle their pension obligations and secure scheme members’ benefits, through a full range of de-risking solutions to pension schemes of all sizes.

Legal & General Assurance Society Limited.

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