



## Legal & General announces first conversion of an Assured Payment Policy (APP) to a buy-in

### £61m transaction agreed with the AIB Group UK Pension Scheme converts c.20% of the original APP transaction completed in December 2019

Legal and General Assurance Society (“LGAS”) today announces that it has agreed a £61m transaction with the AIB Group UK Pension Scheme (the “Scheme”) to convert a tranche of its existing Assured Payment Policy (APP) into a buy-in policy. The transaction, which aims to further de-risk the pension scheme, did not require any additional funding from the Scheme’s sponsor, AIB Plc, as expected.

Covering both deferred members and new retirees, this transaction marks the first time an APP has been partially converted into a new buy-in policy.

The conversion builds upon the original [£250m APP transaction with the AIB Group scheme in 2019](#). This also follows the recent [£400m APP transaction with the Legal & General Group UK Senior Pension Scheme in 2020](#).

The original transaction, and announced conversion, helps the AIB Scheme on its journey to full risk removal within planned timeframes. The innovative APP solution facilitates this by locking down investment-related risks and reducing volatility between the assets and bulk annuity pricing of the cashflows covered by the APP. As the APP already covered investment risk for the covered cashflows, the additional premium payable by the Trustee for the conversion was only in respect of the additional risks, principally longevity, that are now being passed to Legal & General.

The Trustee was advised on the transaction by Mercer, with Sackers providing legal advice.

#### **Frankie Borrell, Head of Client Solutions, Legal & General Retirement Institutional**

**“We are delighted to have taken this important step with the AIB Group UK Pension Scheme, a market first. By entering into an Assured Payment Policy in 2019, the trustees and their corporate sponsor secured a more certain path to the pension scheme’s target destination. This transaction represents a key milestone on that journey.**

**This first conversion also underscores how APPs can deliver meaningful benefit for many trustees and their scheme members in the months and years ahead.”**

#### **Norbert Bannon, Chairman of the Trustee, AIB Group UK Pension Scheme**

**“The Trustee welcomes the completion of the first annual conversion of the APP. This transaction represents further substantial progress in derisking the scheme and improving the security of members benefits. I would like to thank our advisors for their constructive input and advice throughout this process.”**

# Notes to editors

## Assured Payment Policies (APPs)

In exchange for an upfront premium, an Assured Payment Policy (or APP) provides a pension scheme with a pre-agreed series of cashflows – fixed or inflation-linked – which do not vary with longevity or other demographic experience. It therefore allows a pension scheme to lock down investment risk by providing protection against changes in asset yields, interest rates and inflation. APPs can also provide a clear structure for converting the APP into a bulk annuity at a future date.

More information is available here:

<https://www.legalandgeneral.com/institutional/pension-risk-transfer/what-we-offer/app/>

## Buy-in policy

A buy-in policy is an insurance contract that covers a proportion of the pension scheme's liabilities and is held as an asset by the pension scheme. It protects the pension scheme against investment, inflation and demographic risk.

More information is available here:

<https://www.legalandgeneral.com/institutional/pension-risk-transfer/what-we-offer/buy-in/>

## 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 £1.2 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.

## About Legal & General Retirement Institutional

Legal & General Retirement Institutional (LGRI) works with trustees and sponsoring companies of defined benefit (DB) pension schemes of all sizes to settle their pension obligations and secure scheme members' benefits, through a full range of de-risking solutions. We work closely across divisions in the Legal & General Group, which has to date invested £29 billion in real assets including urban regeneration, clean and low-cost energy, housing and infrastructure.

# Further information

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