

Legal & General announces £1.1 billion de-risking transaction with AIB Group UK Pension Scheme

Deal includes new de-risking solution developed by Legal & General

Legal & General Group Plc (“Legal & General”) announces that it completed an innovative de-risking transaction for the AIB Group UK Pension Scheme (the “Scheme”), covering over 1,300 members. The transaction was completed at the end of 2019 and is included within the £3 billion of PRT which were in exclusive negotiations at the time of our 19 November trading update.

The transaction makes use of a new solution Legal & General has developed and further tailored for this scheme in partnership with advisors for the Trustee and its sponsor, Allied Irish Banks plc (the “Bank”). The transaction is split between a £850m pensioner buy-in and a £250m Assured Payment Policy (“APP”).

For the AIB Group UK Pension Scheme, this transaction marks a significant point in its de-risking journey and its longstanding relationship with Legal & General, which included an intermediated longevity insurance agreement covering its pensioner members. This existing longevity insurance has now been converted into a pensioner buy-in by utilising Legal & General’s extensive restructuring expertise.

This also marks the first use of Legal & General’s new solution, APP, which allows pension schemes to partner with the insurer on the way to buy-in and selectively insure some of the pension risks associated with their scheme members. The APP provides the pension scheme with enhanced certainty of reaching full buy-in over a planned timeframe. It locks down investment risk by providing protection against changes in asset yields, interest rates and inflation.

The Scheme’s asset management relationship with Legal & General Investment Management enabled a smooth asset transition.

The transaction was agreed at the end of 2019. The Trustee was advised on the transaction by Mercer and Sackers. The Bank was advised on the transaction by Mercer, PWC and CMS. Legal advice was provided to Legal & General by Clifford Chance.

Norbert Bannon, Chairman of the Trustee, said:

“This transaction is another major milestone in de-risking the Scheme. It is the result of a collaborative process between the Bank and Trustee over many years, always with the clear objective of improving the security of members’ benefits. This would not have been possible without the constructive input and advice of our advisors. The Trustee is appreciative of the cooperation and support it received from the Bank over the years.”

AIB Chief Financial Officer, Donal Galvin, said:

“The Bank is pleased with the outcome of material further de-risking of the UK Pension Scheme with no additional funding.”

Laura Mason, CEO of Legal & General Retirement Institutional (LGRI) said:

“We are pleased to have been able to help AIB Group UK Pension Scheme in the latest stage of its de-risking journey and are proud to showcase our new Assured Payment Policy (APP) solution. Our team are always looking for new solutions for our clients to help them achieve their desired de-risking outcome in the most efficient way. The APP structure was ideal for what the Scheme and AIB were working to achieve.”

Notes to editors

About AIB

AIB is a financial services group operating predominantly in Ireland and the United Kingdom. We provide a range of services to retail, business and corporate customers, with market-leading positions in key segments. AIB is our principal brand across all geographies, with EBS and Haven operating in Ireland as challenger brands.

With over 2.7 million customers, we are fundamentally linked to the economies and society in which we operate. We pledge to do more to support the transition to a low-carbon economy.

About Assured Payment Policy

An APP allows a pension scheme to lock down investment risk now, by providing protection against changes in asset yields, interest rates and inflation. It can therefore be used to minimise volatility between pension scheme assets and buy-in pricing. An additional advantage is that APPs are flexible enough to be used in combination with other de-risking solutions and arrangements. This enables a pension scheme to partner with Legal & General and define its optimal, low risk path to full scheme buy-in.

About Legal & General Group Plc

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 £1.1 trillion in total assets under management at 30 June 2019, 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 £22 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..

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Further information

Margrit Williams,
PR and Communications Director,
Legal & General Retirement Institutional
+44 07384452353
Margrit.williams@landg.com

Sinead Meekin
Hanover Communications
LGRI@hanovercomms.com