

Legal & General agrees £325m buy-in with Heathrow's Pension Scheme, supported by innovative corporate bond investment with the Scheme's corporate sponsor

Legal & General Group Plc ("Legal & General") today announced that it has completed a ground-breaking £325 million buy-in with BAA Pension Scheme (the "Scheme"), covering 1,300 pensioner members.

The transaction was accompanied by an investment in a bespoke long dated index-linked £160 million bond, issued by the Scheme's corporate sponsor, Heathrow Airport Limited, directly to Legal & General. This innovative bond, featuring index linkage which switches from RPI to CPI, provides a valuable asset for Legal & General's £60 billion annuity book and allowed Heathrow to strengthen further their long-term, global financing platform at very competitive pricing for the benefit of its passengers and airline customers.

Working in partnership with the Scheme's Trustee, Heathrow and their advisers – KPMG, Mercer, Redington and CMS - Legal & General was able to construct and deliver a solution that provides long term investment in an important industry to the UK, while helping Heathrow to de-risk its legacy pension obligations and provide greater security to the Scheme members' benefits.

Laura Mason, CEO Legal & General Retirement Institutional, said:

"This innovative transaction has generated genuine value, allowing Legal & General to deliver an attractive premium to the Scheme while enabling Heathrow to achieve the financing it needed. The transaction highlights our 'solutions driven' approach towards complex client requirements, allowing all parties' needs to be met.

Legal & General will continue to invest strategically in UK assets and infrastructure to support the pension promises that we take on from companies in the UK. We look forward to supporting the Trustee in future to secure more of their members' benefits."

Phil Wilbraham, Chairman of the Scheme Trustee said:

"Genuine collaboration and innovation can truly generate value to all parties. I am delighted with the completion of this innovative transaction with Legal & General, which at the same time de-risks the position of our Scheme members, enables Heathrow to strengthen their financing position ahead of our airport expansion and provide access to competitive financing for the benefit of passenger and airline customers"

Andrew Ward, Head of Risk Transfer at Mercer and lead adviser on the bulk annuity transaction, said:

"We are delighted to have advised the Trustee on this ground-breaking transaction. By working closely with Legal & General and Heathrow, the Scheme has secured attractive pricing and a robust contract. This continues the positive steps taken over recent years to reduce risk in the Scheme and improve the security of members' benefits."

Tom Seecharan, Head of Pension Insurance at KPMG, who advised on the bond and the overall de-risking strategy, said:

"In a market where lots of good transactions are happening, this brilliant solution really stands out. We are very proud to have supported in devising the strategy to de-risk at an opportune time and then to make a good outcome even better through achieving, for the first time, the bespoke design and implementation of a bond alongside a vanilla buy-in. A genuine win-win for all parties."

PRESS RELEASE

ENDS

NOTES TO EDITORS

A buy-in is an insurance policy that covers a proportion of a defined benefit pension scheme's liabilities. Trustees and sponsoring companies use buy-ins to secure the pensions of their scheme members. A buy-in removes the risk of investment performance, longevity, interest rate changes and inflation for the members covered by the policy.

FURTHER INFORMATION (JOURNALISTS ONLY)

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ABOUT LEGAL & GENERAL

The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. As at 31 December 2017, we had over 9.5 million customers in the UK for our life assurance, pensions, investments and general insurance plans.

Legal & General Assurance Society Limited.

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