



Legal & General announces second Assured Payment Policy (APP) de-risking transaction

£400m transaction for the Legal & General Group UK Senior Pension Scheme is the largest APP written to date

Legal & General Assurance Society (“LGAS”) today announces that it has agreed a c.£400m Assured Payment Policy (APP) transaction with the Legal & General Group UK Senior Pension Scheme (the “Scheme”).

The innovative de-risking transaction provides investment risk protection for the pensions of around 200 deferred members and 385 pensioner members. Completed in December 2020, it follows Legal & General’s previous £250m APP transaction with the AIB Group UK Pension Scheme in late 2019.

Legal & General’s APP solution provides pension schemes with an efficient and precise method of liability cashflow matching, selectively insuring against investment related risks such as changes in asset yields, interest rates and inflation. In this case, the product’s flexibility allowed for the transaction to be structured around the Scheme’s existing buy-in arrangements, creating a highly tailored de-risking outcome. By insuring against the selected risks, it also provides enhanced certainty for the Scheme of reaching buyout within its planned timeframe.

The Trustee was advised on the transaction by LCP, Redington, Gowling WLG and Premier Pensions. Legal advice was provided to Legal & General by Clifford Chance.

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

“We are delighted to have delivered improved certainty for the trustees and members of our Legal & General Group UK Senior Pension Scheme. We look forward to working with the Trustee in the years ahead as they progress towards their ultimate goal of full pension scheme buyout.

“Our innovative APP solution allows pension schemes to lock down investment and inflation risk on attractive terms, with the ability to then add longevity and wider demographic risk protection in the future through conversion to a bulk annuity. With the volatility that we’ve observed over 2020 we expect to see continued interest in solutions which create greater certainty for pension schemes earlier in their de-risking journey.”

Chris Martin of ITS, Chair of the Trustee, Legal & General Group UK Senior Pension Scheme

“The APP represents a very significant moment in the Scheme’s lifetime as we move closer to securing our members’ benefits. We were very grateful to our advisers LCP, Gowling WLG, Redington and Premier Pensions for their guidance and support through this transaction.”

Mark Jackson, Partner, Lane Clark & Peacock

“The APP provides an innovative stepping-stone to buyout for the Trustee. Investment and inflation risks are removed, whilst the cost of removing longevity risk is deferred until the membership is older. What’s more, the link to the sponsor covenant is maintained throughout.”

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 buy-in at a future date.

More information is available here:

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

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 £26 billion in real assets including urban regeneration, clean and low-cost energy, housing and transport links.

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