

8 October 2019

National Grid UK Pension Scheme agrees £2.8bn buy-in deal with Rothesay Life

- The National Grid UK Pension Scheme has recently concluded a £2.8bn buy-in transaction with Rothesay Life, one of the leading life insurers specialising in providing de-risking solutions for UK defined benefit schemes
- The buy-in policy is in respect of Section A of the National Grid UK Pension Scheme – providing more certainty around the impact of changes in life expectancies, and removing financial risks such as interest rate and inflation changes, with the aim of protecting the future funding of the Scheme
- The transaction reflects the ongoing risk management focus of the Trustee in respect of the whole Scheme, and involved a collaborative project between the Trustee and National Grid. The Trustee and Company have worked together to put in place a deal which both agree is good for members
- The £20bn National Grid UK Pension Scheme is the defined benefit pension scheme primarily for previous employees of the gas industry

Nigel Stapleton, Chairman and Trustee, National Grid UK Pension Scheme, said:

“The Trustees are pleased to have secured a buy-in transaction with Rothesay Life. The buy-in provides greater certainty and assurance about the future costs of providing members’ pensions, and we see this as a positive and prudent way of managing the overall funding and risk of the Scheme.”

Sammy Cooper-Smith, Business Development at Rothesay Life, said:

“We are proud to have been selected by the Trustees to support them in their long term de-risking journey. This was a large and complex transaction; our sophisticated risk management systems allowed us to provide economic certainty to the Trustees ahead of transacting despite volatile market conditions in recent weeks.”

Andy Agg, Chief Financial Officer, National Grid plc, said:

“We are very pleased to announce this buy-in transaction. This is an important step in our long-term strategy to reduce the level of risk within our pension arrangements, and demonstrates our commitment to security for our members.”

Mike Edwards, Partner, Aon, said:

“This transaction was a great example of how putting in place a robust process for Trustee decision-making which acknowledges the need for flexibility in the current market can enable schemes to capture the best transaction opportunities.”

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Adviser involvement

The Trustees were advised by Aon and supported by the Scheme's in-house team. Sackers provided legal advice, with actuarial support provided by Willis Towers Watson, the Scheme Actuary. Rothesay Life were advised by Allen & Overy.

About the National Grid UK Pension Scheme

The National Grid UK Pension Scheme is a UK defined benefit (DB) pension scheme, responsible for around £20 billion of assets under management. It has around 100,000 members, mostly from the organisation's gas transmission and distribution businesses, and is closed to new members.

The 'buy-in' transaction with Rothesay Life involved the purchase, funded by £2.8bn of the UK fixed interest securities held within Section A, of a bulk annuity under which Rothesay Life commits to reimbursing the Trustee for all the pension benefits payable to those Section A pensioners of age 70 or less (including to their spouses) until the death of the last pension beneficiary.

These pension payments will continue to be administered by National Grid UK Pensions Operations ("UKPO") and there will be no impact on the members covered by this arrangement.

About Rothesay Life

Rothesay Life was established in 2007 and has become one of the leading providers of regulated insurance solutions in the U.K. market for pensions de-risking. This strong growth has been achieved through the steady accumulation of pension scheme clients, significant strategic acquisitions and the reinsurance of annuity portfolios. Rothesay Life has assets under management of over £50bn and insures the pensions of over 800,000 individuals.

Existing Rothesay Life clients include the pension schemes and customers associated with such names as Prudential, RSA, British Airways, Rank, Uniq, General Motors, the MNOFP (Merchant Navy Officers Pension Fund), InterContinental Hotels, Philips, GKN, Lehman Brothers, Aegon, Zurich Assurance, the Post Office and the Civil Aviation Authority.

Rothesay Life was founded on several core pillars:

- Clear and disciplined business strategy;
- Prudent underwriting;
- Meticulous management of risk and cautious investment strategy offering absolute customer security;
- Excellence in execution; and
- Robust operational processes underpinning excellent customer service

Rothesay Life has three substantial institutional shareholders, Blackstone, GIC and Massachusetts Mutual Life Insurance Company, who provide the company with long term support for its growth and development.

Rothesay Life is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Further information is available at www.rothesaylife.com

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