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PRESS RELEASE

Rothesay Life insures benefits payable by the Post Office workers' pension scheme through a £450m bulk annuity

Rothesay Life, one of the leading life insurers specialising in providing de-risking solutions to UK defined benefit pension schemes, is pleased to announce that it has insured the defined benefit liabilities for the Post Office Limited Section of the Royal Mail Pension Plan through a bulk annuity transaction.

Transaction highlights:

- The transaction covers the benefits accrued after 2012 for approximately 5,700 scheme members. The benefits that were accrued up to 2012 are paid by the UK government.
- The benefits are largely for members who have not yet retired with a significant proportion linked to the Consumer Prices Index (CPI) both before and after retirement.
- Early interest in this transaction was secured from insurers in 2016 which provided time for them to source appropriate assets.
- Rothesay Life locked the pricing of the insurance premium to a portfolio of gilts giving price certainty during execution and ease of premium payment once executed.
- The Trustee also carried out a thorough independent legal review of the benefits in order to prepare for swift implementation of a bulk annuity with residual data risk cover.

In the process of choosing an appropriate insurer and negotiating terms, the Trustee was advised by Lane Clark and Peacock (LCP), Sacker & Partners and ARC Pensions Law. Post Office Limited was advised by Slaughter and May, and Rothesay Life by Gowling WLG.

Joanna Matthews, Independent Chair of the Royal Mail Pension Plan, said: *"This is an important step in improving the security of Post Office workers' pension benefits. We carefully considered the available options before running a process to select Rothesay Life and implement a bulk annuity transaction. It is through the collaboration of all parties that we were able to lock into this opportunity quickly and achieve an excellent outcome for the Post Office Limited Section."*

Guy Freeman, Co-Head of Business Development at Rothesay Life, said: *"We are delighted that Rothesay Life is insuring the pension benefits of the Post Office workers following a well-run process. This comprehensive transaction illustrates Rothesay Life's strength in removing the complex, long-dated risks associated with deferred pensioners. Corporate appetite to remove pension liabilities has been growing over the past couple of years and shows signs of accelerating in 2018."*

Charlie Finch, partner at LCP and lead adviser to the Trustee, said *"Insurers were engaged early in the process, which meant the Trustee was well prepared and could move quickly to take advantage of an attractive pricing opportunity when it arrived. This is a good example of a Trustee, with sponsor support, acting decisively to remove pension liability risk in the Post Office Limited Section."*

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Notes to editors

The Post Office Limited Section of the Royal Mail Pension Plan (RMPP) is responsible for pension benefits earned by Post Office employees after 1 April 2012. Pension benefits earned before 1 April 2012 are provided by the UK Government.

The RMPP also has a section for the Royal Mail Group, which was not impacted by this transaction.

About Rothesay Life

Rothesay Life was established in 2007 and has become one of the leading providers of regulated insurance solutions in the UK market for pensions de-risking, making payments of over £1.3bn a year from over £26 billion of insurance contracts. This strong growth has been achieved through the steady accumulation of pension scheme clients, significant strategic acquisitions and the reinsurance of annuity portfolios.

Existing Rothesay Life clients include the pension schemes and members associated with such names as RSA, British Airways, Rank, Uniq, General Motors, the MNOPF (Merchant Navy Officers Pension Fund), InterContinental Hotels, Philips, GKN, Lehman Brothers and the Civil Aviation Authority.

Rothesay Life is a secure long-term provider of pensions, focused on

- a flexible and committed approach to execution;
- ongoing risk management to maintain balance sheet strength; and
- robust operational processes.

Rothesay Life is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

About LCP

At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy and employee benefits.

LCP offers clients better control over the financial future of their pension schemes with intuitive, real-time technology. Visit www.lcpvisualise.com, www.lcp horizon.com and www.lifeanalytics.lcp.uk.com for more information.

The firm has more than 600 staff based at locations in London, Winchester, Ireland, and - operating under licence - the Netherlands.

About LCP's pension de-risking practice

LCP leads the way in helping pension schemes to de-risk. In 2017 LCP was lead adviser on 13 buy-ins and buy-outs over £100m (c40% of the total), including the largest pensioner buy-in (at £1.2bn across two insurers by the Pearson Pension Plan), and the largest single transaction of the year (£725m).