

telent and the Trustees of the GEC 1972 Plan announce pension scheme buy-out with Rothesay Life

26 September 2019

Agreement provides enhanced security for members whilst protecting all their existing terms and benefits through the largest full scheme buy-out ever undertaken in the UK.

telent (“the Company”) and the Trustee of the GEC 1972 Plan (“the Scheme”) today announce an agreement for a bulk annuity insurance buy-out of the Scheme by Rothesay Life, a specialist insurer of defined benefit pension schemes. The Scheme has assets and liabilities of approximately £4.7billion.

The agreement secures the benefits of members - providing certainty and security for the Scheme’s approximately 39,000 members made up of c28,000 pensioners and c11,000 deferred pensioners.

The transaction is in two parts, the buy-out will be preceded by a buy-in. The buy-out is expected to be completed before the end of 2022 and will be the largest full scheme buy-out ever undertaken in the UK. The buy-out has been a shared goal of telent and the Trustee for a number of years and has become possible because of the much improved funding of the scheme.

The buy-in will see the transfer of the assets of the current scheme to Rothesay Life in return for an insurance policy which will provide the funds for the scheme’s current administrator to continue paying members’ benefits in full. The second phase, the buy-out, will see pensioners receive individual pension contracts or annuities with Rothesay Life who will at that time take responsibility for paying members their benefits. All of the current terms and benefits – including annual increases and all the flexibility, for example to allow members to take early retirement or take cash lump sums, will be replicated for all members, both ‘in pension’ and ‘deferred’.

Rothesay Life is a leading provider of regulated insurance solutions in the UK market for pensions de-risking. Established in 2007, Rothesay Life has grown to become the largest specialist annuity provider in the UK market. Prior to this transaction Rothesay Life had over £42bn of assets under management, insuring the pensions of over 770,000 individuals, paying a total of £1.9bn in pension benefits each year. When compared to the much smaller telent the transfer to Rothesay Life will substantially improve the security of members’ pension entitlements.

In the process of choosing an appropriate insurer and negotiating terms the Trustee Board was advised by Aon and CMS, and Rothesay Life was advised by Gowling WLG.

Heather Green, CFO of telent, said;

“The Trustee of the GEC1972 Plan has done a fantastic job to eliminate the significant funding deficit that existed in the Plan only 10 years ago and get the scheme to a position where it can benefit from the hugely more secure future that this transaction provides. It is great news for all members of the scheme. I would like to pay tribute to all the current and former trustee directors and members of the in-house team who have worked so hard to get the scheme into this enviable position.

“For telent, being the sponsor of a scheme many times larger than our business was not ideal. We can now look forward to focusing more of our investment in our already successful technology solutions business.”

Brian Duffin, Chairman of the Trustee Board, said:

“During its history, from its foundation up to this announcement, the GEC Plan has met its commitments to its members despite many changes and challenges. Over five years ago the Trustee decided that the best way to provide maximum security for our members in the long term would be to achieve buy-out. Thanks to support from our sponsor telent, and to an innovative investment strategy based on credit assets, we are now close to achieving our target. Our negotiations with Rothesay Life have been professional and constructive, and we will be working closely with them to take the final step to implement buy-out.

“We believe our members will receive good service from Rothesay Life in future as well as optimal security in the payment of their benefit entitlements.”

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

“From our very first meeting with telent, the Trustee and Aon they could not have been clearer as to what was required for the buy-out to take place. This direct articulation allowed us to focus our resources and attention to meet these requirements and ensure the completion of the largest full scheme buy-out ever undertaken in the UK.

“At every stage of the process all parties have worked constructively to achieve this landmark settlement and we are delighted to be providing a secure, long-term home for the 39,000 GEC Plan pensions.

“Our robust approach to risk management and the capital support from our shareholders allows us to give Trustees of large schemes confidence in our execution capability and continues to attract new clients. We have grown to become

the UK's largest specialist annuity provider because the solutions we offer clients leave them free to invest in the future of their businesses, while securing the payment of all their pension promises.”

Martin Bird, Senior Partner & Head of Risk Settlement at Aon said:

“We are extremely pleased to have supported the Trustee and telent achieve such a positive outcome for members. 2019 has been the busiest year on record for bulk annuities and the ability to stand out from the crowd continues to be the key component of capturing the best insurance pricing and terms. In this case, exemplary governance arrangements combined with a flexible and nimble project group proved invaluable in delivering such a successful outcome.”

Press enquiries

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Notes to Editors

About the GEC1972 plan

The Plan is a UK pension arrangement providing benefits to employees and ex-employees (and their dependants) of the Plan sponsor, telent Limited (telent), and its subsidiary and associated companies. The majority of these benefits were accrued under telent's former company names of The General Electric Company p.l.c. and Marconi Corporation p.l.c. The Plan closed to future accrual on 5 April 2010. The Plan was established with effect from 6 April 1973 and is constituted under a definitive Trust Deed dated 4 March 1982, as amended. A corporate trustee, Stanhope Pension Trust Limited (the Trustee or SPT) holds

(on trust) the assets of the Plan and is responsible for the administration of Plan benefits and the investment of Plan funds.

The Plan is a defined benefit plan which means that the benefits it provides are calculated on a pre-determined basis specified in the Plan Rules. The Plan is a Registered Scheme under the Finance Act 2004. Members of the Plan were not contracted out of the State Second Pension or its predecessor, the State Earnings Related Pension Scheme (SERPS).

About telent

Dedicated to defining the ever-changing digital landscape, telent designs and delivers solutions and services that enable organisations to create, improve and maintain their mission critical communications networks.

Vital in the effective operation of the nation's infrastructure and at the heart of many of the UK's and Ireland's best-known brands, telent operates within various industry sectors, including Transport, Service Provider, Public Safety, Defence, Government/Public Services and Enterprise.

telent's industry expertise and professionalism make the company a partner of choice for organisations at the forefront of the digital revolution. telent was recently appointed as the new supplier to Highways England to operate and manage the National Roads Telecommunications Service, a vital component of the UK's critical national infrastructure.

Clients include Highways England, Transport for London, Kent County Council, West Sussex County Council, Gloucestershire County Council, Network Rail, BAE Systems, BT, Interoute, London Ambulance Service, Merseyside Fire & Rescue, RNLI, Maritime Coast Guard Agency, Metropolitan Police, Sky, and Virgin Media.

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 now has assets under management of over £46bn 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 MNOFF (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