

DEFERRED PREMIUM BUY-IN: SUPPORTING A SUSTAINABLE FUTURE FOR FIRST MILK'S DEFINED BENEFIT PENSION SCHEME



Members secured:	452 – 292 retirees and 160 deferred members
Value:	£42 million
Type:	Full scheme buy-in
Sponsor:	First Milk
Timing:	June 2024

Delivering tailored solutions for schemes of all sizes

First Milk is a co-operative dairy business owned by British family farms. Like many firms Just works with, not only does it provide much needed products for consumers, it also supports local communities. In particular, its sustainable approach focuses on future-proofing its soil, farms, creameries and communities. First Milk's commitment has been recognised with a B Corp certification, a mark of high social and environmental performance, transparency and accountability.

First Milk's Defined Benefit (DB) pension scheme sought a full scheme buy-in to ensure long term security for its members alongside high levels of future member care. Complicating matters, the buy-in needed to take advantage of positive market conditions and pricing, but still accommodate First Milk's corporate funding strategy.

A deferred premium meeting First Milk's needs

With market conditions advantageous for First Milk, it wanted to accelerate the transaction by executing with a deferred premium. This would lock in the price while maintaining financial flexibility for the sponsor. As deferred premiums are usually reserved for larger schemes, this presented a challenge for the sponsor that could be overcome by leveraging Just's structuring and execution process that can facilitate complexity of this sort, no matter the size of the scheme.

Key considerations included:

- Aligning the transaction with First Milk's corporate financing strategy.
- Ensuring long-term security for members while maintaining financial flexibility for the sponsor.
- Delivering a solution that was adaptable to First Milk's specific needs, rather than a one-size-fits-all approach.
- Member care was a priority for both the scheme and the sponsor, requiring a provider who could go beyond the transaction with an ethos aligned with First Milk's values.

Collaboration and consideration – a personalised approach

To ensure the right outcome, Just worked closely with the trustees and sponsor from the outset. Key steps in the process included:

- Building trust and transparency: We engaged in in-depth discussions with trustees to ensure they fully understood the transaction process and our commitment to member care.
- Structuring the deferred premium: Working alongside lead pension risk transfer adviser PwC, legal teams, and trustees, we developed the necessary flexible deferred premium structure. This included managing the initial exclusions to identify the lowest risk members, minimising the potential financial strain for the sponsor during the deferred time period.
- Collaborative execution: All teams worked together to complete the transaction efficiently, ensuring that market opportunities were leveraged to secure the best possible outcome for members.

The outcome – long-term security through an innovative solution

With collaboration, adaptability, and a flexible approach, Just successfully completed the £42 million full scheme buy-in, securing 452 members' benefits for life (292 retirees and 160 deferred members).

The key benefits of the transaction included:

- Security of benefits for all members, ensuring they receive full pension entitlements in retirement.
- A tailored deferred premium structure, demonstrating that such flexibility is possible for mid-sized schemes – not just large ones.
- Sponsor financial flexibility, aligning the pension transaction with First Milk's financing strategy.
- Efficient execution, leveraging market conditions to secure an optimal outcome.



Martin Parker, Senior Business Development Manager at Just DB:

In this transaction, collaboration was essential and we worked closely with the scheme's advisers and legal teams to structure a deferred premium element that enabled the deal to progress. Working closely also allowed the trustees to get comfortable with Just. This transaction is evidence of a vibrant bulk annuity market that's working for schemes of all sizes, including the smallest.



FOR MORE INFORMATION

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