

## What can be done when the money gets tight? Richard Farr, BDO

Staple Inn, London. 6 March 2013

# Richard Farr

## BDO Pensions Advisory



**RICHARD FARR**  
Partner  
TEAM LEADER

t: +44 (0)20 7893 3081  
m: +44 (0)7764 903 060  
e: [richard.farr@bdo.co.uk](mailto:richard.farr@bdo.co.uk)  
[www.bdo.co.uk/pensionsadvisory](http://www.bdo.co.uk/pensionsadvisory)

**ADVISOR:** For the last 3 years Richard has led the BDO pension team. In that time BDO has advised on diverse and significant transactions such as Uniq plc, AEA Group plc, General Motors and EDS, as well as numerous mid-market covenant reviews, compromises and regulatory defence assignments.

**PRINCIPAL:** Formerly Head of Pensions at Swiss Re from 2007 to 2009, Richard was responsible for creating a new team of specialists to assess risk transfer opportunities

**ADVISOR:** Led the PwC Pension Corporate Advisor initiative 2005 - 2007

**REGULATOR:** Advised the PPF on its initial risk-based levy and TPR on its original Clearance Guidance rules. This included ground-breaking work on the development of the Employer Covenant, the use of Contingent Assets, the price for obtaining Clearance, and the PPF's innovative 33 per cent stake in restructurings

**CEO/CFO:** Co-founded two high-profile public to private turnarounds, including the first ever pre-pack, as well three highly successful IPOs

**TURNAROUND SPECIALIST:** Member of the Institute for Turnaround

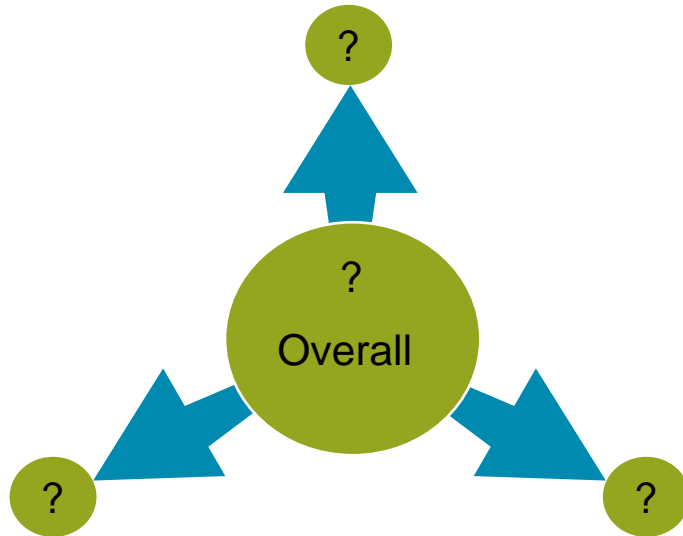
**ACCOUNTANT:** Fellow of the Institute of Chartered Accountants

# The Employer Covenant

## Three Vectors

Are all Employer Covenants born equal?

### 1. POSITION



- Which is most important?
- Which is least important?
- Do the stakeholders agree?

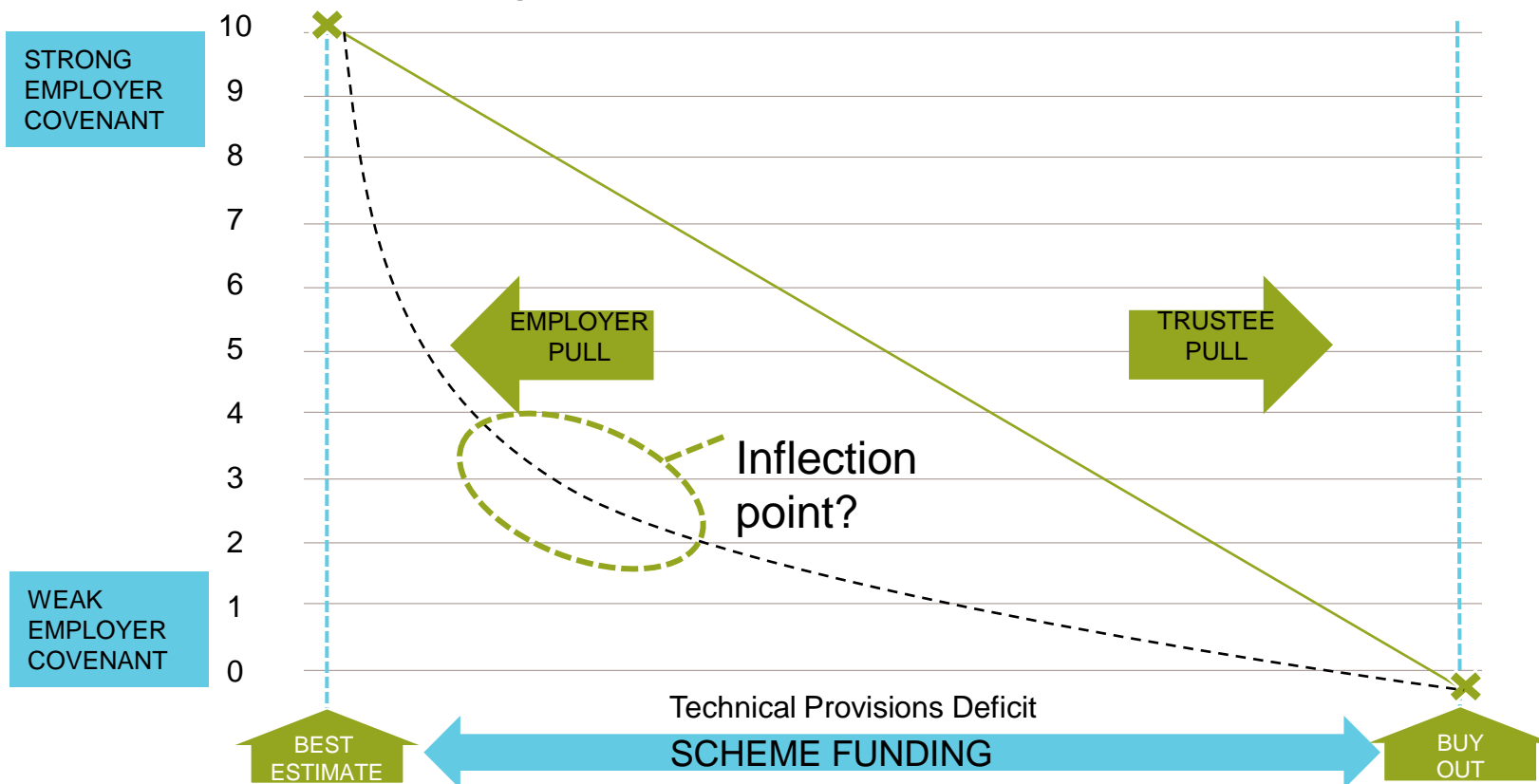
### 2. PROSPECTS 3. POWER

...we need to calibrate - which is the most important?

# How do you use it?

## Scheme Funding

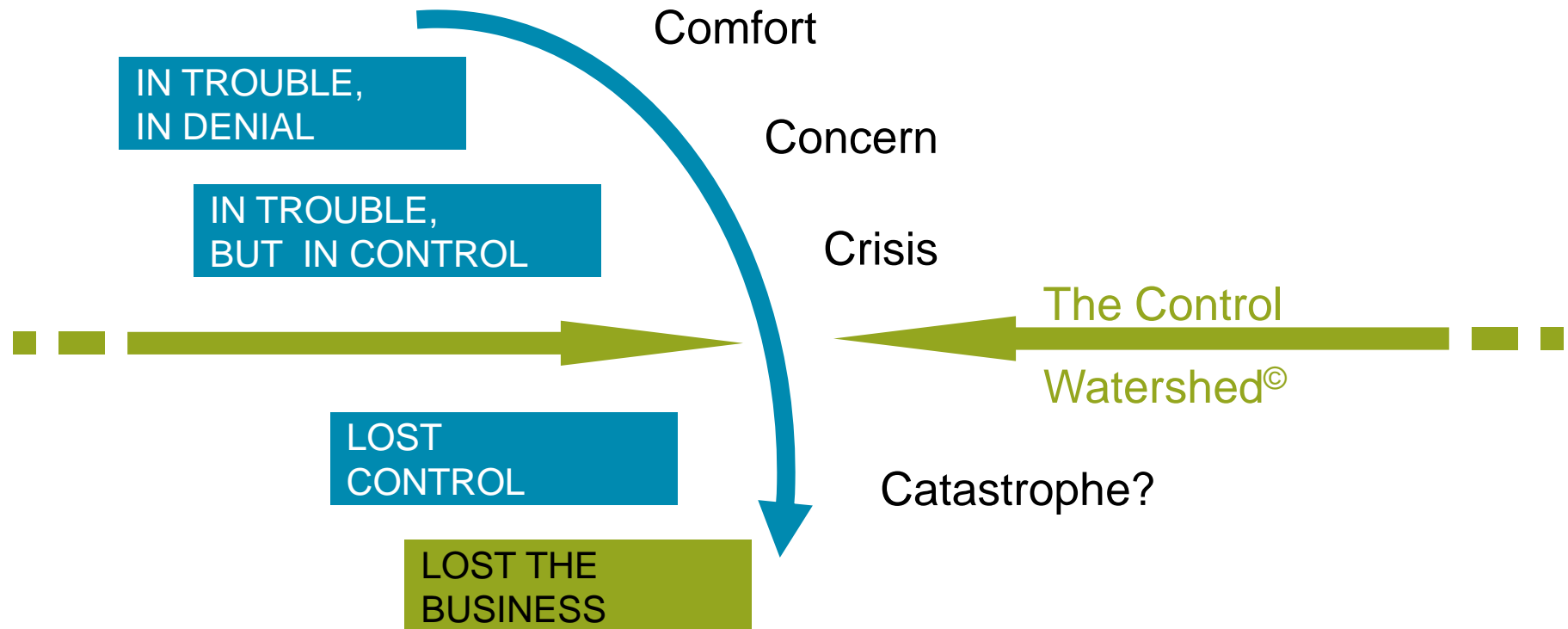
Is Scheme Funding an art or a science?



...how do you know that you are approaching the inflection point?

# The Corporate demise curve

Employer suffers loss of CONTROL and degradation in VALUE

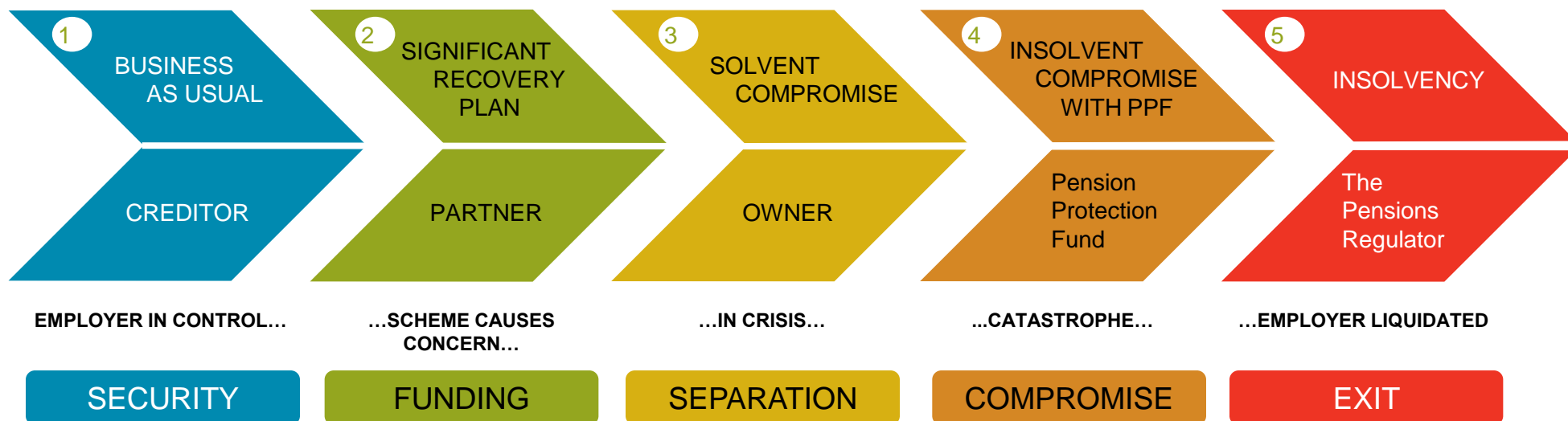


...what is the consequence for the Scheme?

# Pension funding and restructuring

## The Pension Control Chevron<sup>©</sup>

Charting the 'pension demise curve'?

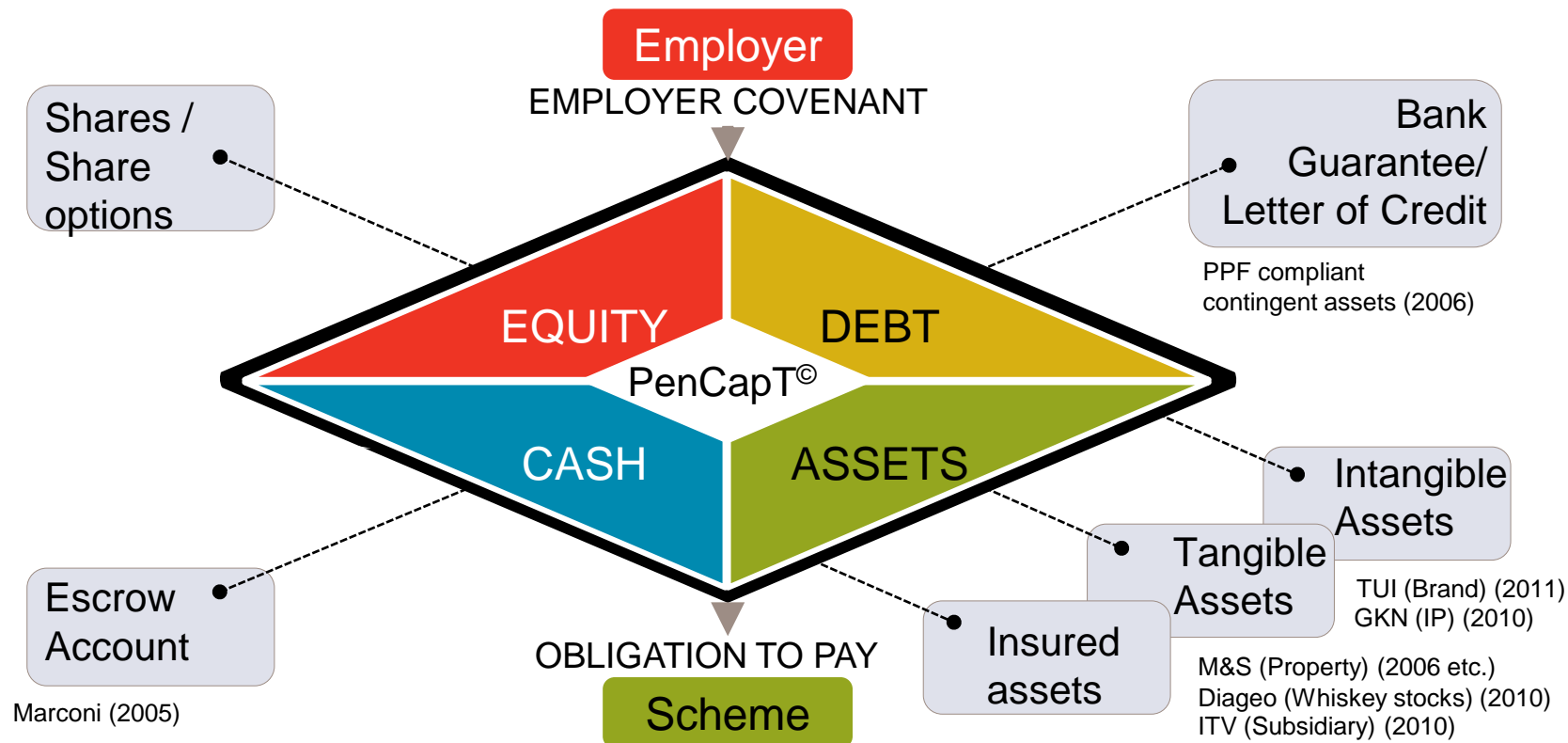


...where are the Employer and the Scheme on this lifecycle?

# Providing security and funding to the Scheme

## PenCapT<sup>©</sup>

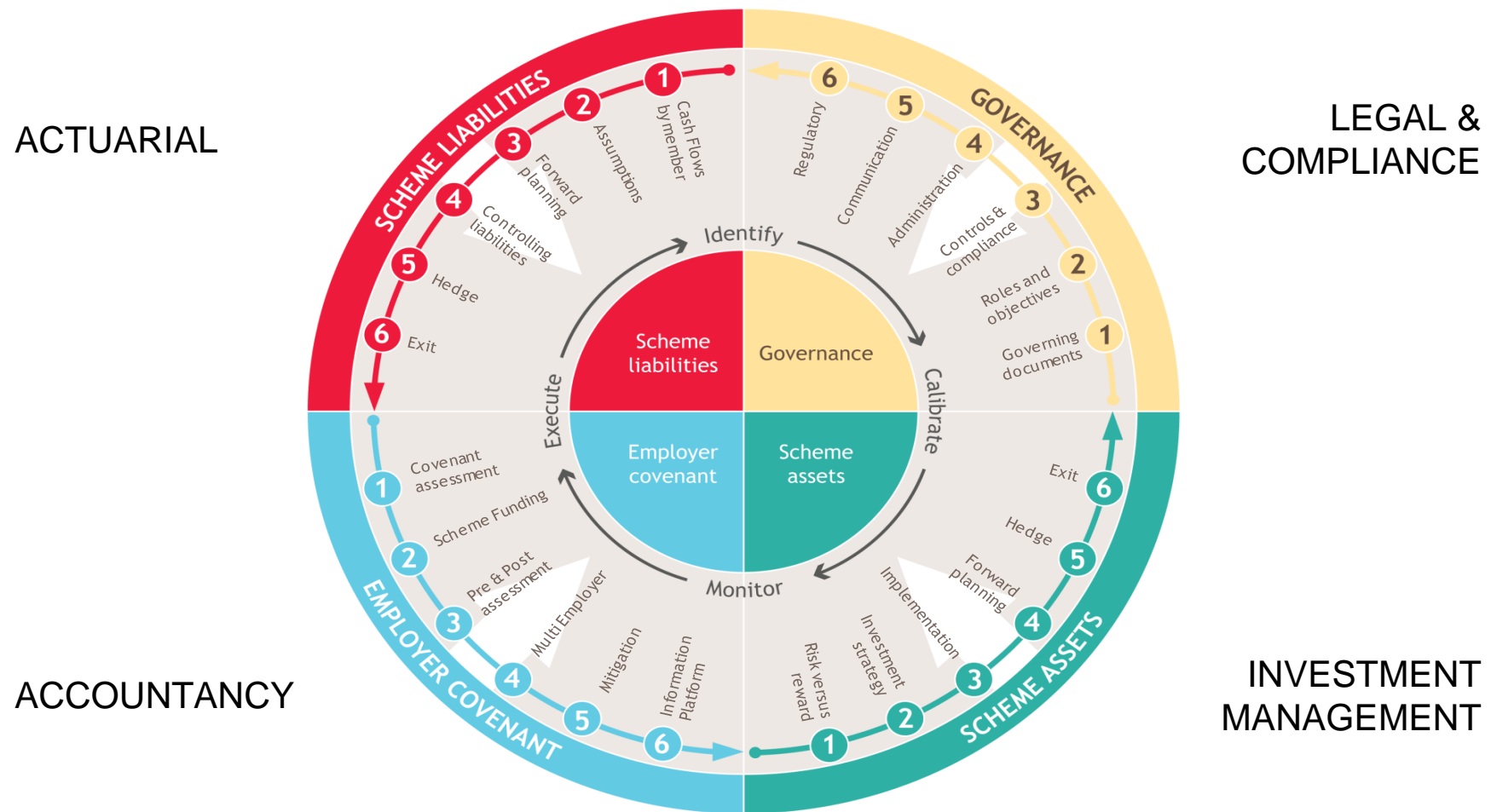
A parallel vehicle...



...but how does this link into the wider Pension Strategy?

# Pension strategy

## The role of the Chief Pensions Officer<sup>©</sup>





# Don't ask us...

## ...ask our clients

*"Having BDO Pension Business Advisory as our Chief Pensions Officer© advisory function, we have been able to refinance, restructure and dispose of a number of key business units against a backdrop of complex pension issues"*

**Martyn Everett, Chief Restructuring Officer, Biwater Holdings Limited**

*"The dedication, professionalism and intelligent approach you and your team brought to bear was inspiring and in marked contrast to the efforts of other advisers."*

**Tim Gifford, CEO Alexander PLC**

*"The BDO team are never afraid to tackle problems with creative and unconventional thinking. Innovative thinking allied to a deep understanding of the key drivers and objectives for both Trustees and Corporates means that, in my experience of working with them, they consistently both create and then deliver the optimum outcome for their clients"*

**Chris Martin, Managing Director, Independent Trustees Service Limited**