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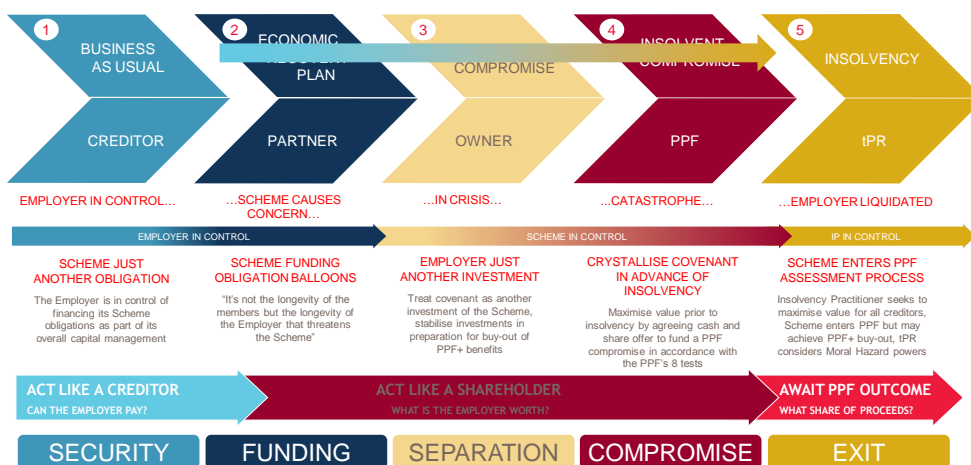
Compromises and PPF entry

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17 February 2014

Where is the Employer in its lifecycle?

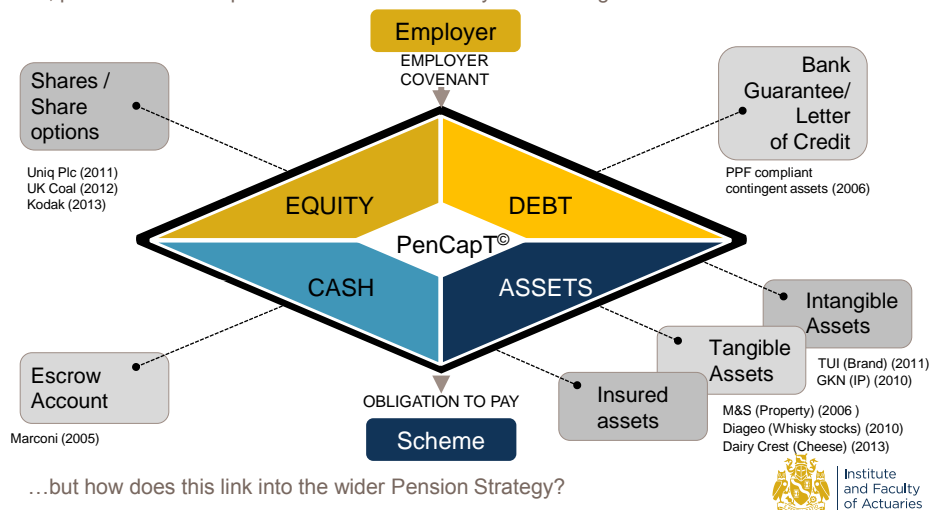
The Pension Control Chevron©



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So what if the Scheme is a partner?

A flexible, parallel vehicle to provide a source of security and funding to the Scheme



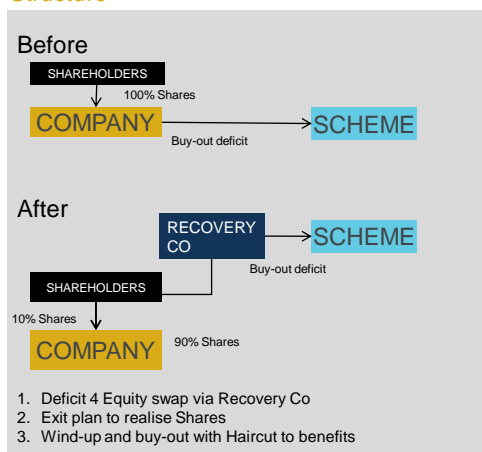
...but how does this link into the wider Pension Strategy?

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So what if the Scheme is the Owner?

Solvent Compromise

Structure



Issues?

1. Abandonment?
 - TPR and PPF need to provide Clearance. Need to prove that structure is in the best interests of all stakeholders.
2. Method
 - Apportionment /Withdrawal – are funding tests met?
 - Regulated Apportionment Arrangement – intention to transfer to the PPF within 12 months?
 - Sectionalisation – no funding tests?
3. PPF Eligibility
 - Buy PPF Insurance underpin before the structure?

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EXAMPLE TRANSACTION

UNIQ PLC

Background:

- Pension scheme with a small sandwich making business attached
- Market cap of £7m, Buy-out of £450m, PPF deficit of £50m, growing at £15m p.a.
- Economics - clear that Company unable to support the Scheme in long term
- BDO was appointed as the Company's strategic pension adviser

Outcome:

- The Company and the Trustees agreed a "deficit for equity" swap
- Scheme agreed to separate from the Company:
 - Cash payment
 - 90% stake in the Company
- Trustees to realise their shareholding in the Company within 6 months with a PPF+ compromise



EXAMPLE TRANSACTION

PROJECT BEAVERBROOK

Background:

- Loss-making UK packaging company, dependent on US parent
- c.£25m of capex was required to turn the business around
- US parent not willing to support with Scheme in place
- BDO appointed to review options – client wanted "radical solution"

Outcome:

- Agreed to target a PPF level of buy-out with an insurance company, funded by
 - Asset and liability management exercise with the aim of reducing the PPF deficit
 - Further contribution by Parent to make up the shortfall.



EXAMPLE TRANSACTION PROJECT BOX



Background:

- Loss-making global business = was dependent on US parent
- Strong brand name
- Sold for £1 plus pension
- Pension was killing business – S75 £50m plus
- BDO appointed to review options – client wanted “radical solution”

Outcome:

- Trustees and tPR not realistic in value expectations
- Owner was adamant that no one would buy the business
- Advised him to put his money where his mouth was
- Pre-pack via a SIP 16 process – he was right!
- Pension in PPF - no carry for PPF



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Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

