



PENSIONS ADVISORY CHARITY SECTOR



We provide a range advice to charities which sponsor defined benefit pension plans

THE TEAM

The BDO team consists of 11 pensions advisory and over 200 not for profit specialists located throughout the UK.

All the senior pensions advisory team have worked exclusively in pensions advisory since the inception of the current pension funding regime in 2005.

The accountancy, corporate finance, restructuring and actuarial backgrounds within our pensions team integrate with our specialist BDO Charity team. This gives us a deep understanding of the implications of events impacting the charity on the defined benefit (DB) pension obligations.

DB OBLIGATIONS FOR CHARITIES

DB pension plans create a volatile and often uncertain debt-like obligation for charities.

Pension plans can absorb a substantial amount of management time and cash, whilst seeming to have ever increasing deficits.

Our pensions advisory team provide event driven advice which aims to be objective and transparent. Our approach is collaborative and we aim to work with the pension plan trustees in a constructive manner whenever possible.

We provide advice to support you in your covenant and actuarial negotiations with the pension plan trustees.

We aim to educate and empower you through any process and provide you with whatever support and advice you require.

SERVICE LINES

Scheme funding valuation

We advise charities in funding negotiations to ensure the funding position, and the level of any required cash contributions, are appropriate. Where possible, we use market data and tPR data, to benchmark assumptions. We also look to understand the charity's strategic plan to try and align the interests of the pension plan and the charity.

Transaction support

It is key when undergoing a transaction to consider its impact on the employer covenant and the resulting scheme funding deficit and future cash contributions. We assess the employer covenant impact of transactions and assist in negotiations with pension trustees. We also provide pensions due diligence.

Charity reorganisations

Assessment of the covenant impact of internal reorganisations, including pension plan apportionments or withdrawal arrangements.

Restructuring

We provide advice and structuring solutions where the pension plan is a material stakeholder. This includes advice regarding restructurings in which the PPF participate, such as regulated apportionment arrangements.

Regulatory and litigation

We can advise where tPR is considering using its scheme funding, Financial Support Direction or Contribution Notice powers. We also advise on submitting Clearance applications.

Provision of expert opinions and reports to support you through pensions-related litigation.

LGPS obligations

We provide advice to charities in relation to LGPS obligations, helping them to understand their obligations and their options for future funding and benefit provision.

“BDO were very quick to adapt to ideas that we suggested and integrate them into their tried and trusted methods. Their personable approach is a breath of fresh air in the pensions industry and their knowledge and contacts are a massive plus”

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CASE STUDIES: CHARITIES

PROJECT OXFORD

We were engaged to provide advice to a NfP entity on a wide range of DB pension matters. This included an assessment of the employer covenant provided to the non-associated multi-employer scheme in which it participated, which required us to assess a total of nine industry-wide Not-for-Profit bodies serving a range of different industries. We also provided assistance in relation to the actuarial assumptions adopted for the last two triennial valuations, including negotiations with the Trustees and the Scheme Actuary

We have assisted the client in ceasing the accrual of future DB pension benefits in the scheme and considering the full breadth of risks which the scheme imposes on the Company.

PROJECT ROYAL

We were engaged by a NfP education body with significant LGPS obligations. The FD wanted to better understand the organisation's obligations to the LGPS and its options for future DB pension provision. We provided a paper setting out the options, including commentary on the financial implications of each. LGPSs do not all operate in the same way, and there are a variety of different approaches to funding. Therefore, in producing our paper, we liaised with the LGPS on a no-names basis to ensure that we fully understood the characteristics of that specific LGPS.

Our client is also pursuing two mergers with other education bodies with obligations to other LGPSs. We provided due diligence on both mergers, setting out the relevant entity's obligations to their respective LGPSs. This included a financial comparison of the LGPSs: a comparison of the funding assumptions; future service costs; and future cash costs. We also provided a summary of options for the provision of future pension provision following the mergers, including cost comparisons.

PROJECT GALE

Our client sponsors two DB pension schemes. The two schemes had different valuation dates and different sponsoring employers. The group had grown through acquisition and needed to restructure to reflect its operations and to simplify the group structure.

Through our advice the group have successfully agreed:

1. scheme funding assumptions which appropriately reflect the employer covenant, resulting in one of the schemes showing a large enough surplus that it was able to fund its own expenses;
2. a unification of the valuation dates in order to streamline the valuation process; and
3. Flexible Apportionment Arrangements with the schemes in relation to the restructuring.

PROJECT CAR

Our client sponsors three DB schemes of varying size. We have supported them through various scheme funding negotiations, assisting them in reviewing the liability assumptions and presenting and negotiating the employer covenant strength to the trustees. We have also assisted the company with their negotiations with the trustees regarding a refinancing and subsequent dividend payment.

PROJECT BOATS

We advised a housing association that was looking to undertake a de-merger. The parent body participated in a centralised, multi-employer DB pension scheme.

Our client engaged us to assess the potential pension costs associated with the de-merger, including whether or not it may have been liable for a withdrawal debt payable to the pension scheme on de-merger, and what its share (alongside the parent body) of any debt would be. We set out options for any new pension arrangements to be put in place post de-merger.

The parent body was asking our client to pay the full withdrawal debt upfront, which was unaffordable and jeopardised the viability of the de-merger. Our advice allowed our client to negotiate a more amicable settlement which allowed the de-merger to complete.

PROJECT LILY

We were engaged by a not for profit organisation to provide an employer covenant review to the Employer and assist management with negotiations regarding the Employer's freehold property secured to the benefit of the Trustees. The Trustees requested the Employer sell the property and the Scheme receive the proceeds.

The property was the key asset underpinning the employer covenant. We concluded that the continuation of the Scheme in its present form was not disadvantageous to members and the employer covenant would be stronger if the Employer did not sell the property. The sale of the property was resisted and the organisation has returned to 'business as usual'.

PROJECT PEGASUS

BDO have carried out a number of pensions advisory roles for this client, including scheme closure, scheme funding assumption review and negotiation support, the introduction of a parent company guarantee to the scheme, and pensions M&A advice when the Company was acquired.

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