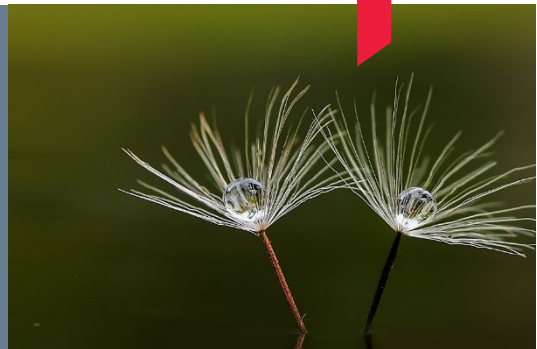




PENSIONS ADVISORY CORPORATE ADVISORY



We provide a range of event driven employer covenant advice to companies which sponsor defined benefit pension plans

THE TEAM

The BDO Pensions Advisory team consists of 11 people located throughout the UK.

All senior team members 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 team gives us a deep understanding of the implications of corporate changes on the DB pension obligations.

DB OBLIGATIONS FOR CORPORATES

Defined benefit pension plans create a volatile and often uncertain debt-like obligation for companies. Pension plans can absorb a substantial amount of management time as well as a significant amount of the sponsors cash, whilst seeming to have ever increasing deficits.

Our corporate 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 negotiations with the pension Trustees.

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

SERVICE LINES

Scheme funding valuation

We advise companies in funding negotiations to ensure the funding position, and the level of any required cash contributions, are appropriate. We look to understand the directors and shareholders strategy for the company to try and align the interests of the pension plan and the company.

Transaction support

It is key when undergoing a transaction to consider the impact on the scheme funding deficit and future cash contributions. We assess the impact of transactions on the employer covenant and assist in negotiations with trustees.

We also provide pensions due diligence, typically for vendors or purchasers.

Corporate reorganisations

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

Restructuring

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

Regulatory and litigation

Advising on employer covenant issues 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 on employer covenant issues to support you through pensions-related litigation.

“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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CORPORATE ADVISORY CASE STUDIES

PROJECT TUBS

Our client was a private equity firm which acquired a group with a relatively large DB pension scheme. The funding position of the scheme deteriorated rapidly within the first 12 months of purchasing the group. The existing group could not support the resulting deficit. The group had a strategy to grow through acquisition.

We supported the company in their considerations of whether an enlarged group could support the scheme, and they presented such a plan to the trustees, which included a contribution holiday. This plan was ultimately rejected by the trustees and the business went through a pre-pack administration where the private equity firm were able to buy back the group without the pension scheme.

PROJECT ROOK

The company were struggling financially and needed to consider the full breadth of their options in relation to their relationship with the pension scheme. These included a consideration of whether the business could be turned around through the implementation of a contribution holiday, and restructuring options including a potential compromise of the company's obligations to the scheme.

The company concluded there was a reasonable chance they could turn around their fortunes if they were able to agree a contribution holiday, and we supported them in presenting their case to the scheme trustees, who agreed to the contribution holiday.

PROJECT GALE

Our client is a private equity owned UK group which 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, to simplify the group structure, and prepare for sale.

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 is private equity owned and sponsors three DB schemes of varying size. We have supported them through various scheme funding negotiations, assisting them in negotiating the employer covenant strength with the trustees. We have also assisted the company with their negotiations with the trustees regarding a refinancing and subsequent dividend payment.

PROJECT PAGE

The company are a UK technology based business which relies on continued R&D investment. Without this investment the company will quickly fall behind its competitors. The company were struggling financially and needed a contribution holiday in order to continue to invest in R&D and survive. In order to obtain the agreement of the trustees for a three year contribution holiday we wanted to provide them with a contingent asset. The overseas parent were not willing to provide a guarantee to the scheme. However, the UK company owned two properties and significant trade receivables.

We agreed a Scottish Limited Partnership ('SLP') structure with the trustees, which gave the scheme security over the property and trade receivables, which were transferred into the SLP, in return for a three year contribution holiday.

PROJECT MICHIGAN

BDO were engaged by a large US manufacturing Group to act as an expert witness on behalf of a number of FSD target entities domiciled in several jurisdictions. Our report included comprehensive analysis of the 'insufficiently resourced' test on the three stage basis specific within the Regulations.

In addition, we also carried out a detailed review of whether, in our opinion, it would have been reasonable for tPR to issue FSDs, particularly in light of an existing funding proposal on offer from the Employer.

PROJECT PEGASUS

BDO have carried out a number of pensions advisory roles for this client, including scheme closure, the introduction of a parent company guarantee to the scheme in order to improve the scheme funding position and reduce the required PPF levy, and pensions M&A advice when the Company was acquired.

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