

Annual Meeting & Risk Seminar

16 March 2017

Discontinuance

Speakers:

- **Arnold Wagner OBE, Chairman, PPF**
- **Mark Howard, Partner, Clyde & Co**
- **Claire Altman, Client Director, CCTL**
- **John Reeve, Director, Cosan Consulting**

- **Q&A chaired by Terry Faulkner, Chairman, OPDU Advisory Council**

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- Welcome & Introduction** - **Martin Kellaway, Executive Director, OPDU**
- OPDU Review** - **Terry Faulkner, Chairman, OPDU Advisory Council**

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Arnold Wagner OBE, Chair, PPF



CLYDE & Co

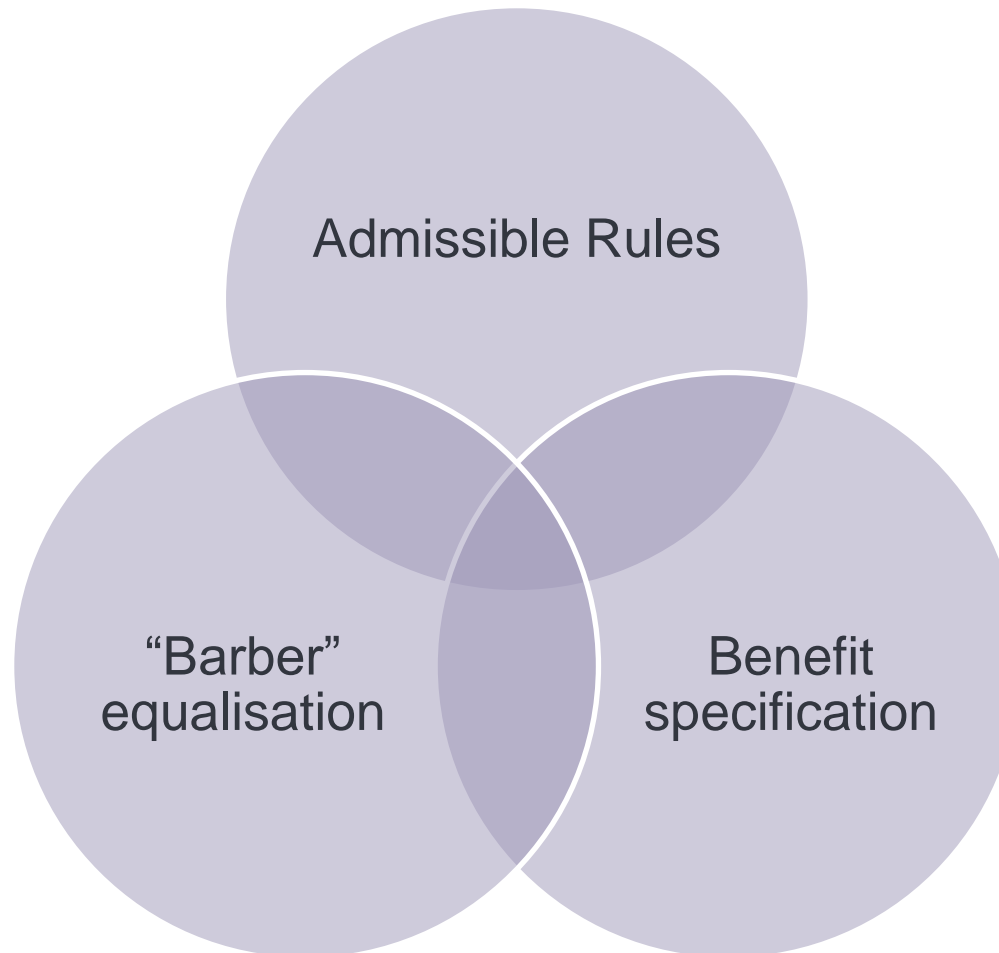
Discontinuance

Some lessons from PPF assessment

Mark Howard, Partner

PPF Assessment

“Core” legal tasks



375

Partners

2000

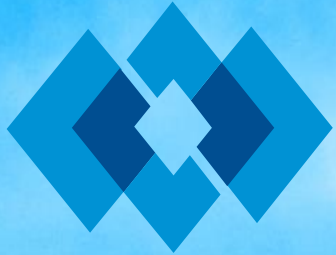
Legal
professionals

3300

Total staff

47

Offices and associated
offices in 18 countries



Capital Cranfield

LONDON | NOTTINGHAM |
EDINBURGH



All risks buy-out: a case study

capitalcranfield.com

Claire Altman



Case study: Blackwell's Pension Fund

- ◆ All risks buy-out
- ◆ Members' benefits bought out in full
- ◆ No payment needed by Company and likely repayment of small surplus
- ◆ Success for the Company, the Members and the Scheme





BLACKWELL'S Background

- ◆ Founded in Oxford in 1879
 - ◆ Retail, mainly educational booksellers
- ◆ Publishing business sold in 2006
 - ◆ Significant payments into the Fund to cover diminution in covenant
 - ◆ De-risked (LDI) with some growth assets (DGF)
 - ◆ 75% LDI, 25% DGF (31 March 2014)
- ◆ 2013 valuation funding levels:
 - ◆ 81% Buy-out
 - ◆ 94% Ongoing
- ◆ Intention: ongoing deficit met through asset out performance
 - ◆ Re-risked LDI portfolio



Significant developments

- ◆ Wanted to engage early with buy-out market
- ◆ Scheme actuary had said “we would not expect the quote to be close enough to fly”
- ◆ But insurer was interested and revealed funding better than in 2013 valuation
 - ◆ 95% funded on a buy-out basis
 - ◆ Confirmed in April 2015 funding statement
- ◆ Company content with proposed way forward
 - ◆ Provided no funding from Company required





Initial negotiations

- ◆ Contractual terms broadly agreed
- ◆ Assets aligned to buy-out insurer's wish list
- ◆ Data audit
 - ◆ Clean data
 - ◆ GMP reconciliation
- ◆ Legal audit
 - ◆ Issues included: GMP equalisation, timing of change to accrual rate, equalisation
 - ◆ Approx £5 million needed

ROUND
1



Second round

- ◆ Other providers interested
- ◆ None as competitive
- ◆ Initial provider re-quoted
 - ◆ Price moved in our favour
 - ◆ Pragmatic approach to legal issues
 - ◆ Requirement for fast resolution
- ◆ Funds retained for expenses of winding-up
- ◆ No payment required from Company

ROUND
2



Happy ending

- ◆ Contract signed within weeks (October 2015)
- ◆ Wind-up finalised in approx 18 months
- ◆ How?
 - ◆ 'Can do' attitude - determined to find solutions
 - ◆ Efficient trustee group supported by excellent advice
 - ◆ Genuine desire to achieve result for members
- ◆ Members' benefits fully secured
- ◆ Careful management of winding-up expenses
 - ◆ Small payment back to the Company



2017 OPDU and CHUBB Annual Meeting & Risk Seminar

John Reeve
Cosan Consulting
16th March 2017



John Reeve, Cosan Consulting Limited



Director, Cosan Consulting
Actuary and Consultant

“Helping Trustees and
sponsors manage their
pension schemes efficiently
and effectively.”

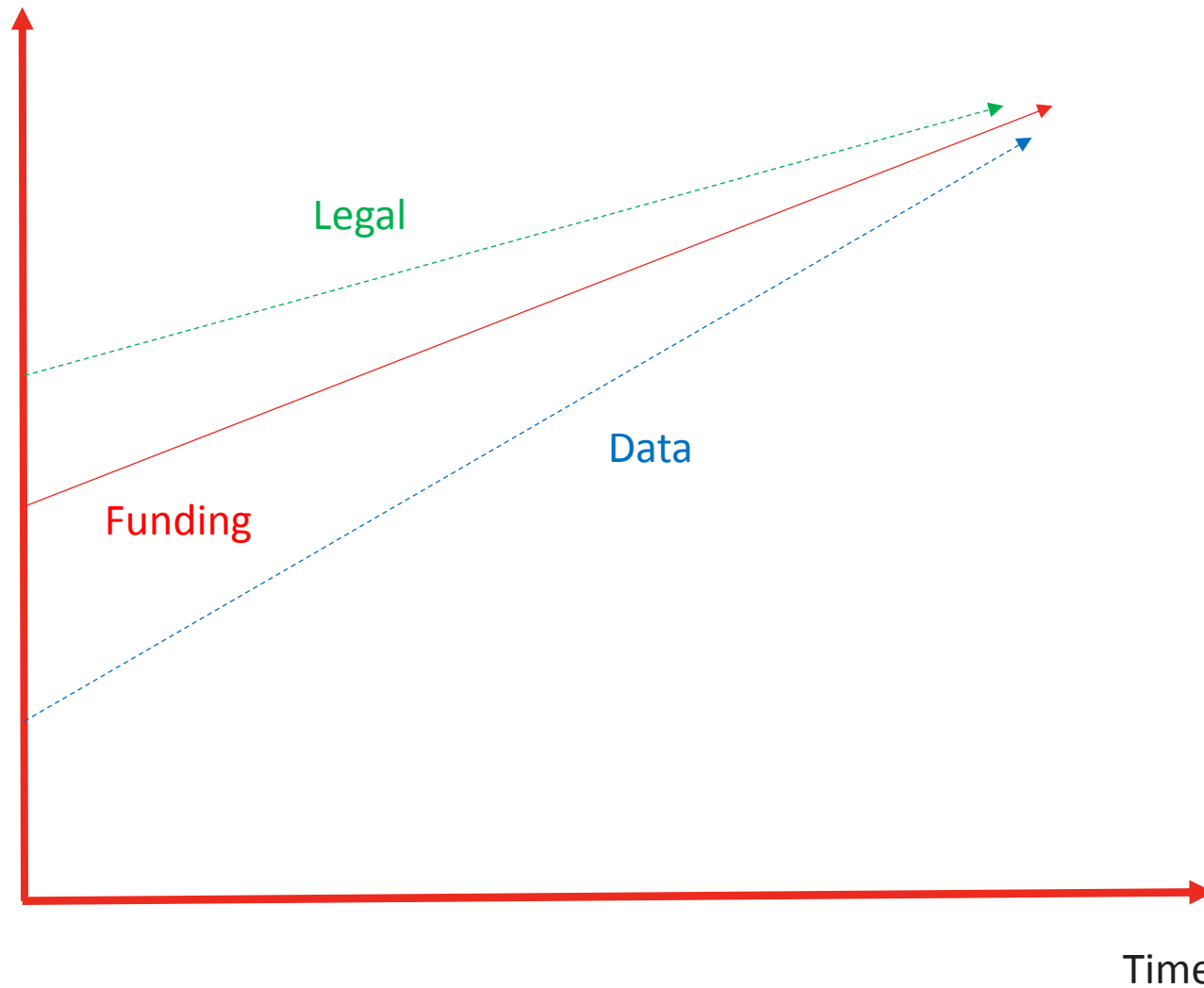


Lessons learned – 5 critical lessons



- Three Flightpaths are needed
 - Funding
 - Data
 - Legal

Lessons learned – Flight paths



Lessons learned – 5 critical lessons



- Three Flightpaths are needed
 - Funding
 - Data
 - Legal
- Price is a big unknown
- Need to manage ALL Stakeholders
 - Company
 - Members
 - Insurer
 - Regulators
- “Wind-ups take so long because wind-ups take so long”
- Communication



John Reeve

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Q&A Session

Chaired by Terry Faulkner