

Navigating the rocky road to buy-out

Jacques Vert case study

Jacques Vert, and its predecessor William Baird, has been a client of Hymans Robertson for over 25 years. There have been ups and downs along the way with the employer hitting tough times in recent years, and their ability to support the scheme and pay any required contributions deteriorating.

Following good investment performance, the scheme reached the point where a full buy-out was within reach. So, in 2016, we started working with the trustees to secure members' benefits and wind up the scheme.

Winding up a pension scheme is typically a long and drawn out process. But in this case, we had a further complexity – while the scheme was very well funded, the employer was in financial distress. It was a race against time to get members' benefits secured in full before a potential employer insolvency. The Hymans Robertson team guided the scheme to a very positive outcome despite significant complications along the way.

What did we do?

- 1 **First**, we prepared the scheme for buy-in quotations ensuring that the data was “buy-in ready”, including carrying out full member data cleansing, and accelerated GMP reconciliation and equalisation. The bulk of this work was done before rather than after transacting, which is unusual for a buy-in. Thus, giving the trustees greater certainty of a better outcome. We knew that we needed to get a keen price, so we couldn't afford to leave any room for margins in the insurer quotes.
- 2 **Second**, in early 2017 we secured an insurance policy to cover all members' benefits. Unfortunately, unbeknown to the trustees, the sponsoring employer commenced insolvency proceedings less than a fortnight after the buy-in policy was secured. So, the scheme had now secured a buy-in policy covering members' benefits in full but, because of the “relevant insolvency event”, it had to enter a PPF assessment period which even on an optimistic basis could last for 12 months.

- 3 **Third**, we guided the scheme through the statutory PPF assessment period minimising the associated regulatory costs and using the time to ensure that the scheme would be ready to wind up shortly after it emerged from the PPF assessment period. Furthermore, there was enough money left over to allow the trustees to award a 5% pension enhancement to all members in 2019. The wind-up was fully completed in October 2019.

What did we learn?

Strong project management is key to a successful wind up.

Our team was led by one of our wind-up experts who was able to respond to the various bumps in the road to bring the wind-up back on track.

Well informed members are happy members.

The trustees were particularly keen to ensure that members were kept informed at every step of the process. Having the employer become insolvent along the journey does not help but communicating the position clearly to the members was essential! Being able to give members a 5% enhancement was a bonus.

Treat members with care and sensitivity.

A wind-up can be a very stressful period particularly for pensioners who'll need reassurance that their pension will be paid every month, without fail. Inevitably, there were a small number of member enquiries. The trustees needed to deal with these members with care and sensitivity listening and responding to their concerns.

The Hymans Robertson team were tireless in their efforts to manage all aspects of the trustees' journey. From initial work on preparing for buy-in quotations in summer 2016, to finalising the wind-up and buy-out in the autumn of 2019, we're pleased to have been able to deliver a successful project and a very positive result for the scheme's members, and consequently therefore for the trustees.

“With the Hymans team behind us, we were able to secure the pension promise to our members in full, despite the challenges of an employer insolvency, and no prospect of gaining additional funds for the Scheme. Being able to also provide a 5% uplift to members' pensions as part of the buy-out was a very positive result which the trustees are very proud of”

Christopher J Baker, MBE, Chair of the Trustee of the Jacques Vert (2006) Pension Scheme