



Case study: Leyland Bus Pension Scheme

With a buy-out shortfall and no sponsoring employer, it looked like wind up was an impossible outcome. A ground-breaking strategy turned the situation around...

The Leyland Bus Pension Scheme has been both an actuarial and investment services client of Hymans Robertson for over 20 years. In 1997, the sponsoring company went into liquidation, and as a result the Scheme was managed as an ongoing entity (this was in the days prior to the Pension Protection Fund).

Following the recession in 2008, the Scheme experienced a significant fall in the funding level. This meant the Scheme was underfunded on its Technical Provisions basis and had a c.30% shortfall against its buy-out cost (the cost to secure all members' benefits in full with an insurance company). Achieving full buy-out and wind up seemed out of reach for the Scheme; it had no sponsoring company for further funding and it risked running out of money before all benefits were paid to members.

Two key activities helped the Trustees turn the situation around, and allowed the Scheme to successfully wind up:

- 1. GMP restoration:** In contrast to the work many schemes are currently doing to reconcile and equalise GMPs, we worked with the Trustees and the Scheme's legal advisor to transfer the responsibility for GMPs back to the State. This essentially removes the effect of "contracting-out," and the transfer was achieved on attractive terms for the Scheme.
- 2. Re-shaping Scheme benefits and locking into insurance:** we brokered a deal with MetLife (subsequently taken over by Rothesay Life). By including terms that allowed for benefits to be reshaped linked to the GMP restoration, the Trustees were able to lock into full insurance early on before the member option exercise took place to remove the risk that insurer pricing could increase.

What were the key take-aways?



Strong project management and expert oversight of the wind up, including robust management of expenses is crucial. This gave the Trustees clarity and confidence in proceeding with the wind up - setting an appropriate expense reserve, having all parties work to fixed fees, with a wind up expert steering the project to a successful conclusion.



A deep understanding and knowledge of the insurance market is essential. Our knowledge and negotiating expertise proved critical in our ability to broker such an innovative transaction from the market. The Trustees were able to lock into full insurance, eliminating scheme risks, early on.



'Outside the box' thinking can lead to successful strategies. The decision to materially change benefits by restoring the responsibility for GMPs to the State was the catalyst to being able to afford buy-out and ultimately achieve wind up.

“ Hymans Robertson’s fresh thinking, deep understanding of the insurance market and expert wind up oversight meant that we were able to secure all members benefits in full; something we thought might not be possible a few years earlier. ”

David Banks, Trustee

Get in touch

If you want more information about anything covered or how we can help your scheme, don't hesitate to get in touch:



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