

Berry UK Pension Scheme

Background

In July 2020 BPI Pension Trustees Limited received a proposal from Berry Global Group to merge the Group's three UK Defined Benefit pension schemes together. This followed a review of the various UK defined benefit pension arrangements operated by the Group whereby, in conjunction with the Group advisors, the view was formed that the long-term interests of both pension scheme members and the Group would be best served by operating one UK defined benefit pension arrangement from which all pension obligations would be met.

Hymans Robertson had been the existing actuaries and administrators for the BPI Pension Scheme for a number of years and were delighted to be appointed as Scheme Actuary for the merged scheme in early 2021, with the Third Party Administration (TPA) business unit later being appointed as administrators and scheme secretary.

The merger of the three schemes, as well as the transition of actuarial and administration services to Hymans Robertson from the two incumbent providers, resulted in a complex process involving activities across a number of workstreams and involving multiple stakeholders.

Hymans Robertson's specialist project management team were subsequently appointed to formally project manage the merger on behalf of the BPI Pension Trustees Limited.

Project benefits

The following key principles and objectives of the project were proposed by the Group and agreed by the BPI merger sub-committee:

- ✓ To increase efficiency and streamline costs by having one set of advisors.
- ✓ To increase purchasing and negotiating powers by aggregating assets.
- ✓ To enable the merged BPI Scheme to adopt a more sophisticated and cost-efficient investment strategy which will benefit all scheme members and the Group.

The approach

Delivery was split into three phases:

- 1 Strategic planning** was undertaken to identify the strategic objectives, agree the project governance structure and optimal approach for stakeholder engagement and to baseline the project plan.
- 2 The formal scheme merger** became effective on 18 January 2021 following creation, review and sign-off of the extensive legal documentation required for the merger by all legal advisors and handover from both incumbent actuaries of all scheme documentation to the Hymans actuarial team.
- 3 Transition of administration services** to Hymans was completed by September 2021 and member services went live on Monday 6 September 2021. This followed the successful transfer of member data and related documentation from both incumbent administrators to the Hymans administration team.

Highlights

Strategic planning and stakeholder engagement

A merger sub-committee was appointed to oversee the project which consisted of representation from the trustees and company, with support from legal, actuarial and investment advisors, which provided a clear framework for discussion and facilitated swift decision-making.

A robust programme of regular and constructive engagement and reporting was put in place from the outset, involving key stakeholders where required, facilitating a continual flow of information sharing and allowing issues to be raised and resolved quickly.

Legal documentation

A significant volume of legal documentation had to be created, reviewed, amended and finalised for sign off by the agreed effective date. All legal advisors worked collaboratively to complete this work and a document tracker was created and maintained to ensure progress was monitored and recorded, ensuring nothing was missed and providing an audit trail for post-project purposes if required.

Asset transfer / investment

Legal novation of all assets was completed seamlessly with no issues. All remaining funds held by the incumbent administrators were transferred successfully following transition of administration to Hymans Robertson.

Actuarial

A significant volume of scheme documentation had to be shared with Hymans before the effective date.

A documentation tracker was created to monitor receipt of documents from both incumbent actuaries and identify anything outstanding which resulted in all documentation being received on time.

A proposal to align the formal valuations for all three sections of the new scheme was accepted by the company, resulting in cost savings from a single set of assumptions advice, valuation results etc. being required at each cycle and negotiation/liaison with the Company being limited to one exercise per valuation.

Administration (inc. systems, cash management and payroll)

Significant volumes of administration and accounting documentation were shared by the incumbent providers in advance of the transition date. Documentation trackers were created to monitor receipt of documents and access was provided to Hymans' secure Sharefile portal to allow a seamless and secure transition of documents.

During analysis of the data received from one of the incumbent administrators, a Hymans Systems Analyst identified several over- and under-payments made to members as a result of pension increase errors.

Trustees were subsequently reimbursed for the overpayments by the incumbent provider and rectification work was undertaken by Hymans to ensure that all members were paid the correct benefits going forward.

Communications

Members were communicated with regularly from early in the process to initially advise them of the upcoming changes, to provide regular progress updates throughout and to provide contact details to allow members to raise any queries. This approach ensured members were kept appraised of progress throughout the process and were aware of the timeline on which activities were due to occur, resulting in minimal queries.

Challenges

Strategic planning and stakeholder engagement

Key man risk became an issue when the main contact at one of the incumbent administrators was absent for a prolonged period during a key phase of the project, resulting in delays in providing information requested by Hymans. This was escalated via the project governance structure and addressed to identify a suitable substitute who could provide the required information.

Legal

The proposed merger generated a significant volume of legal documentation which had to be created by the relevant legal advisors, reviewed by all legal advisors, and finalised before sign-off. The initial effective date was delayed by one month to allow sufficient time to complete this process however did not impact the overall delivery date for the project and the robust review process put in place by the legal advisors prevented this delay being longer.

Administration

(inc. systems, cash management and payroll)

The quality of data for one scheme was particularly poor which resulted in a significant number of data queries and issues being raised. There were two significant data queries in particular; missing member data from the test extract, and pension increase discrepancies. The additional time taken to investigate and analyse these issues did result in delays to the automation process, however as contingency had been built into the project plan this did not impact the go live date.

Monthly work in progress reports received from the incumbent providers highlighted a significant backlog of cases which Hymans would have inherited following administration transition to Hymans on 1 September. However monthly figures were shared with Trustees, who put pressure on the incumbents to reduce the cases as much as possible in advance of the transition taking place.

Outcomes and successes

Project management support instilled confidence in the Trustees that the project would be well managed from the outset and ensured:

- ✔ Positive collaboration between all stakeholders which resulted in quick resolutions to challenges that arose.
- ✔ The successful transfer of data and documentation on time without any issues.
- ✔ A smooth member process where pensioners saw no break in service and received payments seamlessly from month one.
- ✔ Timely transfer of assets between funds.
- ✔ Successful communication exercise which resulted in few queries from members.

All project benefits were achieved:

- ✔ Savings in excess of £300,000 per annum as a result of having one set of advisors.
- ✔ Assets from all three schemes being aggregated from the effective date, increasing purchasing and negotiating powers.
- ✔ Significant cost savings by adopting a new investment strategy for the merged scheme.

Client feedback

“ I and all of my fellow Trustees were very impressed with the calm and skilful way in which you project-managed the merger. From our point of view, the merger was an immensely complex undertaking involving a wide range of issues to be addressed and a large cast list of external parties to be corralled. You more than rose to the challenge and oversaw a successful delivery of the merger that met the deadline.

We would also credit you with the liaison, engagement and other communications that you maintained throughout the process with the Trustees so that we were always up-to-date with progress. I cannot think of anything that you could have done better. ”

Lord Jamie Lindsay, Chairman
Berry UK Pension Scheme

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For and on behalf of Hymans Robertson LLP