

# The PPF Approach to Restructuring and Insolvency

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# Insolvency

- Insolvency will commence a PPF assessment period.
- During an assessment period we determine whether, subject to funding considerations, a scheme enters the PPF.
- PPF acquires creditor rights of the pension scheme under s137 of the Pensions Act.
- We use these rights to:
  - assess the performance, strategy & fees of the IP
  - examine Pre Packs closely

# Restructurings

Rare...

...but often high profile

| Year | Number of schemes where an RAA has been approved |
|------|--|
| 2009 | 3  |
| 2010 | 5  |
| 2011 | 3  |
| 2012 | 2  |
| 2013 | 7  |
| 2014 | 5  |
| 2015 | 0  |
| 2016 | 1  |
| 2017 | 2  |

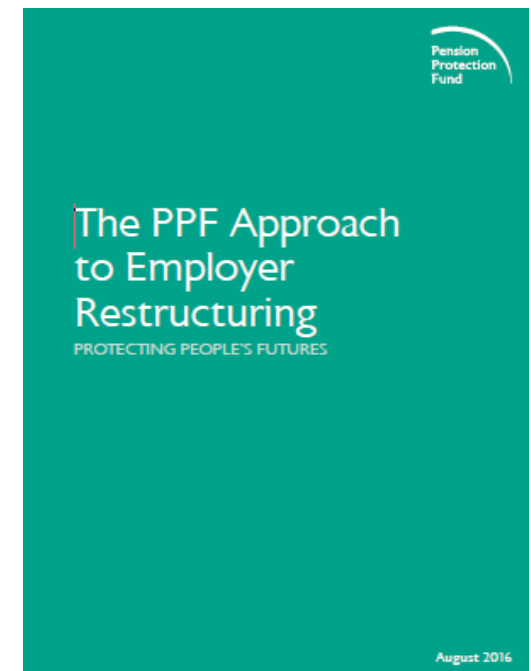


# Restructuring - Background

- No specific powers in pensions legislation to participate in restructurings
- RAAs are deliberately uncommon
- Negotiated between the employer and trustees
- Trustees should obtain appropriate independent financial advice
- RAAs are complex (and costly) – **engage early** with TPR (first) / PPF
- CVAs do not require and are unlikely to get clearance from TPR

# Restructurings: PPF principles

- ✓ Employer insolvency must be **inevitable**
- ✓ Outcome **demonstrably better** than insolvency, and reasonable re. s.75 debt
- ✓ **Equitable treatment** of scheme against other creditors and shareholders
- ✓ Anti-embarrassment **equity** – at least 10% or 33%
- ✓ A better outcome **by other means** is not possible (including use of regulator's powers)
- ✓ PPF/Trustee **costs** to be covered
- ✓ TPR **clearance** and PPF **non objection** required (for RAAs)



# Case study 1



Inevitably insolvent



**c7,500**  
members



**£60m**  
cash lump sum



**33%**  
equity for the scheme



Buy-out deficit  
approximately  
**£500m**



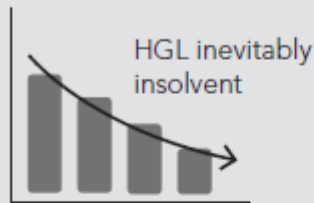
PPF deficit  
approximately  
**£300m**



**s71 power**  
used for the first time

# Case study 2

# Halcrow



**£80m**  
cash lump sum  
to be received  
by the scheme



**£633m**  
buyout deficit  
(est at 19  
Feb 2016)



**£222m**  
PPF deficit  
(est at 31  
Dec 2014)

**£50m  
guarantee**

provided by  
CH2M for HPS2



**Court  
ruling**

prevented  
transfers without  
member consent

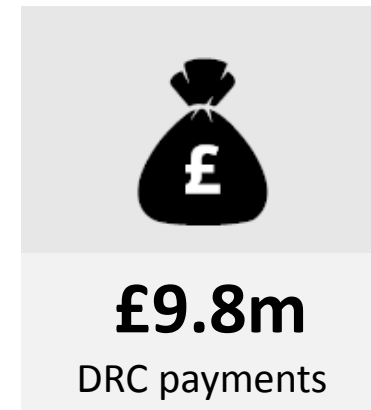
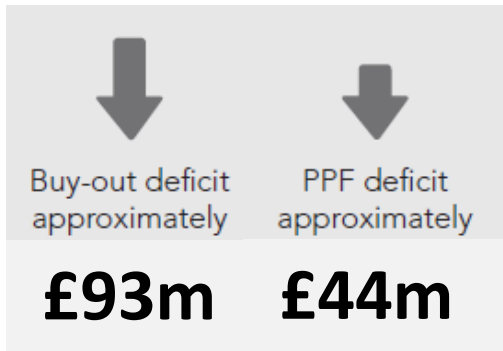


**3,204**

members as at 31 Dec 2015



# Case study 3





# Questions?

