



Alexander Forbes

The Journey to Wind-Up

Winding-up your company pension scheme





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The expanding buy-out market means an increasing number of defined benefit (DB) pensions scheme sponsors are able to remove liabilities from their balance sheet and potentially move into 'wind-up' more economically enabling both scheme sponsors and trustees to be completely discharged from their liabilities

The benefits of winding-up a scheme rather than just closing it are:

- *elimination of management time spent on running the scheme,*
- *removal of all administration costs,*
- *no further risk to the business from the scheme,*
- *the securing of members' benefits in full*
- *exemption from Pension Protection Fund levies,*
- *removal of all trusteeship responsibilities.*

Winding-up a pension scheme can be a complex process requiring a variety of skills from a team of advisors and providers.

How does a wind-up work?

Any scheme in wind-up must start with a comprehensive project plan, agreed with all parties concerned: the employer, trustees, actuary, administrator, auditor, legal advisor and investment manager. The project plan must then be implemented, and carefully revisited as the project evolves.

Leading up to the commencement of the wind-up it is imperative for all concerned that the rules of the scheme are analysed in detail and the move to winding-up is triggered in the correct manner and in accordance with the rules. It may be possible for rule amendments to be made if necessary or desirable and thought must be given to this before the wind-up is triggered. During wind-up, the rules must then be followed to the letter and any issues that are unclear or ambiguous referred to legal advisers for guidance.

Once a wind-up is triggered, it is almost impossible to reverse the action.

Obstacles to wind-up

Issues such as data cleansing, gender equalisation, member tracing, determining policy on transfers or early retirements and investment policy need to be addressed during a wind-up. It is better if as many of these as possible can be dealt with at an early stage.

If the DB scheme is, or has been, contracted out (as most were at some stage) any Guaranteed Minimum Pension component of members' benefits will need to be reconciled with the National Insurance Contributions Office. This is an exercise that can take a considerable amount of time and should begin as soon as possible.





A key element of a successful wind-up is regular, clear and informative communication with all the scheme's members, otherwise panic about the security and payment of their benefits could set in.

Trustee Insurance

Before the Wind-Up is complete, the question of trustee insurance must be dealt with.

While the scheme is ongoing the trustees will have benefited by an indemnity from the scheme and possibly also the employer. Post wind-up at least one of these will no longer be available. Trustee insurance as part of a wind-up exercise covers two aspects of continuing risk:

- *Missing Beneficiary, to provide protection against overlooked members or their dependents who make claims,*
- *Maladministration, to cover errors made at any stage in the past administration of the scheme.*

If this cover is already in place, it may be possible for the trustees simply to extend it for the future with a one off payment.

What can we do for you?

Our wind-up service aims to relieve the trustees and employers from as much of the burden of this complex process as possible:

- *With our sister company, Alexander Forbes Trustee Services Limited (who are one of the largest firms of independent trustees by number of appointments) we can project manage the wind-up process from start to finish.*
- *We are able to obtain quotations from the leading buy-out providers, many of whom have only recently entered the buy out market. From there we can help trustees select the most suitable provider having undertaken all relevant due diligence.*
- *Our team of Actuarial and Investment specialists will give guidance to the trustees on matching scheme assets more closely to their liabilities so that there are no unwanted surprises during the wind up process itself.*
- *We are able to recommend a truly independent trustee to work alongside existing trustees to help during the wind up process. This gives the trustees and sponsoring employer comfort that all of the right procedures have been followed both during the wind up process and ultimately in the securing of member benefits.*

If you would like to discuss your pension scheme with our experts please call

| North | South | |
|------------------|---------------|---------------|
| Andrew Mobberley | Gordon Blum | Steve Johnson |
| 0121 712 7900 | 0208 253 7826 | 0208 253 7883 |
| 07770 647169 | 07771 955191 | 07824 858513 |



Alexander Forbes Consultants & Actuaries
Leon House, 233 High Street, Croydon, Surrey CR9 9AF.
Tel: 020 8686 0660 Fax: 020 8681 4093 Web: www.alexanderforbes.co.uk

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Alexander Forbes

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