



Helping With The Challenges Of Running A DB Scheme - Repairing and Rebuilding Relationships

Frank Oldham



Context

A media company was experiencing difficult trading conditions, in a highly geared business with advertising revenues reducing. The pension scheme had assets under management in excess of £1bn but deficit was c.£200m. Due to the difficult trading conditions of the sponsoring employer and an increased deficit the Trustee board was looking for increased deficit reduction contributions.

The Challenge

An impasse had been reached between the trustee and the corporate sponsor on how to move forward with a funding plan. The trustee wanted a level of funding contribution each year for the next 3 years that was somewhat higher than the sponsor was prepared to commit.

Our Approach

We successfully brokered a negotiation taking a collaborative approach to conflict resolution between all the key stakeholders. We encouraged adoption of an innovative solution whereby the sponsor was prepared to commit to the necessary additional annual contribution for 3 years contingent on an allowance for any liability reduction exercises.

The Outcomes

The design of the solution was key as the additional contingent contribution meant the sponsor did not have to engage with creditors at a time when the business was operating under considerable constraints. The trustee was equally happy as it meant the overall contribution was guaranteed less any pound for pound reduction achieved through liability reduction exercises. In the end, trading conditions improved for the sponsor and so liability reduction exercises were not undertaken during the three year period but the scheme still received the benefit of the overall deficit reduction promised.