3 DC Schemes with an employer in liquidation

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Context

Carillion plc went into liquidation in January 2018, leaving three defined contribution schemes totalling around £300m and around 4,000 members without a sponsoring employer. The largest scheme continued to accept contributions as employees remained to manage the liquidation and then gradually departed. The Schemes held some reserves, but these were insufficient to fund unpaid historic invoices and estimated future windup costs.

The Challenge

Without an employer sponsor to support the Schemes financially, members needed a new home for their savings. It was unclear how long the Carillion Trustees could stay in place to implement the schemes' transfer and windup. Securing professional indemnity cover at a reasonable cost became problematic. The Carillion Trustees considered that a master trust would be a suitable destination for members' benefits and had conducted a tender which identified three short-listed candidates.

Our Approach

We met with the Carillion Trustees and the Official Receiver, and it was agreed that the immediate course of action was to appoint ITS as sole corporate trustee for the three schemes. A detailed budget and timeline were established for the project. Capped fee levels and payment timetables were negotiated with all advisers and providers through to windup. At the same time, ITS continued to oversee the Schemes' ongoing governance and regulatory compliance. The schemes were closed to contributions, and a suitable master trust was selected to receive all members' benefits at favourable terms. Members' investments were mapped to the new provider, following professional advice, and members were kept fully informed of the transfer process - especially when losing access to their funds during the blackout period.

The Outcomes

Within 14 months of being appointed, ITS wound up the three DC schemes completely. Members' benefits were secured with the UK's first authorised master trust, and insured benefits were assigned to individual life policies. While members faced no costs on transfer to their new pension providers, all members bore a capped share of the residual windup costs which ITS ensured were kept as low and as fair as possible. Windup tasks were completed, including notifying various regulatory bodies, final audited accounts signed off and then the scheme was terminated.

ITS followed up with the new master trust 6 months later and we were pleased to hear that our orphaned Carillion DC members were already highly engaged with their new scheme.