



## LEVERAGED & EQUITY INVESTMENT

### DEFINED BENEFIT DEFICIT ELIMINATION BENEFIT RESTRUCTURING SOLUTION STUDY



Achieve benefit changes, despite deficit, with the cost spread over years.



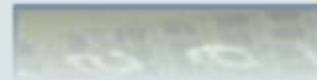
Lower annual charge than existing scheme.



Improved employee engagement.



Substantially reduced scheme costs on standard business metrics.



Leveraged & Equity Investment, bespoke investment and financing solutions.

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### Case study - Benefit redesign - Commodity Supply Limited

The latest pension scheme valuation established that scheme liabilities had grown to in excess of £160 million on an IAS19 basis. Over the period since the last formal valuation the deficit had increased to £17 million.

Commodity Supply Limited was established in the 1950's, but expanded substantially in the third quarter of the 20<sup>th</sup> century. The scheme is closed to new joiners, but open to future accrual.

The company wanted to restructure employee benefits and close the scheme to future accrual. The deficit, and annual service cost had been extremely volatile in recent years. Additionally, the core elements of business operations were also volatile at present due to economic and political circumstances.

Discussions between the sponsor and scheme Trustees quickly established that the deficit must be addressed if changes to the scheme benefits could be considered.

There was a considerable difference between the discount rates and methodology for valuation applied to the pension scheme and the business generally.

The company considered a number of options for the scheme redesign. The two most cost effective reduced the liabilities by £14 million on a net present value basis using company metrics.

However, on an IAS19 basis the liabilities only reduced by £1.5 million.

Leveraged & Equity Investment worked closely with Commodity Supply Limited to enable a plan that worked alongside business metrics to clear the deficit. It created a bespoke structure that was off balance sheet.

The NPV of the structure closely aligned to that of the company costings and cashflow, effectively making a £14 million saving and enabled changes to the company scheme to be approved by Trustees and employees past and present.



## LEVERAGED & EQUITY INVESTMENT

### Contact Leveraged & Equity Investment

The Pension financing programmes are advised by Managing Partner, Chris Bardouleau.

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