



LEVERAGED & EQUITY INVESTMENT

DEFINED BENEFIT BULK ANNUITY PURCHASE

STRUCTURED SOLUTION STUDY



L&EI enabled pension scheme balance sheet removal despite a deficit.



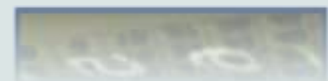
By not using deferred premiums all members were covered immediately.



Debt free solution to the sponsor.



Key ratios and structures improved ahead of schedule.



Leveraged & Equity Investment, independent, bespoke, pension scheme funding solutions



Case study – Bulk Annuity purchase – City Financial Services Plc.

At triennial pension scheme valuations recently deficits have been extremely volatile. Over the period since the last formal valuation the sponsor board has concluded the pension scheme hinders the group's progress, both organically and via acquisitions.

City Financial Services Plc. has been established over sixty years. They have both defined benefit and defined contribution schemes.

Discussions between the sponsor and scheme Trustees resulted in agreement that removing the defined benefit scheme from the balance sheet was mutually beneficial.

City Financial Services Plc. had defined benefit scheme liabilities of nearly £175 million on an actuarial basis. The scheme was virtually 95% funded.

City Financial Services Plc. wanted to remove the defined benefit scheme from the balance sheet within six months.

It was key that the sponsor would not be required to make any immediate contribution requirements for commercial and regulatory reasons.

The sponsor had maturing bonds due within the next twelve months, they were also looking to raise new capital for expansion and acquisitions. Removal of the scheme would reduce financing costs and improve the perception of their shares as an investment prospect.

City Financial Services Plc. held extensive discussion and negotiation with risk transfer insurers. Whilst several options were reviewed no provider could offer a mechanism that fully removed the scheme due to a funding shortfall of virtually £45 million on a buyout basis.

Insurers offered deferred premiums, but this did not fully remove the scheme from the balance sheet, and left some risks with scheme members. The sponsor could take on bank debt but this in reality increased liabilities due to the difference between actuarial and insured liability values.



LEVERAGED & EQUITY INVESTMENT

SUMMARY SOLUTION PROVIDED BY LEVERAGED & EQUITY INVESTMENT

1. Leveraged & Equity Investment created a bespoke, cashflow tracking structure that financed the asset shortfall over a 15-year term. The structure was a completely debt free entity. City Financial Services Plc. were able to close the full buyout immediately.
2. The scheme was removed from the sponsor balance sheet within 3 months, well ahead of schedule. No immediate capital payments were due from the sponsor.
3. The financing structure was linked to projected cashflow and accounted for future debt repayments due to bond holders. Balance sheet and profit volatility was reduced.
4. The structure included the option to include defined benefit pension schemes for financing from acquisition targets, and transfer for subsidiary disposals.
5. The chosen insurer was not the cheapest from original quotations, and City Financial Services had complete freedom of choice. However, they had a close working relationship with Leveraged & Equity Investment beyond this transaction. Due to this they could close before the year end of City Financial Services Plc., a substantial advantage.
6. City Financial Services saved seven years administrative costs compared to deferred premiums, and nearly £1.5 million by immediate elimination of pension finance costs.
7. The Leveraged & Equity Investment solution raised the enterprise value by nearly £10 million, improved ratios and cashflow. The company was now more attractive to both lenders and equity investors.
8. Scheme members were fully insured, future covenant risk completely removed within 3 months of negotiations commencing.



LEVERAGED & EQUITY INVESTMENT

Contact Leveraged & Equity Investment

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

To contact Chris please use one of the methods below:



Email: chrisb@leaseinvestment.com

Direct Portable Number: +44 (0)870 3143 222

THE INFORMATION INCLUDED IN THIS DOCUMENT MAY BE OF A CONFIDENTIAL NATURE AND IS INTENDED ONLY FOR THE RECIPIENTS AUTHORISED TO RECEIVE IT. DISCLOSURE, COPYING OR DISTRIBUTION IS PROHIBITED AND MAY BE UNLAWFUL, UNLESS THE WRITTEN PERMISSION OF THE AUTHOR IS GRANTED. ©LEVERAGED & EQUITY INVESTMENT PARTNERS. PATENT PENDING. TEL: +44 871 237 4770 | INFO@LEASEINVESTMENT.COM | WWW.LEASEINVESTMENT.COM