



Twilight – managing wind ups

Working with Willis Towers Watson

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Increasingly, older occupational schemes are reaching the point where they are ready to wind up. Willis Towers Watson's Twilight service has a proven track record of leading clients successfully through these important last months of a scheme's life, and delivering a safe and efficient route through territory that is unfamiliar to many trustees and scheme sponsors.

Breadth of experience

- Experienced adviser on wind ups ranging in size from £1 million to over £1 billion
- Our team has delivered over 100 wind ups in recent years
- Dedicated project management specialists to guide your wind up to an efficient close

Innovation

- Our market-leading data digitisation technology allows us to cleanse data quickly and effectively, an important first step towards wind up
- Thoughtful, practical strategies for communications so that members are fully supported

Client-focused solutions

- Holistic, integrated approach to advice and implementation results in quicker, more efficient wind ups
- Tailored approach to meet your needs, including supporting in-house teams and/or third-party administrators and secondments
- Strong track record with multiple advisers and bulk annuity providers leading to the best solutions for our clients

Increasingly, older occupational trust-based schemes are on the decline. Most will be on a de-risking journey, ultimately leading to the end of a scheme's life and to wind up. Strategic restructuring, mergers or insolvency may also mean that wind up needs to be thought about earlier than expected, where these accelerate the planned de-risking journey. This forces trustees and sponsoring employers, who are constantly considering how best to manage the risk and costs involved in continuing to run an older occupational scheme, to think about when their scheme's life will end.

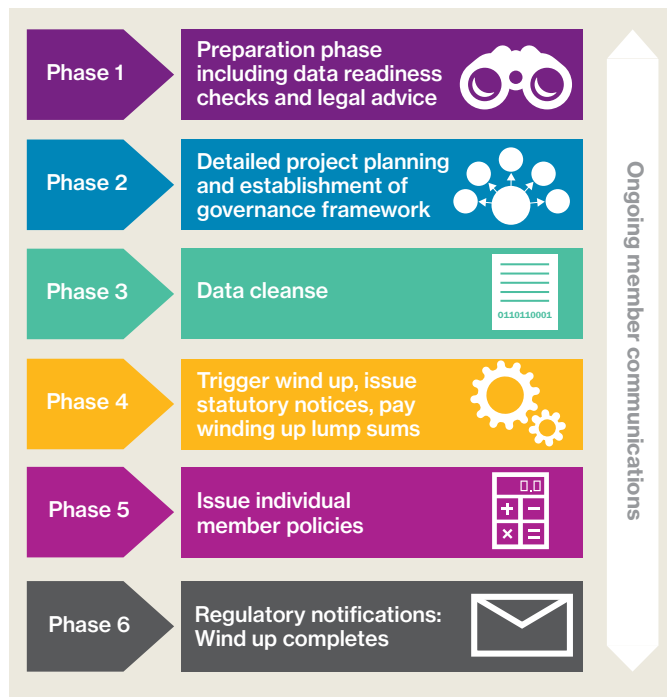
Winding up an occupational scheme can be a complex process. In recognition of this, Willis Towers Watson has developed Twilight, a service to advise and support the trustees from the initial phase of preparing for wind up through to the full dissolution of the scheme.

In the pages that follow, we explore the reasons a scheme might be wound up, the stages involved and how Willis Towers Watson's Twilight service can help trustees and sponsors achieve their objectives efficiently, including a case study and information about projects we have recently worked on.

Our team brings together a wide range of skill sets and experience of winding up schemes including communications, wind up administration, Pension Protection Fund (PPF) liaison and data solutions, all underpinned by robust project management.

If you are looking for speedy, tactical input into your wind up, we have the skills and people to help you to meet your objectives.

Twilight – keeping it simple



Alongside Willis Towers Watson's Twilight service, we offer a range of complementary solutions that may be relevant on a path to wind up including employer debt specialist advice, buy-in/out transactional advice, actuarial and investment consulting advice and where appropriate, in the run-up to preparing for wind up, consulting and implementation support for liability management exercises such as pension increase exchanges and enhanced transfer values.

As wind ups become more commonplace, even for some of the largest and oldest occupational schemes, trustees and sponsoring employers are increasingly looking for a rapid, streamlined process.

Through our scheme termination Twilight service, a specialist who is experienced in the area of wind ups will create and implement a practical strategy to ensure trustees are able to wind up the scheme cost-effectively and efficiently, obtaining the necessary statutory discharges along the way.

Our wind up specialists can draw on the full range of Willis Towers Watson's services, depending on your specific needs for your project:

- Data Solutions, including digitisation, audit-cleanse planning and specialist resource supply
- Trustee training and technical support
- Communications
- Winding up lump sums and trivial commutation exercises



Some frequently answered questions about winding up:

Definition

Winding up an occupational pension scheme entails the discharge of all assets and liabilities under that scheme trust. The scheme trust is dissolved and effectively the scheme no longer exists following completion of the wind up.

Why wind up an occupational scheme?

Many older occupational schemes have a long-term objective to ultimately settle their liabilities. However, changes within the sponsor may force trustees to consider winding up sooner. Key triggers which often lead to winding up are outlined below:

De-risking journey (buy-in to buy-out)

Having de-risked their scheme, trustees or sponsors will reach the stage where they are ready to buy-out, securing individual member policies with an insurer and winding up the scheme.

Insolvency

In the event of insolvency, the trustees will need to consider whether they qualify for the PPF. If your scheme qualifies you will be guided through a PPF assessment process. Depending on your Section 143 funding levels, members will either be transferred into the PPF or to an insurer.

Strategic restructuring

Sponsors restructure their older schemes to improve efficiencies and reduce costs. The process of restructuring may enable payment of trivial commutation or winding up lump sums, together with creative solutions for legacy DC assets, by transferring one scheme into another and leaving behind a scheme shell which needs to be wound up.

Mergers and acquisitions

A sponsor needs to amalgamate multiple pension arrangements for different employees. At least some of the existing pension schemes may need to be wound up as a result. This may extend to an overseas sponsor that no longer requires a pension scheme in the UK and wishes to wind up.

Some facts

One scheme saved a significant proportion of its £1 million annual running costs by closing the wind up earlier than scheduled.

Another scheme had closed their buy-in and decided to wind up but a couple of years later, they still had not planned their wind up nor set a target date for completion. We helped set targets, and train and re-energise the team.

Extracting significant volumes of data from scanned images, then using purpose-built tools to create new data fields saved one client over £20 million in insurance premiums during their wind up journey.

What is involved in winding up a scheme?

Steps that need to be taken will vary from scheme to scheme and the circumstances surrounding the wind up. We adapt our standard, streamlined wind up process so that it is tailored to meet your specific needs. The steps required typically include actions around GMPs, data reconstruction and cleansing, benefit calculation audits, member tracing, communications (including regulatory notices), purchasing trustee indemnity insurance and AVC/annuities assignment. Where an insolvency event has occurred, our specialists can help you through the PPF assessment process and guide you on other tactical steps you could take to maximise benefits for members.

When is the best time to wind up?

Overall timing depends on the sponsor's or trustees' ability to finance the buy-out deal and wind up costs. Willis Towers Watson has considerable experience in working with a wide range of clients and the bulk annuity providers – we are therefore best placed to work with you to streamline your buy-out and close out your wind up activities.

How long does it typically take to wind up a scheme?

Most occupational schemes have been in existence for a long time, some in excess of 50 years. It can take time to wind up a scheme, in some cases up to two years. Key to a successful wind up is to focus on identifying your correct membership and their benefit entitlements. The wind up is the last opportunity to secure the correct benefits for your members. Whilst all of this takes time, our experience, knowledge and recommendations on clear tactical steps can materially shorten the time it takes for your wind up to close.



Case study

Merchant Navy Officers Pension Fund (MNOFF) – Completing the journey

The Old Section of the MNOFF was reaching the end of its five-year de-risking journey and was ready to move towards full buy-out and wind up of the Fund. At the time of the wind up, the Old Section covered £1.2 billion in assets and 40,000 members. MNOFF recognised that timely delivery and a successful outcome needed the support of Willis Towers Watson, who guided them through all the stages to the ultimate wind up of the scheme in July 2014.

A specialist from our Twilight team was appointed to project manage and work collaboratively alongside the project Sponsor, Trustees and their diverse group of advisers during the period to wind up. The Sponsor and Trustees met their tight time frame for reaching their objective of buy-out and wind up within a fixed budget and implemented a new, untried approach to create a single-member experience. The key reasons for this success were:

- A structured communication strategy which involved nationwide roadshows in which the Fund's Executive, Trustee, Administrators and both insurers participated.
- Towers Watson's knowledge and expertise in the winding up process, alongside facilitated discussions between the various parties, enabled issues to be resolved without delaying the project.
- Specialist project management which enabled all parties to focus on what they needed to do without distraction.
- During the final run-up to buy-out, the Willis Towers Watson specialist was seconded to the client so that they could co-ordinate more closely with all the parties involved in the delivery of tasks across multiple organisations.

“The project manager and supporting team were fully committed to the project's success. Their combination of strong project management skills, extensive knowledge of transactions, understanding of the timing of when key tasks needed to be started and completed, and strong relationships with all of the other parties involved was fundamental to meeting the desired time frame and costs.”

Why work with Willis Towers Watson?

Towers Watson's Twilight service will guide clients through the path to wind up, delivering strategic advice and then implementing agreed actions effectively. We are uniquely placed to work with you in achieving your objectives for the scheme because of our:

Unrivalled experience

Our team of specialists has advised on wind ups covering a range of scheme sizes. We have worked with in-house teams and third-party administrators and built up strong relationships with providers enabling us to achieve an efficient outcome for you.

Efficiency

Our dedicated project managers have a proven track record of delivering wind up projects efficiently and cost-effectively. Providers tell us that we are the only consultancy with a dedicated project management function and they see this as one of our core strengths.

Innovation

Towers Watson is at the forefront of technology and has developed Data Digitisation, which involves processing large numbers of paper documents or scanned images and making them digitally readable. Data used to administer pension schemes has tended to lag behind this trend. Many schemes were established decades ago and still have some reliance on paper, scanned or microfiche records from this time. Accurate data is crucial to the success of a wind up.

Strategic advice

We take a holistic, integrated approach to advice and implementation, bringing together experts in a number of areas which may be required on the route to wind up.

Further information

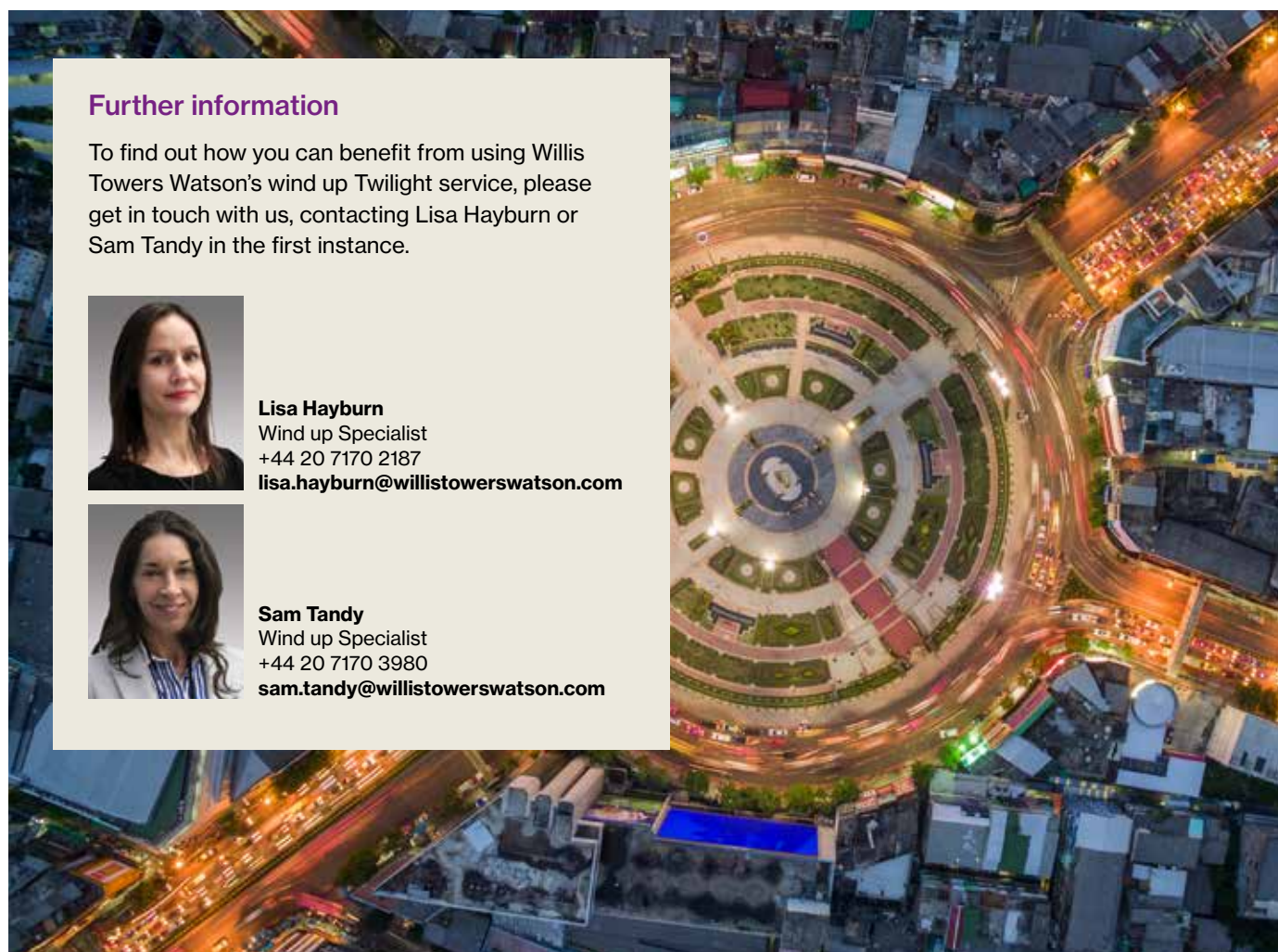
To find out how you can benefit from using Willis Towers Watson's wind up Twilight service, please get in touch with us, contacting Lisa Hayburn or Sam Tandy in the first instance.



Lisa Hayburn
Wind up Specialist
+44 20 7170 2187
lisa.hayburn@willistowerswatson.com



Sam Tandy
Wind up Specialist
+44 20 7170 3980
sam.tandy@willistowerswatson.com



About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 39,000 employees in more than 120 countries. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

Willis Towers Watson
71 High Holborn
London
WC1V 6TP

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