



Punter Southall
CONSULTING ACTUARIES

Employer consulting

Case study

Employer transactions

» Client issue

Our client was negotiating the purchase of a target company with an equity value of just £30 million after allowing for a £20 million pensions deficit. The potential scheme volatility was enough to swallow all of the value in the target and represented a serious threat to shareholder return over the expected ownership period.

» Our solution

To enable our client to go ahead with the transaction we set about finding a solution for both the purchaser and the scheme trustees.

Following significant and concentrated negotiation, the target and its trustees agreed with the purchaser a methodology for the scheme's first scheme specific funding valuation. This gave certainty for the purchaser over cash calls from the scheme in the early years of the investment.

Next the purchase price was adjusted to reflect the deficit that would arise under the agreed methodology. The value of the price adjustment was paid into the scheme on completion.

Finally, after discussions with the trustees, a tailored investment strategy was implemented which aimed to match the liability profile as closely as possible and thereby reduce investment volatility.

» Adding value

The steps taken gave our client **certainty over the scheme cash demands** over the initial years of the investment and some comfort that a significant deficit would not open up due to investment market falls.

The structure and nature of our business meant that we were able to introduce P-Solve, the dedicated investment consultancy business within the Punter Southall Group. P-Solve provided specialist investment advice to the target and the trustees and were able to implement the agreed investment strategy within the necessary timescales enabling the transaction to proceed.

P-Solve has continued to provide advice to the trustees, while the Transaction Services team has continued to advise the target company and its new owners on a range of pension issues.



Find out more

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