

# Wedlake Bell

## A "Uniq" deal on pensions!

Uniq, the sandwich making company has reached agreement with the Pensions Regulator ("TPR") and the Pension Protection Fund ("PPF") on the future of its distressed pension scheme.

### In detail

The deal will see the scheme (which has a buy-out deficit in excess of £400 million) transferred to a new employer which will be placed into administration. This will allow the scheme to enter a PPF assessment period and be considered for PPF compensation. In addition, the scheme will take with it £14 million in cash and a 90% shareholding in the company.

The deal is to be implemented by means of a Regulated Appointment Arrangement under the employer debt regime and a Scheme of Arrangement under the Companies Act 2006.

After 18 months of protracted and difficult negotiations (which included an original proposal to eliminate the deficit over 50 years!) the question for many people in the pensions industry is why have TPR and the PPF approved this deal now? To reach a conclusion, the starting point is to look at the deal from the point of view of the various stakeholders.

### The best deal for all concerned?

The workforce - as the main operating companies avoid insolvency, workers' jobs may therefore be better protected. It is not clear what jobs would have survived on normal insolvency.

The shareholders - insolvency is avoided at the expense of share value which is much reduced due to 90% being held by the scheme. However 10% still remains with the existing shareholders which is better than nothing!

PPF and Regulator - prolonging the agony before going through the PPF insolvency process would have compounded the problem for the PPF. Paying out benefits at their full level would have escalated the deficit putting added pressure on the PPF's reserves. The PPF now has certainty as well as a faint hope that the company could experience some growth in the future.

Members - if the Scheme falls into the PPF, benefit cuts for members are inevitable. However members might benefit if the company, having shed the burden of the Scheme, turns around. If the shares increase in value to such an extent that the Scheme was greater than PPF funded, the Trustees would may be able to secure higher benefits than those that would be paid out by the PPF. However, such increase would need to occur within the PPF assessment period (maximum 2 years) and this we understand is unlikely.

In reality, there is a remote chance that the company can turn things. Any resurgence must take place whilst the Scheme is in the PPF assessment period (maximum of 2 years) for it to benefit Scheme members. Any increase beyond this period is likely to benefit the PPF only.

Questions therefore remain as to whether a solution could have been reached to benefit the members in the longer term?

That said the transaction demonstrates the PPFs willingness to think outside the box, consider the interest of all stakeholders and agree pragmatic solutions taking account of the stakeholders involved.

Justin McGilloway  
Solicitor  
Tel: 020 7395 3076  
Fax: 020 7406 1603  
Email: [jmcgilloway@wedlakebell.com](mailto:jmcgilloway@wedlakebell.com)

12 May 2011

