



B R I D G E
TRUSTEES LIMITED

The Rt Hon Frank Field MP
Chair, Work and Pensions Committee
House of Commons
London
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Date 9 February 2018
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Dear Mr Field

Carillion Integrated Services Limited

Thank you for your letter of the 8 February relating to your joint inquiry into the collapse of Carillion.

I am a director of Bridge Trustees Limited, which is the sole corporate trustee of Prudential Platinum ("Platinum"). Carillion Integrated Services Limited was a participating employer in Platinum.

By way of background, Platinum is a non-associated multi-employer pension scheme designed to replicate public sector pensions for private companies that tender for government outsourcing work. Platinum has approximately 135 employers of which Carillion Integrated Services Limited was one. Platinum sets its technical provisions on a very cautious basis which is designed to be close to buy-out funding. In recent years the distortion in the gilts market has meant that, in certain cases, a funding gap has developed notwithstanding the adoption of this cautious basis - which currently requires employers to contribute to Platinum 45-50% of their employees' pensionable salaries.

I have this morning received updated figures as at 31/12/17 for the Carillion Integrated Services Limited Section from the Platinum actuary. These are thought to be accurate but are not a full formal valuation. Assets were £8.845 million, so it is one of the smaller schemes sponsored by the wider Carillion Group. The Carillion Integrated Services Limited Section has had one full actuarial valuation as at 31 December 2014. At that point it was 120% funded on the technical provisions basis. In the intervening period the company has paid all of the contributions recommended by the scheme actuary at the last valuation. The only outstanding item at the date of liquidation was unpaid employer fees totalling circa 17K.

The Platinum actuarial team would not normally complete the full valuation now due as at 31 December 2017 until early Autumn. They have, however, been working to update the 2014 numbers and I am advised that the current funding position discloses a circa £1m actuarial surplus on the technical provisions basis, a £1.5m surplus on the PPF s179 basis and a deficit of £1.7m on a s.75 full buy-out basis.

As trustee of Platinum, I confirm that Carillion Integrated Services Limited has complied with its obligations under Platinum with the exception of the unpaid fees for the second half of last year mentioned above.

I should add that there is a second Carillion related company that participates in Platinum, namely, Carillion Amey Limited. That is a joint venture with Amey and has not been part of the Carillion liquidation process.

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I hope this very brief overview of the Carillion Integrated Services Limited Section of Platinum is helpful.

Turning now to your specific questions and using the same numbering I have the following observations:

1. The total number of members at 1 January 2018 was 62, made up of 23 actives, 14 deferred members and 25 pensioners. The indication from the Platinum actuary is that as at the date of insolvency the technical provisions funding was at 113% with corresponding buy-out funding of 84%. The initial assessment of the PPF funding level is 120% although it has been suggested that market buy-out terms might be marginal within a range of £200-£300k. We will not know if we can actually buy-out the PPF benefits outside of the PPF until we obtain a quote from an insurance company.
2. As the Carillion Integrated Services Limited Section is immature and only had one formal valuation there is no deficit recovery plan due to the surplus disclosed in December 2014 on the ongoing conservative technical provisions basis adopted by Platinum.
3. Not applicable, as no deficit disclosed at the first valuation.
4. As mentioned above Carillion Integrated Services Limited observed its obligations to Platinum with the sole exception of the unpaid employer fees for the second half of 2017.
5. I was not contacted in September 2017. The first indication I had that a restructuring proposal was necessary was by letter dated 21st December to all trustee boards which was followed up by a telephone conversation between myself and the pensions manager on the 2nd January this year. During that conversation three options were outlined to me. My view was that, as the Carillion Integrated Services Limited Section was so small relative to the size of Carillion, Platinum should not be part of any restructuring proposals due to the obvious ability of any restructured version of Carillion to meet the ongoing contributions in respect of the Carillion Integrated Services Limited Section. I informed the Pensions Regulator by email of the nature of the discussion and my views on it.
6. See above. I did not attend the "all trustees" meeting to discuss the RAA proposal as I was unavailable but did see a copy of the company's proposal letter on the 9th January. I indicated to the Pensions Regulator on the 10th January that I would not be supporting it. I asked tPR whether it had a view on the proposed RAA given that the conversation with the pensions team at Carillion the previous week left me with the impression that the most likely outcome was the deferral of deficit contributions mentioned in your letter. Although I never saw the actual proposal my understanding was that the deferral of contributions was in respect of deficit recovery contributions rather than any contributions relating to ongoing service of the active members.

You will glean from this reply that there is nothing, in my view, that Carillion Integrated Services Limited could reasonably have done differently in respect of Platinum - with the exception of the unpaid employer fees.

I trust this response assists you but if you require any further information from me please let me know.

Yours sincerely



Ian Davies
Director Bridge Trustees Limited