Dear Mr Field

Toys ‘R’ Us Limited Staff Pension and Life Assurance Scheme (‘the Scheme’)

Thank you for your enquiry concerning the Scheme and the company’s proposed CVA. Please find below the response of the trustees to your questions.

1) **What are the implications of the proposed CVA for the DB pension scheme?**

   The proposed CVA does not compromise the Scheme. The terms of the CVA provide that the company will continue to honour all of its obligations to the Scheme. The objective of the CVA is to create a sustainable business going forward and one which is capable of funding the Scheme on an ongoing basis.

2) **What actions have you taken to secure the interests of the scheme since the U.S. parent filed for bankruptcy and the prospect of job losses and store closures in the UK first emerged?**

   We have been proactive in taking steps to understand the implications of the US bankruptcy which, notably, did not include the UK business as part of the filing.

   We took additional specialist covenant advice from our advisers and considered the investment strategy for the Scheme. We are currently revisiting the funding of the Scheme and investment strategy in conjunction with our advisers, the Pensions Regulator (‘tPR’) and the Pension Protection Fund (‘PPF’) as part of the consideration of the CVA proposal.

   We were consulted on the CVA proposal shortly before launch and have quickly obtained information to enable us to consider the impact of the CVA on the Scheme and assess the business in conjunction with tPR and the PPF. We reserved the rights of the Scheme pending the outcome of our more detailed review of the CVA proposal.

   With the support of the company and the PPF, we have appointed an independent professional trustee with specific insolvency and CVA experience to the trustee board to help us to protect the interests of the members. We are assessing the CVA proposals in conjunction with the PPF, and the PPF (on behalf of the trustees) will vote on the CVA proposal.

3) **What is the trustees’ assessment of the impact of the write-off of the TRU (BVI) Finance 11 Ltd loan on the DB scheme, and in particular on the fulfilment of the scheme’s recovery plan?**

   The Trustee Board were not formally notified of the transaction by the company and on becoming aware of it have taken steps to assess any impact on the scheme.
The company have confirmed that the write-off of the TRU (BVI) Finance II Ltd loan had no impact on the direct covenant provided to the Scheme as it occurred in a different part of the group’s corporate structure which sits a number of layers above the employer responsible for the DB scheme, Toys R Us Limited. We have asked our advisers to review the intergroup loan position and how it may impact on the Scheme as part of our assessment of the CVA proposal.

In respect of Toys R Us Limited, independent covenant advice was received by the Trustees in relation to that entity as part of the 1 April 2016 valuation of the Scheme. The funding and investment strategy adopted by the Scheme were aligned with the strength of the direct legal covenant available as assessed at that time.

The company continued to fulfil its obligations to the recovery plan by making all due payments in 2017.

4) What discussions did you have with the sponsoring employer in relation to the loan write-off, and how did they justify it?

No discussions were held on this topic in light of our answer to question 3).

5) Have you negotiated with the sponsoring employer regarding the continuation of the recovery plan, and if so what was the outcome?

The intention is that the employer will continue to contribute to the Scheme and continue with the deficit recovery plan. The explicit terms of the CVA provide that the company will continue to honour all of its obligations to the Scheme.

In conjunction with our advisers we are reviewing the company’s most recent forecasts prepared in support of the CVA proposal to consider the impact on the current deficit recovery plan.

6) Have you approached The Pensions Regulator for guidance on the loan write-off or with other concerns about the sustainability of the sponsor’s covenant? If so, what was its response?

No approach was required or made in light of our answer to question 3).

The Trustees entered into dialogue with TPR after the Chapter 11 announcement and no specific action was felt appropriate beyond what the Trustees were doing. Both TPR and the PPF have been invited to, and attended meetings with the Trustees since the possibility of a CVA was raised.

7) Can you confirm that the last full actuarial valuation of the scheme was in 2007? If so, why?

The last full actuarial valuation of the scheme was as at 1st April 2016. Full actuarial valuations also took place in April 2013 and April 2010.

8) What actions has the scheme taken to communicate recent developments to scheme members?

The Trustees have issued a communication to all members to inform them of the CVA proposal and the potential impact on both the Scheme and its members.

We are informing members that the Trustees are currently working with their advisers and in conjunction with TPR and the PPF to establish a view on the proposed CVA in order to vote in the best interests of the members.

Yours Sincerely

Graham Barker, Chair
On behalf of the Trustees of the Toys R Us Staff Pension and Life Assurance Scheme