Rt Hon Frank Field MP
Chairman of the Work and Pensions Select Committee
House of Commons
Westminster
SW1A 0AA

25 May 2016

Dear Mr Field,

**BHS Oral Evidence Session – Monday 23 May**

To further assist the Committees, I am writing to provide clarity in relation to a number of references to the Pension Protection Fund (PPF) made during the oral evidence session on Monday 23 May.

1. During the session, Mr Budge, Finance Director of Arcadia Group, stated that the PPF attended the meeting on 4 March 2015 involving Arcadia, the Pensions Regulator, and other key parties (Q573-574). We were not invited to this meeting and did not attend. For clarity, I can confirm that we did meet Arcadia representatives in March 2012 (to discuss the BHS scheme’s pension protection levies) and in early 2016 (as part of discussions around a possible restructuring of BHS).

2. At various points in the evidence session there was comment on the discussions which took place around ‘Project Thor’ between July and October 2014. As noted in the Pension Regulator’s letter of 20 May 2016, for any RAA proposals to be approved we would also have had to indicate we had no objections. While we were notified by the Pensions Regulator of the fact that there was a proposal, ‘Project Thor’, to reduce member benefits we did not receive any formal RAA proposal. No approach was made to us to seek our view by any of the parties involved and we were not involved in these discussions. It therefore never reached a stage where we could consider whether the proposals were appropriate given the potential impact on members and levy payers.

3. Mr Budge also asserted in relation to “4 March [2015] meeting or in meetings since then” (Q579) that it would not have been feasible to achieve an agreement in a “very short period of time”. While as noted above the PPF was not involved in the March 2015 discussions, I can confirm that where a restructuring offer is made that both meets our principles, and is acceptable to the Pensions Regulator, we can reach an agreement in principle in a matter of days, and have done so in past cases.

4. We welcome the willingness expressed by Mr Budge for Arcadia to play its part in securing members benefits above PPF levels (Q577). As we noted in our written evidence we estimate that the BHS pension schemes are some £275m short of being able to do so. This shortfall will therefore fall upon the 6,000 or so pension schemes which pay our levies. It is therefore quite right that any monies available should in the first instance defray the costs to other pension schemes (and ultimately their sponsoring employers) of ‘bailing out’ the BHS pension scheme. Of course, if more than £275m were available...
this would be used to secure members higher benefits; as widely discussed if the full £571m deficit were to be ‘paid off’ it is probable that all the promised benefits from the BHS pension scheme could be fully secured.

I trust the above is helpful. Please do not hesitate to contact me or colleagues if I can be of any further assistance.

Yours sincerely,

David Taylor
General Counsel

CC: Iain Wright MP, Chairman of the Business, Innovation and Skills Select Committee