Dear Mr Field

Toys ‘R’ Us defined benefit pension plan

Thank you for your letter of 4 December regarding Toys ‘R’ Us and the impact of recent developments which could affect the defined benefit pension scheme.

Contact with the trustees and the sponsoring employer

I can confirm that we contacted the trustees on 20 September, two days after the US parent company filed for Chapter 11 protection. The trustees confirmed their understanding of the position at the time that the Chapter 11 process did not affect the UK company, which remained liquid and able to pay its debts.

We attended a meeting on 16 November with the trustees and the company and were informed by the company’s advisers that the company intended to seek creditor approval for a company voluntary arrangement (CVA) as early as 4 December 2017. We were told that they did not intend to seek to reduce benefits, delay contributions or extend the recovery plan as a result of this process.

We have since reviewed correspondence leading up to the filing of the CVA documents and have had three conference calls with the trustees, their advisers and the PPF on 30 November, 5 December and 12 December. The CVA is scheduled to be voted on at a meeting of shareholders and creditors on 21 December and we are currently monitoring the progress of the CVA and liaising with the trustee and the PPF in the run up to that meeting.

Recovery plan

Currently, the recovery plan which was agreed following the scheme’s last actuarial valuation on 1 April 2016 is unaffected by the CVA, and the company has confirmed that it intends to make all scheduled payments to the scheme. We understand that all payments due to date in respect of the current recovery plan have been made on the due dates.

We continue to engage with the trustees, employer and the PPF regarding the ongoing discussions concerning the proposed CVA.
Write-off of the TRU (BVI) Finance II Ltd loan

We understand from information filed at Companies House that Toys ‘R’ Us (UK) Limited (the group entity which recorded the waiver of £584.5 million of intercompany loans referred to in your letter) is an intermediate holding company three levels above the pension scheme’s employer, Toys ‘R’ Us Limited. The waiving of the loans did not appear to have a direct impact on the employer covenant. We can confirm, however, that we have raised this point with the trustees of the scheme, and we understand that they have asked their covenant advisers to review the impact of the restructuring of intercompany loans.

Last full actuarial valuation

The last actuarial valuation for the scheme was carried out on 1 April 2016 and both the valuation and recovery plan were submitted within the 15 month limit. Apart from contacting the trustees to investigate the impact of the US parent’s bankruptcy proceedings we had no other concerns.

I hope this information is helpful to your Committee and please get in touch if I can be of further assistance.

Yours sincerely

Lesley Titcomb
Chief Executive