Note on Arcadia Pension Schemes

Like BHS, Arcadia has two UK defined benefit pension schemes: a main scheme and a senior management scheme.

Members and deficits

Though Arcadia is a larger company than BHS was (c27,000 employees compared with c11,000), it has fewer pension scheme members. We understand there to be around 11,000 members of the Arcadia schemes, compared with around 20,000 members of the BHS scheme.

The schemes are in substantial deficit. The company accounts for the year to August 2015 show a deficit of £190m. We understand this figure has since risen substantially to well over £200m.

When Sir Philip Green bought Arcadia in September 2002 the schemes were in surplus. The surplus peaked at £76m in 2007 but the schemes have been deficit since 2009.¹

Regulatory activity

The Committee wrote to The Pensions Regulator (TPR) in September 2016 requesting information about the Arcadia schemes. In their response of 21 October, TPR said that they had initiated discussions with the scheme’s trustees ahead of the finalisation of the 2016 valuation/recovery plan and had had “had separate discussions with the trustees to better understand the schemes’ position with respect to their sponsoring employers”.

The latter had been supported by section 72 notices “seeking information from other parties” (presumably Arcadia/Taveta). Section 72 of the Pensions Act 2004 gives TPR the powers to demand information. They did not use this power with respect to the BHS schemes until after the sale to RAL.

Trustees and obtaining information

TPR did not provide the scheme’s 2013 triennial valuation and recovery plan as it is protected information under section 82 of the Pensions Act 2004. They did, however, suggest that “that this material could be provided by the trustees”.

Unlike the BHS schemes, which has two independent trustees including Chris Martin, the Chair, we understand the Arcadia schemes do not have independent trustees and are solely comprised of member and sponsor representatives.

The Committee has been in correspondence with the trustees and their representative in an effort to obtain basic information about the state of the Arcadia schemes. But no information has been forthcoming.

23 August 2016 Frank Field wrote to the Arcadia Group Pensions Trust requesting information about the funding of the schemes and the trustees’ experiences working with the sponsoring employer.

¹ In March 2001 a scheme valuation found the scheme’s assets of £570 million would cover 130% of accrued benefits, implying a surplus of £132 million. An October 2002 update estimated assets at £461 million, funding 103% of benefits, implying a surplus of £13 million. See Annual Accounts from Companies House.
12 September 2016  Margaret Hannell, Arcadia Group Pensions Manager, replied suggesting that it was not appropriate for the Arcadia trustees to provide information as Arcadia Group Ltd was “currently engaged with the BHS enquiry and resolution of the BHS pension schemes”.

8 November 2016  Frank Field wrote to Margaret Hannell as suggested by TPR requesting the latest agreed valuation and recovery plan.

11 November 2016  Margaret Hannell replied to say there was “nothing new to report” but that the trustees were in “constructive dialogue” with the company and TPR which they hoped “to conclude in the not too distant future”.

21 November 2016  Frank Field wrote to Margaret Hannell welcoming progress on the 2016 valuation negotiations, but noting that the 2013 version was still apposite and requesting that information.

Frank Field also wrote to Ian Grabiner, Chief Executive of Arcadia, requesting a schedule of employer contributions since 2002 and any other information about the schemes he wished to provide.

5 December 2016  Ian Grabiner replied to say that, given discussions over the 2016 valuation were “at a very advanced stage” it would be appropriate to direct any questions instead to the trustees.

6 December 2016  Margaret Hannell said that discussions about the 2016 valuation “were at an advanced stage” and that the trustees “have nothing more to add at the moment”.

26 January 2017  Frank Field wrote to Margaret Hannell requesting historical information regarding “the length of the [2013] recovery plan and the annual employer contributions” and an update on negotiations.

2014 court case

Arcadia took the pension scheme trustees to court in 2014 seeking to enable indexation in the schemes to be switched from RPI to CPI, which is usually less generous. The High Court ruled that the index could be changed but only with the consent of the trustees. The broader application of this judgement is dependent on individual scheme rules.2

Arcadia ownership

In the year ending March 2002, BHS paid the Greens £100 million in dividends.

Taveta Investments Ltd bought Arcadia in September 2002 for £850 million. The vast majority of that money was borrowed, but the Green family put in £69 million and Bank of Scotland £6 million.

Topshop/Topman is by a distance the most successful brand in Arcadia (which also includes Burton, Dorothy Perkins, Evans, Miss Selfridge, Wallis and Warehouse. Leonard Green & Partners, a US private equity group, bought a 25% stake in the Topshop/Topman brand in December 2012. TPR clearance was not sought for that transaction. TPR subsequently investigated its impact on the strength of the schemes and chose to take no further action.

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2 Arcadia Group Ltd v Arcadia Group Pension Trust Ltd & AG Senior Executives Pension Trustee Ltd [2014] EWHC 2683 (Ch)