Dear Rt Hon Frank Field MP,

Thank you for your letter dated 23 September 2019 in relation to the Thomas Cook Pension Plan (the “Plan”). I am happy to explain the position and answer the questions you have asked.

1. As part of the Plan’s 2017 triennial actuarial valuation, which was agreed in September 2018, the Trustees agreed a Schedule of Contributions with the Plan’s principal employer, Thomas Cook UK Travel Limited, which provided for annual deficit contributions of £26m to be paid to the Plan until 2022. These contributions were required to repair the £105m deficit in the Plan at the valuation date on the Technical Provisions basis and to support the long-term funding target that had been agreed with the principal employer.

The position reflected in the Group’s accounts (which is calculated by the Group for accounting purposes only and follows a prescribed basis of calculation) is markedly different to the position of the Plan on the bases the Trustees use (such as the Technical Provisions, long term funding target and buy-out) and is not reflective of the Plan’s underlying funding position.

The Trustees and the Group entered into discussions as part of the Group’s proposed recapitalisation and restructuring. These discussions evolved over time as more information became available and the Group’s requests changed; ultimately the Trustees indicated that they would be willing to consider deferring or reprofiling payment of the annual deficit contributions of £26m subject to the provision of appropriate information and the agreement of terms.

The Trustees acknowledged the financial challenges being faced by the Group and expressed their desire to be supportive of the Group where possible to assist the Group to survive and prosper (balancing this against the long-term security of members’ benefits). Indeed, the Trustees made themselves and their advisers available to the Group in order to progress the relevant negotiations.

However, the Trustees’ preliminary indications that they were open to exploring the deferral or reprofiling of contributions did not proceed to detailed discussions. The Trustees were informed that the Group was seeking to finalise its discussions with its liquidity providers and other more material financial stakeholders before engaging in earnest with the Trustees. In the end, the Group’s liquidity issues overtook matters, and despite regular enquiries the Trustees were not involved further in the discussions prior to the Group’s insolvency.

The Trustees were in regular communication with the Pensions Regulator throughout this process.

2. Based on the most recent calculations by the appointed Scheme Actuary, the Plan is currently expected to have sufficient assets to provide benefits in excess of PPF levels. This will be confirmed as part of the ongoing work of the Trustees and the PPF. The Plan’s assets are not expected to be sufficient to secure all member benefits in full. The Trustees are working with their professional advisers and the PPF to secure the best outcome possible for the Plan’s members in the circumstances.

3. The Trustees are committed to ensuring that Plan members are kept informed of developments in relation to the Plan and how those developments may affect their
benefits. A new dedicated website containing key information has already been launched, and all Plan members have been sent an initial communication in the post. The Trustees have also proactively engaged with the media to create extra awareness of the website and other steps being taken. The Trustees will continue to work with their professional advisers and the PPF to ensure that all relevant information is provided to members, in accordance with the Trustees’ duties, law and regulation.

I hope that this information is of assistance.

Yours sincerely,

Steve Southern
Director, Steve Southern Trustees Limited – Chair of Trustees

Cc. Charles Counsel, Chief Executive, The Pensions Regulator
    Oliver Morley, Chief Executive, The Pension Protection Fund