From the Chair

Margaret Hannell
Arcadia Group Pensions Manager
Arcadia Group Pension Trust Ltd
Marylebone House, 129-137 Marylebone Road
London
NW1 5QD

14 October 2019

Dear Margaret,

I recently wrote to the Pensions Regulator following reports of uncertainty facing Taveta Investments, owner of the Arcadia Group. TPR’s response, which I enclose, explained that legislation prevented it from answering some of the questions in the letter. Might you please therefore answer the following questions:

1. Will the refinancing of the loan on Topshop’s Oxford Street store have any impact on the value of the £310m package agreed?
2. What reassurances are the trustees offering Arcadia scheme members about the long-term future of their pensions?

With best wishes,

Rt Hon Frank Field MP
Chair, Work and Pensions Committee
Rt Hon Frank Field MP
Chair Work and Pensions
Committee
House of Commons
London
SW1A 0AA
3 October 2019

Dear Mr. Field,

Arcadia Pension Schemes

Thank you for your letter of 9 September. As you will be aware, the challenges to two of the seven Arcadia group company voluntary arrangements (CVAs) have now been settled. The landlords concerned have withdrawn their claims and the period for challenges to be made to the CVAs has now passed.

The fact that the CVAs have now gone challenge-free means that the protections that were agreed for the schemes now apply.

In response to your specific questions:

It seems increasingly unlikely that Arcadia's three-year rescue plan will succeed. Does TPR remain confident in the agreed £310m package agreed earlier this year?

The best outcome for members in this situation is generally to have an ongoing employer. Assets to the value of £210m have been secured in favour of the trustees and the £100m cash contribution from Lady Green is guaranteed by a bank in Monaco. You may recall that I stated in my letter of 3 July 2019 that, “following a successful CVA, the £100m is guaranteed to be paid regardless of what happens to AGL in the future”. The first instalment of £25m is due in early October 2019.

In addition to the cash contribution from Lady Green, the schemes will continue to receive deficit reduction contributions from AGL of around £25m per annum in aggregate.

As an overall package, we believe that the CVA terms achieved for members are significantly better than if the CVA had not been approved and the business had failed.

Will the refinancing of the loan on Topshop's Oxford Street store have any impact on the value of the £310m package agreed?

Restrictions under the Pensions Act 2004 mean that we are unable to provide you with a response to this question, but we have copied in the Pensions Manager of AGL who may be able to assist you with further information.

In what circumstances would TPR take action on the guarantees provided by Arcadia Group Limited and Lady Green?
In my letter of 3 July 2019, I stated: “Should any payment towards the £100m not be forthcoming, the trustees may demand payment of that sum from Lady Green’s UK lawyers, or the bank”. As explained above, the £100m is guaranteed to be paid regardless of what happens to AGL in the future.

**What reassurances are TPR or the trustees offering Arcadia scheme members about the long-term future of their pensions?**

It is the responsibility of the trustees to inform and update their pension scheme members and during the height of the CVA we asked that the pension manager kept us updated on what was being communicated to members. In response to our recommendations, the trustees have established a website to keep members informed of key developments and have engaged the support of a professional communications agency with experience of working in the pensions sector. TPR has also supplied the trustees with a letter to provide to any scheme members who request a cash equivalent transfer value to highlight the risks of transferring out of a defined benefit scheme to help them make an informed choice.

**Are discussions taking place about securing the long-term future of the schemes on a fully funded basis, whether by means of a buyout or otherwise?**

We understand that the trustees are progressing the schemes’ March 2019 triennial valuations and engaging with the employer to agree the related recovery plans to get the schemes fully funded on a technical provisions basis. In these situations we encourage both parties to think about a long-term funding target for the schemes and to agree a clear strategy for achieving it. Our latest Annual Funding Statement provides more information on our expectations of trustees and sponsoring employers.

The trustee boards have agreed protocols in place for engaging with their covenant advisers, having access to the right people at company level and in turn we continue to have an open dialogue through which they continue to keep us updated.

I hope this information is helpful to you and the Committee.

Yours sincerely

Charles Counsell  
Chief Executive

cc: Lady Green  
Margaret Hannell, Arcadia Group Pension Manager  
AGL