

MEETING NOTE

CLIENT: Carillion Single Trustee Schemes **MEETING DATE:** 19 December 2012 at 15:30
SUBJECT: Call with The Pensions Regulator **LOCATION:** Conference Call
(TPR)
AUTHOR:
ATTENDEES: [REDACTED] [REDACTED] [REDACTED]
[REDACTED] Robin
Ellison, Edwin Topper and Nichola
Price

Notes

TPR were interested in the progress made on the Single Trustee valuations to date. Items discussed were:

- Gazelle are due to provide an update of the Company covenant review by the second week of January. The Company have argued that the decline in trading conditions and banking arrangements have put a strain on cash availability that was demonstrated in the previous report issued by Gazelle.
- Robin emphasised the Trustee's concern was with the Company's affordability in the short term rather than focussing on the long-term covenant. Edwin and Robin pointed out that the Trustee's primary concern at this time is to extract maximum affordability from the Company.
- Robin is due to meet with the Company during the second or third week in January following Gazelle's report being circulated.
- The £770m deficit was noted as the most recent figure to be put forward to the Company. It was noted that the Company is wanting the deficit to be much lower than this and it was also noted that the Company Actuary had made suggestions to weaken some of the assumptions, but that nothing had yet been settled on to date.
- Edwin suggested that the Company's primary objective was to minimise the cash payments to the Schemes, but that their secondary objective is to reduce the deficit to as low a value as possible, not being too much higher than the accounting deficit.
- TPR were interested in previous figures tabled that detailed a 10 year de-risking period giving rise to a deficit of around £860m. They stated that they would be interested in such illustrations as they would be expecting relatively mature schemes, such as the Single Trustee Schemes, to be taking action to de-risk.
- TPR requested a meeting take place once Robin had discussed the outcome of Gazelle's

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review with the Company.

Action – Robin to contact TPR to arrange a meeting to update them of Gazelle's findings

- TPR asked for an 'analysis of surplus' for the Schemes setting out how the current proposed deficit of £770m can be reconciled against the 2008 valuations.

Action – Mercer to pull document together of 'analysis of surplus' for TPR

- TPR asked how the Trustee was taking action to measure risk in the Scheme, stating that Value at Risk was an example of a risk measure that could be used. Robin mentioned that the costs incurred in such measuring were not worthwhile at this stage given that the Trustees are primarily concerned with extracting maximum affordability from the Company at this point in time. Edwin added that the Company are looking into various risk-reduction exercises, such as an inflation swap and longevity swap, but these were yet to be decided on.
- Robin asked of TPR what actions the Trustee should be taking in the current situation. TPR replied that they could not guide the Trustee step by step, as such, but recommended that if the Trustee reaches an impasse then they should contact TPR at that stage for guidance.
- Edwin also asked whether TPR would have an issue with the deficit being lowered if maximum affordability had been extracted from the Company. Again TPR were unable to give advice here, but suggested that the Trustee contact them if/when this becomes an issue. TPR commented that generally their view is for Trustees to present a prudent view of the Scheme and would not advocate 'slicing and dicing' of the deficit in order to make certain contribution structures work.