

The Pensions Regulator

Frank Field MP
House of Commons
London
SW1A 0AA

21 October 2016

Dear Mr Field

Arcadia

Thank you for your letter of 20 September 2016 regarding the Pensions Regulator's (TPR) actions in respect of the Arcadia pension schemes. Please accept my apologies for the delay in providing you with a response to your questions. This was due to a number of urgent issues needing to be dealt with at the same time.

As the Committee will be aware, TPR is currently investigating whether it would be appropriate for us to use our anti-avoidance powers in respect of the two pension schemes sponsored by BHS, which as you know was until its sale to Retail Acquisitions Limited linked to the Arcadia group through having a common owner.

We can confirm that we have regularly engaged with the Arcadia Group and the schemes' trustees over the last few years on a range of issues including scheme funding and following corporate activity within the Arcadia group, and we continue to do so on an ongoing basis.

Recent engagement with the schemes

We had no issues arising in respect of the schemes' previous valuations in 2007, 2010 and 2013. We had no cause to engage with the trustees on their submissions as the valuations and their recovery plans did not present significant enough risks to open cases.

TPR engaged with the Arcadia schemes' trustees to understand their view regarding the December 2012 sale of a 25% stake in TopShop/TopMan to Leonard Green & Partners. We clarified their assessment of the impact of this transaction on the strength of the employer covenant for the Arcadia pension schemes. We were satisfied with the responses received and took no further action. Clearance was not sought for this transaction.

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More recently, TPR has asked Arcadia Group Limited and the trustees of the schemes to engage in discussions ahead of their forthcoming triennial valuations. We invite some schemes to engage with us ahead of their valuation being finalised and submitted. The benefit of this is that it allows for an open dialogue between scheme employer/s, scheme trustees and TPR to identify and address any potential issues or concerns prior to the valuation being finalised rather than only scrutinising them after submission.

We have had separate discussions with the trustees to better understand the schemes' position with respect to their sponsoring employers. These discussions were supported by the use of Section 72 notices¹ seeking information from other parties.

The Committee will note from the published accounts² of Arcadia Group Limited (the principal employer to both the schemes) that the employer has continued to generate significant profitability in recent years (with the exception of BHS related costs in the 2015 financial year). This is a key factor for us in assessing the strength of the employer covenant.

Please note that TPR's engagement is always scheme specific and takes account of all relevant factors relating to the scheme in question, not just publicly available information.

We continue to monitor the Arcadia schemes on an ongoing basis. We will of course also consider the impact of our discussions and investigation concerning the BHS pension schemes on the employer covenant and position of the Arcadia pension schemes.

We are unable to provide the Committee with the Arcadia pension scheme's latest triennial valuation and recovery plan. This is restricted information under section 82 of the Pensions Act 2004. While we are not able to disclose this, we would suggest that this material could be provided by the trustees.

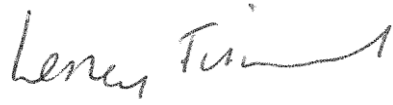
I hope that this information will be helpful to the Committee, but if you have any further questions, please do not hesitate to contact me.

¹ Section 72 of the Pensions Act 2004 gives TPR the power to require that parties provide us with information relevant to the exercise of our functions

² The latest available at Companies House being for the year ended 29 August 2015

The Pensions Regulator

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lesley Titcomb', with a stylized flourish at the end.

Lesley Titcomb
Chief Executive