

Pension Insurance buys Thorn employee fund

By James Daley, The Independent

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About 15,000 former employees of the TV rental company Thorn had the future of their final-salary pensions secured yesterday after the Pension Insurance Corporation completed a buyout of their pension fund – the largest deal of its kind in the UK to date.

The deal ends 18 months of uncertainty for the 15,000 employees who were members of the pension scheme.

Pension Corporation bought the remains of Thorn Ltd last year but control of the £1.1bn pension fund remained with the scheme's trustees, who continued to seek out the best deal for the fund's members.

Although the trustees explored all options in the open market, Pension Corporation came up with an acceptable deal this month which will see all scheme members receive an uplift of about 5 per cent to their benefits.

The chair of the Thorn scheme's trustees, Chris Martin, from **Independent Trustee Services**, said: "After an extremely competitive process of considering all the options for enhancing member benefit security, the trustee is delighted to have appointed Pension Insurance Corporation as its partner for the provision of bulk annuities. At a very challenging time in the investment markets, Pension Insurance Corporation was able to protect members' final-salary benefits while also providing a financial uplift. "The trustee believes that this buyout represents the best overall outcome for the fund's members."

Andrew Gurnham, a director of Thorn, added: "Thorn is delighted that members' pension benefits have been secured through this insurance agreement and, coupled with increased member entitlements, believes this deal is the best possible outcome for the group's former employees.

"Thorn is also pleased to have removed any uncertainty about its future pension liabilities in the light of current, volatile market conditions. The company would like to thank the trustee board for managing the transaction in a highly professional manner."

The creator of the private equity group Duke Street Capital, Edward Truell, founded Pension Corporation two years ago. It is backed by large financial services firms including JC Flowers, Royal Bank of Scotland, Swiss Re and JP Morgan, and the company has almost £5bn under management.

Thorn was not the first company to be bought up by Pension Corporation for its pension assets; Mr Truell's corporation has also snapped up Telent and the off-licence chain Threshers in the past two years.

After taking over Telent, the company tried to replace the independent pension trustee with its own people – causing the Pensions Regulator to step in and block the move. Pension Corporation has since agreed to not attempt to oust the existing trustees of companies in which it has a financial interest.

Thorn was once a major corporate entity in the UK and owned the high-profile high street TV hire chain Radio Rentals. However, most of Thorn has since been closed down or sold off. The lighting arm of the business, Thorn Lighting, is now owned by the Austrian company Zumbotel.

Thorn and PIC complete £1bn buyout

Steven Dignall, Professional Pensions
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Trustees of the Thorn pension fund have completed a £1bn buyout transaction with Pension Insurance Corporation.

The move will secure the full benefits for more than 15,000 fund members of the final salary pension scheme. Member will also receive an uplift to their existing benefits once the wind-up of the fund is completed.

Thorn trustee board chairman and **Independent Trustee Services** managing director Chris Martin said: "Working with our independent advisers, we invested a great deal of time in assessing the different options for managing the risks within the fund. "We believe that the company's proposal and the buyout with PIC is an excellent outcome for the fund's members who stand to gain from enhanced security and uplift to their existing benefits."

Pension Corporation chief executive Edmund Truell said: "We are pleased to have concluded this pension insurance deal, the largest ever. Also, we are delighted to be able to insure, as part of the buyout, enhanced benefits to the fund's members. Pension Insurance Corporation has a risk-averse asset and liability management approach; this has earned its spurs in these challenging markets and kept us at the forefront of the industry."

Thorn director Andrew Gurnham added: "Thorn is delighted that members' pension benefits have been secured through this insurance agreement and, coupled with increased member entitlements, believes this deal is the best possible outcome for the group's former employees. "Thorn is also pleased to have removed any uncertainty about its future pension liabilities in the light of current volatile market conditions. The company would like to thank the Trustee board for managing the transaction in a highly professional manner."

Mercer principal and lead broker of the deal Akash Rooprai said the watershed deal showed it was possible to transact even in turbulent markets. The transaction was arranged by Mercer for a buy-in of the benefits involving a number of insurers with price, security, speed of transaction and execution ability as the trustee's key selection criteria.

During the process, Thorn proposed a buyout with a benefit uplift for members. This proposal was evaluated relative to the buy-in quotes received and it was ultimately clear that the employer's proposal was the best overall for the trustee and members. Mercer principal and risk management adviser to the trustee Kevin McLaughlin said: "We worked with the trustee to review the available options, including investigating investment and longevity hedging products as alternatives to an insured solution in order to secure the best deal for members.

"Through this buyout, members have obtained additional benefit security and, in due course, will receive an uplift to their existing benefits. It's a good deal for them. The impact for the trustee is to remove considerable future investment and mortality uncertainty from the fund." Hewitt advised the fund on its pre-buyout investment strategy and the asset transition of over £1bn of assets to PIC.

Hewitt global risk services head Kevin Wesbroom said: "The timing for selling the remaining equities and hedge funds held in the fund - before the market confusion from September onwards - could not have been better. The pre-buyout investment strategy was designed to minimise the fund's volatility against the wide range of quotes from the different insurers. The result was a successful protection of the fund, during the toughest market conditions in living memory."

Thorn sells £1bn pension fund in largest buy-out yet

Maryrose Fison, Citywire

www.citywire.co.uk

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Thorn Pension Fund has completed the largest pension buy-out to date through a £1 billion transaction to purchase a bulk annuity contract from Pension Insurance Corporation (PIC). The transaction, which was arranged by pensions consultancy Mercer, secures full benefits for more than 15,000 of the fund's members and members will also receive an uplift to their existing benefits once the accompanying wind-up of the fund is complete.

Thorn Limited was previously one of the largest electrical operating companies in the UK, but has since demerged from EMI. Kevin McLaughlin, risk management adviser to the trustee and a principal at Mercer, said the firm had investigated a number of products as alternatives to an insured solution.

'Through this buy-out, members have obtained additional benefit security and, in due course, will receive an uplift to their existing benefits. It's a good deal for them. The impact for the trustee is to remove considerable future investment and mortality uncertainty from the fund.' Akash Rooprai, lead broker for the deal and a principal at Mercer, added: 'PIC's keen pricing and pragmatic approach enabled the company to put forward a compelling proposal to the trustee.'

They were able to minimise transition costs and asset transfer risks against the backdrop of the full impact of the credit crisis. The transaction shows it's possible to conclude a successful deal of this magnitude even in turbulent markets.'

Chris Martin, managing director of **Independent Trustee Services Limited** and chairman of the Thorn Pension Fund trustee board, said: 'Working with our independent advisers, we invested a great deal of time in assessing the different options for managing the risks within the fund. We believe that the company's proposal and the buy-out with PIC is an excellent outcome for the fund's members who stand to gain from enhanced security and uplift to their existing benefits.'

PIC snags remaining Thorn

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Pensions Insurance Corporation, the insurance-based pensions buyout provider, has agreed a deal with trustees of the £1.1bn pension fund for former Thorn employees to take on the pensions liabilities and top up the benefits to members.

PIC announced this weekend it has secured a deal to wind up the pension fund and insure its benefits for over 15,000 scheme members which will lead to a 5% uplift on members' benefits. This is the largest defined benefit buyout deal so far in the UK's ever-expanding pensions buyout market.

Chris Martin, of **Independent Trustee Services Limited**, and as Chair of the Trustee, said he and his colleagues are satisfied the members' benefits will be secure in the long-term through the insurance plan.

Trustees are said to have been aware of the volatility in the markets during 2008, and explored the annuitisation through what it considers to be an open, competitive process held by the fund's trustee and advisers - Hewitt Associates, Mercer and Sackers.

The larger Thorn-EMI group was broken in 1996, dividing the television division from the original lighting company, named after its founder in 1928, and now owned by Zumbotel Group.

The remnants of this company – Thorn Limited - was bought by PIC in 2006 through its Pensions Corporation Investments division, making PIC the sponsoring company. Mercer acted as independent broker and actuarial and risk adviser to the trustee, while Hewitt advised on the restructuring of the fund's investment assets to minimise the impact of market volatility and to match the likely annuity purchase price and Sackers was the fund's legal adviser.