

A quick guide to the **BHS pension settlement**

What are the options for BHS pension scheme members under this settlement?

Members will have three options:

- ▶ Transfer to a new independent pension scheme that will give pensioners the same starting pension as was offered by the original BHS schemes, and higher benefits than they would receive from the Pension Protection Fund (PPF), the pension lifeboat for underfunded schemes.
- ▶ Opt to take a lump sum if they have a small pension pot of up to £18,000 in total value. If they prefer to transfer to the new scheme, they will be entitled to the same benefit structure as all other members.
- ▶ Remain with their current scheme, currently in the PPF assessment period, and receive at least PPF benefit levels.

The trustees will communicate fully with members on their options in due course and launch a helpline so all members can discuss their options with an independent financial adviser (IFA).

How does the new scheme compare for members with their old scheme/PPF?

The benefits that members will receive under the new scheme will be above PPF levels, and, on average, are closer to the former BHS schemes than to PPF compensation. The main reasons for this are:

- ▶ Starting pension (on transfer to the new pension scheme) will be the same as in the original BHS schemes.
- ▶ Those under 60 will therefore not be subject to 10% reduction in their starting pension that applies to members in the PPF.
- ▶ Benefits payable in retirement and built up prior to April 1997 will increase at 1.8% per year. This compares to nil increases for pre-97 benefits provided within the PPF.

How much individuals receive will vary according to their particular circumstances, based on a number of factors including their age, their length of service and when that service occurred.

How will the new scheme be run?

The new scheme will be a fully independent trust, overseen by independent pension trustees. It will have independent governance and neither Sir Philip Green nor the Arcadia group will be involved in the ongoing management of the scheme.

There will be three professional independent trustees on the board of the new scheme, to ensure there is continuing robust independent governance.

The new scheme will be required to pay the PPF levy, in the same way as any other private sector DB scheme. In the highly unlikely event that the scheme's assets prove insufficient to deliver the required level of benefits in future, members of the new scheme will benefit from PPF protection.

When will members be able to move into the new scheme?

Setting up the new scheme is expected to take a number of months. The existing BHS pension trustees will keep members updated on how this is progressing and provide them with information on their options. Members will be given the opportunity to make a fully informed decision, including taking advice from an IFA.

What is the status of The Pensions Regulator's (TPR) anti-avoidance investigation?

As a result of this settlement, TPR's anti-avoidance enforcement action against Sir Philip Green, Taveta Investments Limited, and Taveta Investments (No. 2) Limited, will cease.

Enforcement action continues in respect of Dominic Chappell and Retail Acquisitions Limited.

Could TPR have used its powers to get more money?

Throughout our discussions with Sir Philip Green and his team, we have always been clear that we were determined to achieve the right outcome for members of the schemes, in terms of both the amount and the structure of the settlement.

The agreement reached with Sir Philip Green represents a strong outcome that takes account of the interests of both pensioners and the PPF, and brings a welcome level of certainty to present and future pensioners.

In arriving at this settlement, and taking the decision to end our enforcement action, we have balanced the outcome we have achieved against the uncertainty of:

- ▶ the sum or support we might achieve for the BHS schemes by pursuing our anti-avoidance investigation
- ▶ the risk of a prolonged period of legal challenge through the courts
- ▶ the delay and uncertainty the process would bring to BHS pensioners

BHS: Timeline of events

12 March 2015

TPR begins anti-avoidance investigation into sale of BHS

3 March 2016

Company Voluntary Arrangement (CVA): BHS pension schemes enter PPF assessment period. BHS administration follows on 25 April 2016

2 November 2016

TPR issues Warning Notices to a number of parties

28 February 2017

£363m settlement agreed: enforcement action discontinued regarding Sir Philip Green, Taveta Investments Limited, Taveta Investments (No. 2) Limited

Membership at a glance

19,000 members in total



12,000 yet to retire

7,000 pensioners

Options offered



Transfer to new scheme

Same starting pension as original BHS scheme, with benefit levels higher than Pension Protection Fund (PPF)



Helpline

All members will, in due course, have access to a helpline to help them understand their options



Lump sum

Members with small pots of up to £18,000 in total value entitled to cash lump sum

What pensioners will receive under the new scheme

- £ Same starting pension as original BHS scheme
- £ No 10% reduction
- £ No cap on annual benefits
- £ Back payments to 3 March 2016
- £ Annual increases on benefits built up prior to April 1997



Remain with current scheme

The former BHS pension schemes are in PPF assessment. Members will receive at least PPF benefit levels