



Compass Group Pension Plan chair of the trustee board and Capital Cranfield professional trustee, Philip Whittome



Standard Life, part of Phoenix Group, director of defined benefit solutions, Kieran Mistry

# Recipe for BPA success

✓ **Compass Group Pension Plan chair of the trustee board and Capital Cranfield professional trustee, Philip Whittome; and Standard Life, part of Phoenix Group, director of defined benefit solutions, Kieran Mistry, reveal the key ingredients needed to successfully tackle a complex BPA transaction**

**C**ongratulations to the trustee and Standard Life on your recent £1.5 billion bulk purchase annuity (BPA) transaction with the Compass Group Pension Plan. Could you start by telling us about the Compass Group and the Compass Group Pension Plan?

**Philip Whittome:** Compass Group PLC is a FTSE30 company and a global leader in food services. The Compass Group Pension Plan dates back to 1988 and it predominantly provides defined benefit pension benefits across 99 different membership categories that

have arisen over time due to the sponsor's acquisitive nature. The trustee board is made up of two professional trustees from Capital Cranfield, including myself, along with employer- and member-nominated trustee directors.

**Please tell us about the intricacies of the deal, the number of pension members/deferred members involved, and what this transaction means for them?**

**Whittome:** This was a complicated deal due to the multiple member classes involved, resulting from Compass Group's M&A history. The buy-in

transaction covered the majority of the plan's members, with over 14,000 pensioner members and over 11,000 deferred members. The trustee is confident that this buy-in transaction has enhanced the long-term security of our members' benefits and offers our members a strong experience from an administration perspective. This was important to the trustee and sponsor, given the benefit complexities involved.

**Kieran Mistry:** The plan came to market well-prepared with clear requirements. This meant that we could identify and deliver solutions that met the trustee and company's de-risking objectives. The entire process was smooth and efficient, with all parties working closely together to deliver a well-executed transaction.

**Why was Standard Life chosen by the Compass Group for the transaction?**

**Whittome:** We worked closely with the plan sponsor, Compass Group PLC, to agree on our combined objectives. Our priorities included ensuring the selected insurer would provide continued long-term security for our members' benefits and work closely with us to achieve our other transaction objectives. Having undertaken a competitive process to select our preferred insurer, and taken advice from our professional advisers, we were confident that Standard Life was the right partner.

**Which other parties were involved in the transaction?**

**Whittome:** The trustee's long-standing actuarial adviser is Mercer and this relationship expanded to bring in colleagues from the Mercer risk transfer team to lead the transaction and provide specialist strategic transaction advice to the trustee. Eversheds Sutherland is the trustee's legal adviser and Aon is an investment adviser. XPS is the plan administrator. The company's legal adviser is Freshfields and they received strategic and actuarial advice from LCP.

**Mistry:** All advisers play key, interconnected roles in the BPA process and it's crucial for all parties to work closely, collaboratively and with a clear understanding of objectives throughout a transaction. In this case, all parties maintained open communication throughout the process, with the Mercer risk transfer team being the glue that brought all the strands together to deliver a successful outcome for the plan.

#### How long did the process take from start to finish?

**Whittome:** The journey leading up to the approach to the bulk annuity market spanned a number of years, during which detailed preparation work was undertaken. The sponsor was supportive throughout, giving the trustee confidence in the timing of the approach and ensuring the plan was ready to transact from a funding and investment perspective, with the legal and administration aspects firmly in place. The period from initial approach to the market to signing the contract was around six months.

#### What were the challenges faced and how were those challenges met?

**Whittome:** We worked with our advisers to ensure that we were well prepared with clear objectives in place. This ensured that all aspects of the transaction process were smooth with no surprises – our mantra was “train hard, fight easy”. We also recognised that potential challenges could arise from competing for pricing slots with insurers. However, this was mitigated by working with the advisers and the plan sponsor to engage with the insurers at the earliest opportunity to demonstrate keen interest and keeping them informed through all stages. We were told by more than one of the insurers that this was the best-prepared process they had ever seen.

**Mistry:** We agree that the plan was very well prepared ahead of approaching the market transaction. We were

well-briefed, with a pre-transaction call involving key stakeholders on the trustee and sponsor side giving clarity on the preparation undertaken, timings for the various stages of the process, and expectations and objectives. This trailing of a material transaction meant we could line up resource to participate, understanding where focus would be needed to deliver a compelling package and put us in good stead for securing the partnership of the trustee. The preparation paid off, with a remarkably smooth process from start to finish.

#### What advice would you offer other schemes who are thinking of embarking on a similar journey?

**Whittome:** The success of this transaction can be attributed to robust planning, great teamwork and open communication with all parties. We would advise other trustees to focus their advisers' attention on these areas. As trustee, we are very proud of our close relationship with the plan sponsor and the entire process has been positive with open dialogue. This ensured each party understood each other's objectives and worked effectively towards a common goal. Alongside a collaborative approach with the sponsor, we advocate the importance of all professional advisers



working together as they move their client towards the final goal.

**Mistry:** For schemes approaching a BPA transaction, we always encourage early engagement and transparency throughout. Sharing clear objectives, timescales, and any non-standard asks upfront allows us to provide feedback while those aspects are finalised, providing a smoother process. Keeping non-standard asks to those that are truly important allows us to focus on maximising value. Finally, a collaborative approach ensures that any potential challenges are identified and addressed proactively and helps ensure the best outcome for the scheme and members.

#### Any final thoughts?

**Whittome:** The trustee would like to thank Standard Life for supporting us in the completion of the transaction. We are very conscious of the importance of this phase as just the first step in our journey and are confident that we are in excellent hands for the next stages on the post transaction and implementation phase.

Particular thanks need to go to the Compass pensions team who worked tirelessly to bring all parties together and keep the trustee board informed. A highly competent pensions manager is a crucial ingredient for success in any major scheme exercise and we have been very fortunate in having Jenny Haines, ably supported by Anne Morey.

**Mistry:** We are delighted that the trustee and sponsor have chosen to partner with us on the remainder of their de-risking journey. Transactions of this size and nature are fundamental to the strategy of our BPA business, and this particular transaction was identified as a priority early on due to the level of preparedness and clarity on the plan's requirements. We look forward to continuing to support the plan on its journey and provide lifelong security for its members.

**Written by Francesca Fabrizi**