

Streamlined Escrow for pensions

December 2020

Given the regulatory direction of travel and the current economic environment, alternatives to traditional cash funding are rapidly increasing in popularity. LCP has been working with BNY Mellon and Travers Smith to provide you with a cost-effective, time-efficient way to set up an escrow for your pension scheme.

1. Direct recourse to cash for trustees where needed

Cash is held separately from other assets of the sponsor, preventing third party creditors from accessing the funds

2. Helps prevent over-funding by sponsor

Reduces risk of trapped surplus on wind-up or other measures of over-funding

3. Helps bridge the gap between sponsor and trustee views on appropriate funding assumptions and investment strategy

The additional covenant support provided by the Escrow could enable the scheme to take more investment risk and help to reduce prudence in funding assumptions

4. Possible to make Pension Protection Fund (PPF) compliant

The Escrow could be structured so that it helps to reduce your PPF levy

5. Cash or gilts-based investment options

The Escrow is easily adapted, for example for use in the lead up to buy-in and/or to hold deferred premiums

6. No minimum / maximum contributions or limits on number of contributions / withdrawals

The Escrow is suitable for schemes of most sizes and funding levels

7. Certainty on fees

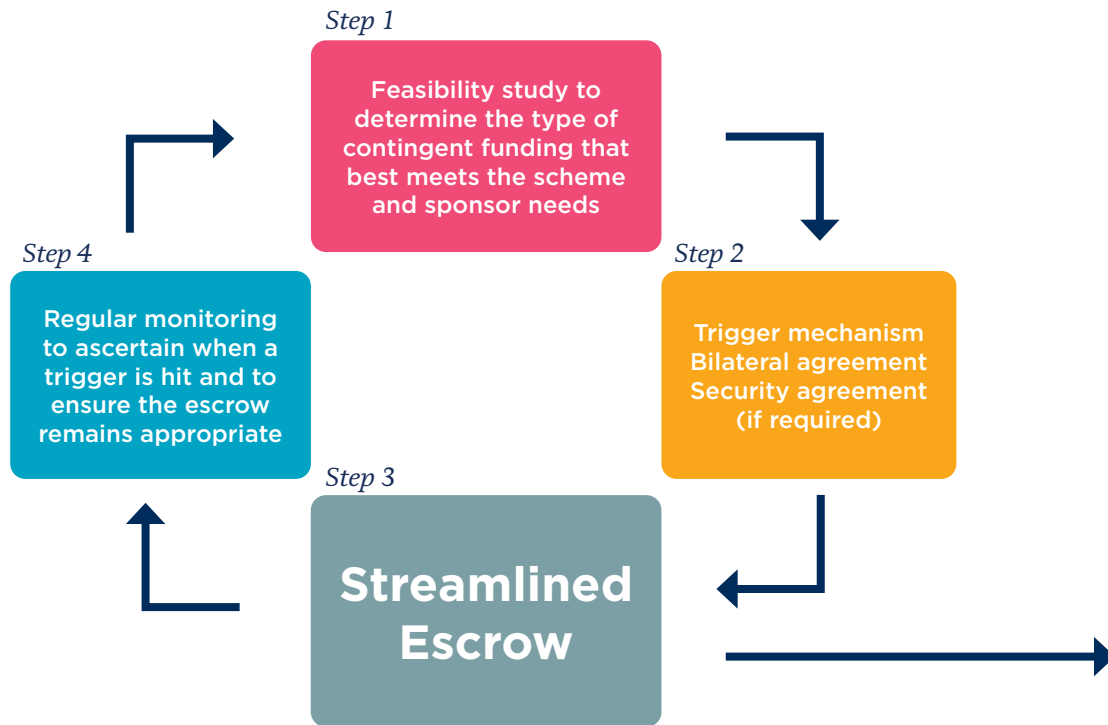
The one-off fixed fee includes all initial set-up costs, as well as important information from LCP and Travers Smith

8. Quick and efficient set-up

Pre-designed contracts help you get a competitive deal without lengthy negotiations needed to secure similar terms in the open market

9. Access to LCP's specialist contingent funding team

Providing a wealth of experience in alternatives to traditional cash funding



LCP and Travers Smith would be happy to help with steps 1,2 and 4 or you can use your existing actuarial and legal advisers.

The Streamlined Escrow fixed fee includes:

- General memorandum from Travers Smith on key terms of Escrow Agreement and tax implications
- Support in signing Escrow Agreement
- Opening of Escrow Account with BNY Mellon and first contribution transferred
- All set-up project management

Want to find out more?

If you would like further information, please contact your usual LCP adviser or one of the people below.



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