



# Pensions and Debt Advisory



## KPMG is strongly positioned to advise clients on:

- Using debt financing as part of an approach to help reduce pension costs and risks
- Unlocking pension restrictions on reshaping capital structures; and
- Communicating actions and benefits to key stakeholders.

## The market backdrop

### Pension landscape



- 2016 saw a sharp increase in deficits, driven by falling underlying yields
- Over 70% of UK schemes are currently in deficit - on 30th June 2017, the UK had an aggregate pension deficit of over £186bn (*source: Pension protection fund*)

**Prudent corporates should be targeting ways to manage/mitigate any sizeable deficits**

**Lender interaction is key and the debt markets may provide part of the solution**

### Debt market landscape



- Underlying benchmark rates remain attractive compared to historic levels
- Strong bond and bank market appetite
- UK lenders emphasising “business as usual”



### Key client issues raised

- Significant pension deficit and related cashflow pressure
- Concerned/difficult Pension Trustee
- Impact of PPF levy changes – would a credit rating be beneficial?



### Options to consider

- Debt funded deficit reduction
- Asset Backed Funding structure to extend recovery plan/reduce deficit
- Insurer buy in to manage balance sheet risk
- Movement from RPI to CPI
- PPF changes may be a unique chance to reduce levies



### How KPMG can help

- Review of financing options
- Execution of debt financing
- Lender management/communication
- Rating agency and wider stakeholder interaction
- Minimising pension costs and risk
- Negotiations with trustees
- Assessing the cost/benefit of a credit rating for levy purposes
- Liability management

Please get in touch if you have any questions;



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