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# Asset-backed contribution structures

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A properly structured asset-backed contribution arrangement provides benefits to both the employer and the trustees.

**Mark Atkinson**  
Head of ABC Transactions Group  
[mark.atkinson@cms-cmck.com](mailto:mark.atkinson@cms-cmck.com)



## Our resources and our experience of advising on asset-backed contribution arrangements mean we:

- have worked on many innovative structures involving a wide variety of assets
- offer a joined up service covering all relevant areas of advice, including Scots law
- help your project run smoothly and reach a cost effective conclusion.

## What we offer

### **Formation of the partnership**

An asset-backed contribution structure is usually in the form a Scottish Limited Partnership (SLP) and so its set up and operation requires Scots law advice. Our full service offices in Edinburgh, Glasgow and Aberdeen mean that we are able to provide seamless service on both English and Scots law. We are one of the few firms who offer this combined service. The use of our Scottish offices also ensures that we provide a value for money service.

### **The Pensions Regulator**

The Pensions Regulator has issued specific guidance on asset-backed contribution structures, setting out what it expects from trustees and how it will approach such structures. Both sponsors and trustees should be aware of the Regulator's approach. We have extensive experience of dealing with the Pensions Regulator, and have put asset-backed contribution arrangements in place since the guidance was issued.

### **Legal documentation**

There are a number of legal documents required to establish an effective asset-backed contribution structure, many of which are complex. It is important that your legal adviser is familiar with what is required. We have a library of legal documentation from transactions that we have successfully drafted and agreed from both sides. This allows us to produce and negotiate the documentation required for an asset-backed contribution transaction quickly and cost effectively.

### **Transaction process**

Asset-backed contribution structures are complicated transactions and it can take time for trustees to get comfortable with the concept, particularly when the transaction is linked to a scheme merger. Our experience means we can help trustees through the transaction process, providing support with plain English, concise advice on the transaction and negotiating all of the documentation. This ensures that the transaction proceeds as quickly and smoothly as possible, saving all parties both time and money.



The firm fields 'outstanding pensions lawyers',  
and takes a partner-led approach

Chambers & Partners

## Client credentials

- Advising on the use of an asset-backed contribution structure to facilitate the merger of two existing pension schemes. The asset in the structure was a loan note backed by property held in the sponsor's group.
- Acting in relation to both new and existing property asset-backed structures for the Sainsbury's Pension Scheme.
- Advising the trustees of pension schemes in the TUI Group on an asset-backed contribution structure making use of the Thomson and First Choice brands, which also included the merger of a number of schemes.
- Advising an employer on the implementation of an asset-backed contribution structure where the assets were financial collateral.
- Advising the trustees of the Taylor Wimpey Pension Scheme on the merger of two existing schemes, facilitated by the creation of a ground breaking pension funding vehicle, secured by an interest in a rolling portfolio made up of hundreds of the group's show homes.
- Advising a worldwide manufacturing conglomerate on the merger of three of its UK pension schemes supported by an intellectual property asset-backed contribution structure.

### Key issues for trustees

- Is it better than the alternatives?
- Employer related investment.
- Valuation of investment and underlying assets.
- Contractual terms, particularly on termination.
- Change of law protection.

### Key issues for employers

- Availability of underlying assets.
- Accounting and tax treatment.
- Compliance with banking covenants.
- Contractual terms, including ability to stop income flow.
- Cost – benefit analysis.



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CMS Cameron McKenna LLP  
Mitre House  
160 Aldersgate Street  
London EC1A 4DD

T +44 (0)20 7367 3000  
F +44 (0)20 7367 2000

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