Vidett
trustee governance experts
case study

Effective transition:
a smooth landing to wind-up

The background

2015 — Our story starts back in 2015, when we were appointed chair of trustees to the **Air Canada (UK) Pension Trust Fund**, entrusted with looking after approximately £400m in assets for its 1,400 members.

2021 — After **transitioning to sole trustee** in April, we helped de-risk the defined benefit scheme; **achieving a buy-in** with PIC in December.

2024 — Going through the usual buy-in processes, we **successfully completed its buy-out** in December.

2025 — We locked in our chosen final destination: **winding up the Scheme** in June.

The importance of planning early

- **Don't just wing it!** As with any journey, it really helps to know where you're heading, and how to get there.
- **Getting our plan in place early** was imperative and part of our longer-term project plan from the initial buy-in.
- **Focussing on the remaining buy-out and wind-up actions** enabled us to ensure that remaining projects, including communications and dealing with Additional Voluntary Contributions, could run concurrently, alongside other processes related to Guaranteed Minimum Pension equalisation of historic transfers, preparing final accounts and drafting the Deed of Termination.

As with any journey, it's not uncommon to encounter the occasional turbulence, so this case study disects the challenges we faced, and overcame, to navigate a smooth landing to wind-up.

James Duggan - Sole trustee

AIR CANADA

Surplus considerations

The practicalities of dealing with a surplus are not always straight forward, they can feel circular and repetitive, so always remember:

Give yourself time

If you're looking to pay run-off insurance out of the surplus, it may be beneficial to **consider innovative solutions** to buy you more time from receiving the premium to when wind-up is completed – you don't know your final surplus until you know the premium for the insurance. Ensure you factor in any adviser fees, so there's **no surprise costs** chipping away at the surplus you thought you had.

Knowledge is key

An experienced trustee knows the costs and things to look out for! Realising you've missed something after you've paid tax or returned your surplus can cause severe complications for accounts and awkward conversations with sponsors. Consider the timing of disinvesting your assets into your project plan, to avoid them sitting in your bank account for too long, as it could lead to more interest building up.

Don't forget about your bank account's interest

A sizeable surplus won't take long to build up meaningful amounts of interest that will ultimately add to the surplus. **Early engagement with your auditor is essential** to understand what transactions they are comfortable being completed after wind-up, if any. In this case, we dealt with a small amount of interest by Air Canada agreeing with our administrator to donate it to charity.

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The runway to run-off

Due to circular considerations mentioned earlier with the surplus, there were numerous insurance obstacles faced, that we expertly navigated the scheme through:

30 days

Time is ticking

Under usual run-off insurance terms, sometimes you get up to 60 days (if you're lucky) to complete the wind-up from the date you obtain the quote from the insurer. In this case, we were intially informed we'd have just 30 days to complete...

Surplus

No surplus plus

A scheme with no surplus can bypass potential cashflow issues, meaning it can obtain a quote a few days before it expects to sign off the final accounts etc. This wasn't the case with Air Canada. **Paying from scheme assets** meant we needed to know the amount of the premium to allow within the final Trustee Report & Accounts (TR&A) and surplus calculations. Trying to align this with the receipt and payment of an invoice, whilst any surplus was calculated and paid before a quarter end – as well as needing to submit the Accounting for Tax (AFT) return, signing the TR&A and Deed of Termination **within the 30-day period is practically an impossible task to land**.

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How we negotiated

We strategically requested and obtained interim cover for a **6-month period at minimal cost**; providing the Trustee with a notional level of ongoing cover that could eventually be converted to a normal run-off cover at the point of wind-up or any point during the interim period. It's at that point the traditional run-off cover would start under the agreed terms.

This approach provided us with the flexibility to make the payment for the run-off cover (less the small amount that needs to be paid by the Company) out of the Fund with enough time to calculate the surplus, pay the tax charge, finalise the TR&A and wind-up the Fund: **a success we were absolutely thrilled to achieve**.

The outcome: a wonderful wind-up

Submitting an AFT to HMRC usually needs to be done after the quarter end. Our project plan and experience meant through a contact at HMRC, we were able to make the authorised surplus tax charge considerably earlier, by notifying HMRC of the total surplus within the Fund, along with the relevant tax charge (25% of the total surplus). HMRC put these into a letter confirming the amount of the surplus and tax charge; providing a reference number to use when making payment.

They also provided a draft letter of offer for the Fund to send back for their records, notifying them of when they could expect payment. The tax charge could then be paid with HMRC tying up the reference within the same quarter (as opposed to the usual requirement of waiting until after the end of the previous quarter). This **reduced timescales** and ultimately **reduced costs leading** to a **better outcome** for the Scheme.

> "I was delighted with the way the Vidett team handled the buy-in, buy-out and wind-up of the Fund. There were some challenges that we met along the way but we had a really good relationship, they kept me updated with progress, highlighted the key issues, together with solutions, quickly and efficiently, and were enjoyable to work with. I am really pleased that we have been able to secure our UK employees' benefits with an insurer and within the objectives that I set the Vidett team at the outset. The project has been handled well throughout, and I appreciate the work and dedication to get us to this fantastic result."
>
> Nathalie Henderson, Air Canada

Contact the team

If you'd like to learn more about how Vidett can benefit your scheme, get in touch with the team:

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