first actuarial

Case Study



First Actuarial helps Amusement Equipment wind up its small Defined Benefit Scheme

Amusement Equipment's Defined Benefit Scheme was costly to run, with unknown liabilities that worried its directors. The company struggled to find a specialist adviser prepared to help wind up its small Scheme.

Key outcomes



First Actuarial frees up the company from the costs and liabilities of the Scheme



Amusement Equipment does right by its employees – securing their benefits



The specialist expertise and fixed-fee approach of First Actuarial give peace of mind

The challenge | Finding the right adviser to wind up a small Scheme

Amusement Equipment, a small family-run business, set up its Defined Benefit pension scheme in the 1960s. By the late 1990s, however, costs and liabilities were escalating to worrying levels. Although the Scheme was now closed to new entrants, the problems had not gone away.

John Bollom, Managing Director of Amusement Equipment, was preparing to hand over the business to his sons, and was anxious not to weigh them down with open-ended liabilities. "We had few active members left, but the liabilities were unknown, and professional fees were becoming greater than the Scheme's income," says John. "The company was making provisions and payments every year, but it was like a black hole."

John had known for some years that winding up the Scheme was the only solution. However he had struggled to find a specialist adviser prepared to help the company wind up such a small Scheme. "They were used to administering much larger schemes," he says.

The solution | First Actuarial supports the wind-up on a fixed-fee basis

John had a meeting with a First Actuarial consultant to establish whether the Scheme wind-up was feasible. First Actuarial then produced a plan with estimated costs, and Amusement Equipment agreed to proceed on that basis. "The consultant was excellent," says John. "He really understood the issues and guided us through the processes involved."

Putting the Scheme in order

Before work could proceed on the wind-up, First Actuarial set about putting the Scheme in order – updating documentation, preparing final accounts and carrying out the actuarial valuation. "First Actuarial brought everything up to date at a reasonable cost," says John.

Communicating with Scheme members

First Actuarial and Amusement Equipment planned the communications across the Scheme membership. “With a small Scheme such as ours, we could communicate with each member individually,” says John.

First Actuarial drafted clear and accurate communications to all members – including insured pensioners – informing them of the wind-up, then dealing with each member’s Scheme benefits. The communications made it clear what actions were required at every step. “This was beyond my level of expertise,” says John. “You need a specialist to make sure everything is accurate and compliant.”

Winding up the Scheme

First Actuarial liaised with the insurance company to meet Amusement Equipment’s requirements, and advertised to make sure there were no additional members.

Once member communications were complete and the benefits of the last member secured, First Actuarial notified statutory authorities such as The Pensions Regulator and the Pension Protection Fund. They also worked with HMRC to close the Scheme’s PAYE account. Finally, the First Actuarial consultant provided a certificate to confirm that the Scheme had no outstanding assets or liabilities.

Throughout the wind-up process, First Actuarial provided Amusement Equipment with legal support, working with a specialist lawyer to get deeds drafted cost-effectively. “This was a real cost saving for us,” says John. “It would have been very expensive for a specialist lawyer to do it all independently.”

Providing fixed fees and close support throughout the process

For small companies like Amusement Equipment going through an unfamiliar process, fee certainty is crucial. First Actuarial worked on a fixed-fee basis, while supporting the company closely at every stage. “We had regular conference calls,” says John. “In such a specialist area, it’s hard to know what to do and in what order, but First Actuarial guided us through it all.”

The outcome | Removing the burden in the right way

Lifting away the burden of running the Scheme

Amusement Equipment is now free of the burden of running the Scheme. “It’s a weight off our shoulders,” he says. “The time we were spending spent and the cost of advisers were out of all proportion to the size of the Scheme. But First Actuarial helped us draw a line under it. Clearing it off our company accounts and removing the liability was a huge relief to me and my sons.”

Doing right by former employees

John and his family feel a strong sense of loyalty to their Scheme members. “I knew most of them personally,” says John, “and we told every adviser how important it was to provide their benefits in full.”

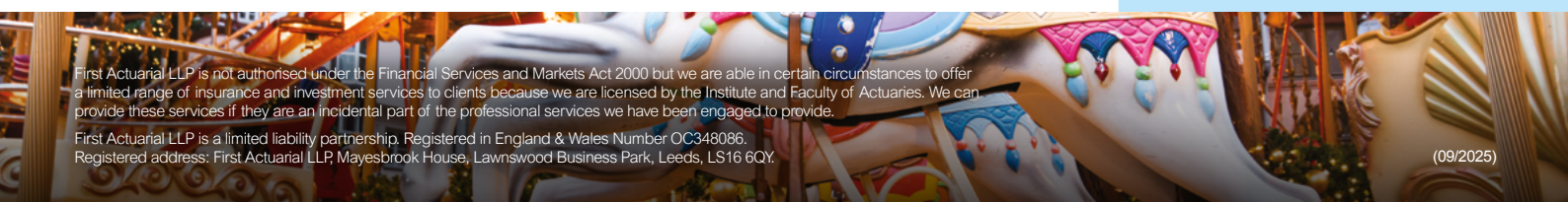
In some cases, transfer values were enhanced to secure the equivalent benefits of the Scheme. “All members took financial advice, and we haven’t had one complaint or query,” says John. “They’re obviously happy with what they’ve got, and that really matters to us.”

Peace of mind throughout the process and beyond

First Actuarial’s fixed fees gave Amusement Equipment peace of mind. “There was just one task that proved too technical for our financial adviser, so we asked First Actuarial to do it,” says John. “That was the only additional cost, and it was a reasonable fee.”

With the pension scheme wound up by a specialist adviser, John and Amusement Equipment feel reassured that everything was done correctly. “We’re confident that every area has been covered, and that we won’t get bitten later on,” says John.

> *“First Actuarial delivered the outcome we wanted. Everyone is satisfied – both Employer and beneficiaries. Without First Actuarial, the pain of running the Scheme could have continued for years to come. Few actuarial advisers are interested in small schemes like ours, so we struggled for years trying to find someone to help us. However we finally got what we wanted from First Actuarial. To any company in the same situation, I would recommend them without hesitation.”*
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> John Bollom, Managing Director, Amusement Equipment



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Registered address: First Actuarial LLP, Mayesbrook House, Lawnswood Business Park, Leeds, LS16 6QY.

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