

PENSIONS FUNDING ADVISOR

Bringing you the latest pensions funding news...

Funding Barometer

Pensions & balance sheet volatility

Pension Protection Fund, the "7800 Index"

The aggregate (buy-out) funding position of funds in the PPF7800 Index (predominantly private sector) has worsened for the second consecutive month. Total scheme assets increased 0.4% in August, whilst scheme liabilities were up 3.6% in the period.

Aon Consulting

In contrast to the above, (FRS17 accounting) scheme deficits of the largest 200 UK pension funds fell during August thanks primarily to rising bond yields and corporate bond spreads, figures from Aon Consulting show. Most schemes continue to avoid locking into favourable accounting positions.

Working Relations

Pensions & employee / employer interactions

Unite / Private Equity

Employees should be given the same power as pension trustees to block 'unfair' private equity deals, trade union Unite claims. Speaking at the Trades Union Congress deputy general secretary Jack Dromey said, "our members must be offered protection".

BAA

Airport operator BAA has announced plans to close its £1.5bn defined benefit scheme to new members. BAA will offer new recruits access to a defined contribution plan in its place. The decision sparked criticism from trade union Unite who said the move was unacceptable. BAA said it made the decision to protect itself and its pensioners from stock market volatility.

Rosyth Dockyard

Strikes over pension changes at Rosyth dockyard have been called off following a new offer from employers. The dispute began when employees were informed of employer Babcock International's imposition of an increase in employee contributions from 1.5% to 6%.

We welcome your feedback; please do contact us with any comments or queries - 020 7812 7355.

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Black Hole Observatory

How some companies are tackling pensions risks

PZ Cussons

Cussons, best known for its Imperial Leather and Charles Worthington ranges, plans to close its final salary pension scheme to new and existing members. The scheme has a deficit of £8.3m and the company was under pressure from shareholders to "protect itself from rising costs".

Rank

Gaming group Rank is reported to be selling its £700m pension scheme. Rank's scheme has been closed to new entrants since 2000 and of the c.20,000 members, less than 1000 are active. The company's interim results show contributions totalling £35m over the next three years.

AGA

AGA, the upmarket British oven maker, has become the latest public company to consider selling its £792m pension fund. The scheme has a £70m+ surplus on an IAS19 accounting basis. The fund currently has about 40% in equities.

Regulatory News

The pensions legal & regulatory context

Mercer

Mercer has launched a pan-European defined contribution pension scheme allowing multi-national firms to put all their employees in one plan. The offering potentially gives companies economies of scale, simplified administration and consistent management information across the continent - though each national regulator and tax authority has had to approve the offshore plan.

The Pensions Regulator (TPR)

TPR has provided further clarification of how it will use its powers in corporate events such as M&A, via draft guidelines published for consultation. Advisors' initial views have been mixed, from "...more difficult to do business", and "...more uncertainty" to "helpful". TPR also confirmed that Clearance for Type A events has only ever been rejected 3 times out of over 500 submitted.

Actuary Tribunal

Trustees of the former Scottish engineering firm Blyth & Blyth brought legal action against actuary David Kershaw, his employer Buck Consultants, and three former directors. Blyth & Blyth's final salary scheme was found to have a £6m deficit in 2002 - a significant factor in the company going into receivership in January 2003.