

PENSIONS FUNDING ADVISOR

Bringing you the latest pensions funding news...

Funding Barometer

Pensions & balance sheet volatility

Pension Protection Fund, the "7800 Index"

The PPF 7800 Solvency Index for September reveals the aggregate funding of almost 7800 schemes increased from a surplus of £27bn in August to £44bn (on liabilities of roughly £800bn). Total scheme assets rose 2.2% and liabilities were up by 0.1% over the month.

Mercer

According to figures from Mercer, FTSE 350 pension schemes remain relatively well funded. The FTSE 350 schemes have an aggregate funding level of 98% and a corresponding IAS19 deficit of £9bn. Mercer noted that the volatility experienced over the past quarter highlights the risk to scheme sponsors and members alike.

Working Relations

Pensions & employee / employer interactions

Siemens

Union members at electronics giant Siemens have voted for a strike ballot over plans to close the firm's final salary pension schemes to existing members. Over the last five years Siemens has closed its eight final salary schemes to new entrants, increased employee contributions and reduced pension accrual rates.

Royal Mail

Royal Mail has agreed a number of pension scheme benefit changes with 12,000 managers who are existing DB scheme members. Until April 2008 pensions benefits will continue to accrue on a final salary basis before moving to a career average salary basis thereafter; retirement age will rise to 65. Unite welcomed the deal, whilst the Communication Workers' Union opposed it.

Watson Wyatt

Interestingly, Royal Mail's actuaries Watson Wyatt also proposed to replace future final salary benefits with a similar career average package for its staff. Watson Wyatt said that the move would create a better balance between existing members and those who have joined a money purchase arrangement since the scheme was closed in 2002. The changes would also see the retirement age raised from 60 to 65.

Black Hole Observatory

How some companies are tackling pensions risks

Citizens Advice Bureau (CAB)

The CAB is to close its final salary scheme after the adoption of new mortality rates; these have led to the deficit doubling to £25m.

EMI

A row over contributions and solvency is breaking out between the EMI scheme trustees and the company's new owner, Terra Firma. It's believed to be the first high profile "war of the assumptions" – The Pensions Regulator has now been brought in as referee.

J Sainsbury

The £3.4bn J Sainsbury pension fund recently announced that in order to reduce its risk profile it is to buy more bonds. The move is not thought to be directly linked to the current company bid from Delta Two, the Qatari investors, the success of which is still likely to be heavily dependant on negotiations with the pension trustees.

Pensions Week Survey

Figures from a Pensions Week poll showed 69% of pension funds felt splitting risks more evenly between employers and employees was a credible way of preserving future benefits. The Association of Consulting Actuaries is in the vanguard of the crusade to overturn existing legislation so that risk-sharing can work.

Regulatory News

The pensions legal & regulatory context

Confederation of British Industry (CBI)

A study carried out by the CBI and Watson Wyatt found more than half of firms felt the increasing contributions they were making to DB schemes were harming profits and competitiveness. One in six employers said jobs had been cut to help cover pensions costs.

The Pensions Regulator (TPR)

The Pensions Regulator has said that trustees and their advisors are taking a more professional approach to recovery plans which have now halved to 7.5 years. However, TPR said that they would be keeping a careful watch on plans that seemed "too good to be true".

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

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