

VALIANCE

Issue 4

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 schemes in the PPF7800 Index (predominantly private sector) slipped sharply into deficit during November, for the first time since a year ago. The fall from a surplus of £53bn the previous month to a £5bn deficit reflects falls in gilt yields and equity markets. These movements and impacts demonstrate the continuing risk exposures and resulting scheme solvency and corporate balance sheet volatility.

Working Relations

Pensions & employee / employer interactions

Herald Group

Talks are being held between management at the Herald group of newspapers and the National Union of Journalists (NUJ) in an attempt to avert a possible dispute over pension contributions. The publishing company is seeking increased contributions from staff to match that from the company. NUJ members voted unanimously to ballot for industrial action should management insist on staff contributions having to increase.

Private Equity Rules

Sir David Walker's private equity disclosure rules, aimed at making the industry more transparent, have been described as "woolly" and met with a broadly sceptical response from pensions industry representatives. Furthermore union Unite stated it was worried that the report would merely serve as a diversion away from the key issues in the private equity debate.

Black Hole Observatory

How some companies are tackling pensions risks

Philips

The £2.3bn Philips Final Salary Plan is now fully funded following a £400m cash injection from the company and the adoption of a liability-driven investment strategy. According to industry sources the UK arm of the Philips Pension Fund is now considering hiring a fiduciary manager.

KPMG

Growth in the number of managers offering "off-the-shelf" liability driven investment solutions could reduce scheme closures, KPMG claims. In its latest review KPMG says LDI investment strategies are "now a viable option" for companies wanting to reduce the impact of pensions on the business without going to a full buyout.

Contingent Assets

A snapshot poll of delegates at this year's Pensions Show revealed that more than 90% of scheme managers and trustees believe the use of contingent assets will increase in the next three years. However, 73% believe the funding regime is too complex.

Regulatory News

The pensions legal & regulatory context

Telent

Trustees of the £3bn pension scheme of UK telecoms company Telent are to insist on maintaining control of the Fund's investments in negotiations with Edmund Truell's Pension Corporation, which has bought their company. Three independent trustees (Law Debenture, Burges Salmon and Bridge Trustees) were appointed recently following a determination notice issued by the Pensions Regulator. Their term expires in April 2008, after which control may then revert back to the fund's original trustee Stanhope Pension.

Pension Protection Fund (PPF)

The PPF recently announced reforms to the levy calculations which included raising the funding level at which schemes pay no risk-based levy, from 125% to 140%. KPMG claims that the move is bad news for companies with well-funded pension schemes, as the PPF has raised the bar both for paying a reduced levy and paying no levy at all. Punter Southall reaffirms this saying that the hardest hit schemes will be those in surplus. The NAPF added that while the attempts to stabilise the three-year levy were positive, there are some concerns about fairness to well-funded schemes.


Whistle-blowers

Up to 50 whistle-blowing cases are reported to the Pensions Regulator each month by trustees concerned about the activity of their schemes. The regulator hopes to extend the trustee toolkit to smaller pension schemes in a bid to improve governance.

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

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