

## PENSIONS FUNDING ADVISOR

Bringing you the latest pensions funding news...

### Funding Barometer

Pensions & balance sheet volatility

#### Pension Capital Strategies (PCS)

Analysis published by PCS shows that 20 of the FTSE100 companies' pension schemes are now reporting an irrecoverable surplus worth a total of £2.4bn, an increase of 150% in the last 12 months. It is thought that this could represent wasted company contributions or reflect an investment strategy which is too risky.

#### Aon200 Index

An aggregate deficit of £30bn is recorded at the end of June by the Aon200 Index. Falling equity markets were largely blamed for the fall in solvency levels over the month, although these had been slightly offset by rising bond yields.

#### Association of British Insurers (ABI)

According to a research paper released by ABI, UK pension funds are nearly three times as likely to go bust if their parent company is less creditworthy. This illustrates why pensions trustees often make punitive payment demands of heavily-indebted buyers acquiring companies.

### Working Relations

Pensions & employee / employer interactions

#### BAA

Airport strikes have been averted as unions agreed terms of a new pensions deal with operator BAA. Earlier in the year BAA announced it wanted to close its DB pension scheme to new staff.

#### RMT

Delegates at the annual RMT transport workers' union conference threatened a national strike on the railway if unsatisfactory pension changes occurred. The Rail Pensions Scheme is currently under review by an Independent Commission.

**We welcome your feedback;** please do contact us with any comments or queries - 020 7092 6730.

Disclaimer - these feeds are sourced from independent third parties; including Pensions Week, Professional Pensions, PA News, FT, NAPF, efinancialnews.com, IPE.com, Reuters and a wide variety of other sources. Valiance Limited is not responsible or liable for their contents.

### Black Hole Observatory

How some companies are tackling pensions risks

#### Pensions Corporation / L&G

Buyout deals have increased seven-fold and will be worth £10bn this year according to both Pensions Corporation and L&G. Growth is attributed to proposed regulatory and legislative changes, increased competition between insurers, investment market volatility and pressures on senior management.

#### Deloitte

A report issued by Deloitte states that 66% of trustees asked were not actively considering their approach to final settlement of their scheme's liabilities; whilst 55% were convinced the liabilities would be settled through normal benefit outgo.

#### Professional Pensions

However, asked a broader question by Professional Pensions, more than two-thirds of scheme managers believe buyout, partial buyout, buy-in or other similar risk reduction products will become mainstream strategies for schemes over the next five years. 11% disagreed and roughly one in five remained unsure.

#### SEI

According to a survey by SEI, four out of five pension schemes would not be willing to take on more active risk, preferring to concentrate instead on reducing volatility. Among global companies the report found that 35% of schemes would like to move away from equities given current market conditions.

### Regulatory News

The pensions legal & regulatory context

#### Life Trust Insurance (LTI)

Rising inflation and longevity could result in the cost of retirement for the average UK household reaching £1m. LTI issued the forecast, which showed that the current cost, based on retirement at 65, is £413,000.

#### National Association of Pension Funds (NAPF)

The NAPF claims that pension schemes will be hit with large fees unless the Pensions Bill is amended. Currently more than 80% of FTSE100 firms base contributions on the whole basic salary, whereas the Bill proposes using specific 'qualifying earnings'. For these employers to amend their scheme's definition of pensionable pay in line with the Bill's definition would require up to £100,000 in legal, actuarial, communication and negotiation fees.