

PENSIONS FUNDING ADVISOR

Bringing you the latest pensions funding news...

Funding Barometer

Pensions & balance sheet volatility

Pension Capital Strategies (PCS) / FTSE100

Risk management firm PCS suggests that the pension liabilities of the top 100 London-listed companies could be underestimated by as much as £40bn. PCS states that longevity assumptions need to be increased "by about one to three years" to be accurate.

Buyout Prices / Paternoster

Bulk annuity buyout specialist Paternoster believes that increased competition is leading some firms to quote "uneconomic" prices. Bulk annuity market pricing is now believed to be substantially below the commonly accepted price of 130% of FRS17 liability levels.

Working Relations

Pensions & employee / employer interactions

J Sainsbury

Qatari-backed investment fund Delta Two has terminated its takeover bid citing market turmoil and concerns over pension fund demands. Unite, Britain's largest union, had previously urged the board to block any bid by Delta Two, citing concerns over the pension scheme.

Midland Mainline / Silverlink

Industrial action has taken place at two train operating companies in disputes over pensions. Trade Union Aslef said past agreements made by Silverlink, in relation to the calculation of pensionable pay, had not been honoured. A total of six strikes are planned unless the dispute is resolved.

Prysmain Cables (formally Pirelli)

Workers at a North Wales plant are prepared to take industrial action to protect their pensions. The company wants to close the final salary defined benefit scheme and change it to a less generous defined contribution scheme. The union Unite has a mandate to ballot the scheme membership if discussions with the company fail.

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

British Airways (BA)

BA's latest interim results reveal that pre-tax profits were heavily reduced by a £560m payment into the £6.5bn defined benefit pension scheme. This payment was scheduled after a deal with union representatives to make a top-up contribution to the fund.

Marks & Spencer (M&S)

M&S has turned a pensions shortfall of more than £1bn into a £127m surplus (by IAS19 standards), after altering benefits and forming an innovative property partnership to give the pension fund a steady income. M&S said its changes to pensions – including asking scheme members to either increase their contributions or accept limitations to benefits – had saved the company £95m so far. The scheme remains open to existing members but closed to new joiners in 2001. The M&S fund has also been boosted by rising inflation and bond yields.

Cable & Wireless (C&W)

C&W is expected to publish plans for a full demerger of its British and international businesses within six months. A sale would undoubtedly raise interest from private equity players although analysts will seek news of progress on talks to offload its £2bn pension fund. This could help clear the way for a demerger but is likely to be highly complicated.

Regulatory News

The pensions legal & regulatory context

NAPF

The National Association of Pension Funds (NAPF) has called on the industry to replace the current ten Myners Principles with six high level principles. Based on a year long consultation with the pensions industry, the NAPF found overall trusteeship standards had improved.

Telent / Pension Corporation

Pensions buyout venture company, Pension Corporation, has threatened to abandon its bid for telecoms group Telent and its £3bn pension fund. The Pensions Regulator earlier took the unprecedented step of appointing three independent trustees to the board of the fund to safeguard members' interests. The Pension Corporation has demanded that the newly appointed trustees be removed from the scheme in order for its bid to continue and has set a three week deadline for their removal.