ALL OUR FUTURES

The speed with which the world can change continues to amaze me. Six months ago the potential for a severe economic decline was a worry, not a real threat, and world terrorism was a concept, not a reality. Closer to home, who would have believed in the ability of famous name companies to be brought so low so quickly – Marconi, Railtrack, British Airways and others. The future has by nature always been uncertain but seems to have become more so, and as we look forward to the New Year many of our readers must be wondering about their own fortunes and financial security.

TREASURERS AND PENSIONS. It is perhaps therefore apposite that the Association has been focusing on pensions and the treasurers' input into the management of his company's pension fund. Last month we launched our latest Business of Finance Book *Pension Schemes – Controlling the Corporate Risk* edited by Caroline Bradley. Twenty nine authors combined to write the book which was sponsored by Law Debenture. At the sponsor's reception for the book's launch, Christopher Duffett described it as containing material that many had long felt to be highly relevant, but which has never before been presented in a comprehensive framework inside one cover. This is surprising, because for so many people their pensions will define their future by proscribing their financial flexibility.

Treasurers must be active in the pensions debate. The article by John Ralfe on page ** continues a debate about the nature of risk in a pension fund which has been running, and will continue to run, for a long while in many professional and academic journals. But academic analysis has to be tempered by practical considerations. If every company running a pension fund, and all individuals in their personal pension arrangements, shunned equities for the reasons laid out by John Ralfe, the UK bond market would clearly be unable to cope. Although in principle overseas bonds could be used as assets in a pension fund, with appropriate swaps to protect against currency risk, this is certainly too sophisticated for the average individual investor. Companies could undertake massive share buyback programmes, perhaps approximately doubling the average gearing of UK companies, funded by a huge issue of bonds. But this does not really cure the problem since it leaves a much more risky equity rump that would be less attractive to institutional investors and the investing public. The bonds themselves would of course become more risky because of the reduction in their underlying equity bases.

The idea of a separate pool of assets to secure pension fund liabilities grew out of the realisation that relying on internally generated cash to meet future pension liabilities meant that, should the company fail, their pensioners could be left with nothing. Risk diversification meant that instead of pensioners relying on the economic viability of the future of one company, they could in turn rely on the viability of many companies via their fund's pool of equity investments.

Risk in our future is a problem for all of us. Clever financial engineering can squeeze it from one place to another; from pensions to insurance products or to our own retail equity portfolios if pension fund managers, *en masse*, desert the equity market. Ultimately, for all of us in the UK market, and indeed globally, risk has to be managed not through clever financial instruments but by prudent, well-judged management decisions on the use of material and human resources to meet our customers' needs.

Where our customers are our future pensioners, treasurers have an important role to play in helping to guide their companies in making proper provision for all our futures.

OCEAN HOUSE NEWS. My predecessor, Jeremy Wagener, struck an excellent deal when moving the ACT offices into Ocean House – the lease for the first five years of its ten year term was fixed at £12.00 per square foot. However, all good things come to an end and we are now negotiating the lease rate for the second five years with out landord. We hope to reach agreement, but we expect our annual costs over the next five years to be at least £150,000 greater as a result of the strong rise in the property market in the last few years.

Dedication to their duties from our staff is always admirable, but occasionally it inspires awe. Melissa Fisher, who is PA to Ria Robinson our Company Secretary, worked until 9:15 on Friday evening, which was her planned maternity leave start date. At 8:30 the following morning, 27 October, she went into labour and gave birth to a boy, Robert Roman that evening. Our warmest congratulations go to mother and son who are both doing well. Tas Alam will be providing cover for the next six months. **DAVID CREED**

ANDY PRINDL AWARDED

Andy Prindl, one of the 'founding fathers' and a former President of the Association, has been awarded the Companion of the British Empire in recognition of his services to the financial services sector.

Andy insists that "this was certainly due to my work in education, training and development…nobody would give me a CBE for my banking skills." He feels that his work for the Association was a major part of his recognition.

All of us at the Association are delighted that his efforts have been acknowledged.

Andy Prindl is presented with his CBE by Ruth Kelly MP, Economic Secretary to the Treasury.