Pension schemes put risk reduction at top of agenda

Pension scheme trustees and sponsors have made de-risking a top priority, according to a poll of 100 pension scheme representatives conducted by Mercer.

The consultancy group reports that 88% of those polled said that removing risk from their pension scheme was a priority, and 85% said that the scheme sponsors also regarded it as a priority.

Asked if their scheme's current trustee governance structure could implement a de-risking investment strategy, 53% said they were "getting there", but only 12% had a framework in place to do; 28% thought their processes could be better, while 7% felt they needed significant help.

Bruce Rigby, Mercer's chief retirement strategist, said: "De-risking is a high priority but trustees – already overloaded with substantial responsibilities – are struggling to do it on their own. There are a range of de-risking options available but each scheme should consider all the alternatives."

Atradius opens up trade credit tap

Trade credit insurer Atradius has promised to ease the shortage of cover by making extra capacity available to 13,000 businesses in the UK following an underwriting review.

However, most of the additional cover will be offered to existing clients and less than 10% to new clients. Some insurance will be offered to companies that have had cover completely withdrawn since the onset of the financial crisis. The insurer said its move could help create up to £1bn in additional trade.

Atradius added that small and medium-sized business would benefit most from the additional cover and that the construction and engineering sectors were likely to enjoy the biggest improvement.

However, the insurer is not allocating any extra capacity to risks in the retail sector, where it expects the difficult trading conditions to persist into the first quarter of 2010.

The group added that its more relaxed underwriting stance was due largely to companies' greater willingness to provide information rather than to any improvement in the economic outlook.

Hedge fund start-ups hit the highs again

The revival in hedge fund startups has received another boost with the launch of Tyrus Capital.

Tyrus, which last month became the biggest new fund launched so far in 2009, raised an initial $800m from investors and is expected to add a further $300m before year-end.

The number and size of new hedge funds has grown steadily this year, following a lull in the wake of the demise of Lehman Brothers. According to Hedge Fund Research, 182 new funds launched in the second quarter of 2009 against a low of 148 in the first quarter.

Other notable launches over recent months include Theleme Partners, set up by Patrick Degorce, co-founder of the Children's Investment Fund with around $200m under management, and Pia Capital, founded by former Moore Capital trader Christopher Pia, with $300m.

While such figures were common during the boom period, the typical startup amount earlier this year was nearer $50m.

More recently, RWC Partners' Absolute Alpha fund, which launched in early October, attracted $350m in funding and expects to add a further $200m. ■

Annual Dinner raises £30k for charity

The ACT annual dinner has raised over £30,000 for charity. The bulk of the sum goes to WellChild, which helps sick children and their families across the UK, and 10% goes to the ACT Educational Trust to increase the number of bursaries that can be offered.

WellChild was introduced to a packed audience of treasurers, bankers and their guests by Duncan Bannatyne, a supporter of the charity and an entrepreneur best known for his appearances as one of the dragons in the BBC TV investment show Dragons' Den.

The dinner also heard from ACT president Gerry Bacon and Vince Cable, the Lib Dem shadow chancellor of the exchequer. See page 12 for more.

Late payments throw up mixed message

Two recent reports offer conflicting evidence on whether the continuing recession is aggravating the problem of late payments.

According to credit report firm Experian, September showed the sharpest month-on-month improvement in business payment trends since December 2007. It reported that UK businesses typically were 21.54 days late in paying their bills in September, compared with 23.60 days in August.

Joe Myers, head of commercial credit at Experian's business information division, said: "There are a number of factors contributing to the vast improvement in payment performance among businesses. The prompt payer register is one factor that supports and encourages prompt payment and ethical business practice. This could be early evidence that the initiative is working.

"Payment performance is a key indicator of a business's cashflow. If payment within agreed terms is favourable, this information is used to support credit scores and limits. Businesses need to be aware that a history of slow payment will have a detrimental effect on their credit score and ultimately the amount of credit available to them."

Experian's monthly index shows the South East and Greater London regions with the biggest year-on-year and month-on-month improvements in payment performance during September. However, Greater London was also the region with the second-worst late payment record, with an average of 24.47 days beyond terms.

Businesses with 26 to 50 employees saw the biggest year-on-year improvement, paying 18.52 days late. The IT sector saw the sharpest improvement, both year-on-year (down 43.7%) and month-on-month (down 25.2%). Property overtook post and telecoms as the sector with the worst record, typically paying bills 34.01 days late.

However, a report from accounting firm Baker Tilly suggests the number of companies affected by late payments from customers has more than doubled in recent months.

The group's latest finance director survey, conducted twice yearly, shows that 41% of CFOs reported a problem with late payment, against 19% who reported it as an issue in the previous survey last March.

Mark Harwood, an audit partner and head of governance and risk management at Baker Tilly. said: "Increasingly, businesses are having to fund their working capital through stretching credit terms with their suppliers as they can't rely on invoices being paid on time.

"This creates a chain reaction throughout the economy. However, the stark reality is that elastic can only be stretched so far before it snaps and we will see more companies go bust as pressure on working capital increases."

Survey respondents were also gloomy on the business outlook, with 54% expecting no improvement in trading conditions over the next 12 months, and 28% anticipating deterioration.

Although 29% of respondents cited lack of bank credit as a major concern, lack of consumer confidence was seen as more significant for business performance by 35%. ■

ACT survey to gauge impact of pension schemes

The ACT is joining with leading actuarial and benefit consultancy Mercer to conduct a simple survey into how corporate treasurers are approaching today's important pensions issues.

Treasurers are increasingly involved in managing pension scheme issues, either from their employer's perspective, from a fund's perspective, or both.

Whether grappling with equity and bond market volatility which has had a dramatic impact on fund valuations, or addressing the complexity in regulatory or legislative proposals, pensions management has never been so complex.

This survey is aimed at understanding the impact of these issues on corporate treasurers and the actions they are taking as a result.

The results of the survey will be made available to all who participate and should be published to coincide with ACT's Annual Conference 2010, taking place on 27 and 28 April in Manchester.

The ACT is encouraging treasurers to take part in the survey to help provide a valuable and accurate benchmark of corporates' attitudes to pensions.

The survey will only take a few minutes to complete and is available at www.uk.mercer.com/ACTsurvey

On the move...

- **Gordon Boyd**, MCT, has joined EDF Energy as finance director ESCS. He was previously CFO at Drax, where he led its restructuring and listing.
- **David Butler**, MCT, has joined Willis Group as UK/international treasury director. He was previously director of treasury at Norwich Union Insurance.
- **Pedro Madeira**, AMCT, previously cash forecasting analyst for Shell International, has now joined BAA Airports as treasury manager for forecasting and compliance.
- **David Nickson**, AMCT, has joined Royal Bank of Scotland as senior corporate manager for business restructuring. He was previously assistant director for real estate south west at Bank of Scotland.
- **Jo Reed**, AMCT, has left her position as treasury projects manager for DWF, and has been appointed treasury manager at Places for People.
- **Stanislav Varkalov**, MCT, has been appointed IFRS consultant in derivative structuring at Lloyds Banking Group. He was previously in the corporate treasury team at PricewaterhouseCoopers.

MEMBERS' DIRECTORY

Members' contact details are updated regularly at **www.treasurers.org**. *Email changes to Matthew Trickey:* **mtrickey@treasurers.org**, *or phone +44 (0)20 7847 2557.*

CAREERS

For up-to-date treasury vacancies and careers articles, log onto: **www.treasurers.org/careers**

ACTME honours Gulf treasurers

The first ever ACT Middle East treasury awards were held at the inaugural ACTME gala dinner at the end of October in Dubai.

The sell-out dinner was attended by 130 treasury and financial professionals from across the Gulf states to celebrate the end of the first successful year for the ACT in the region.

The Treasury Deal of the Year Award went to Qatar Telecom for its dollar bond issuance, which helped to raise the profile of the region to outside financial investors attracted by business opportunities on an international scale.

The Treasury Team of the Year Award went to Etihad Airways. Etihad's outstanding treasury management, allied with a focus on education and qualification, drove a successful approach to treasury and excellence in financial management.

A further award was presented at the close of the proceedings, by ACT CEO Stuart Siddall. The award was an ACT Fellowship for Matthew Hurn, executive director, group treasury, of Mubadala Development Company and vice president of the ACT, in recognition of his achievements in treasury management and his outstanding contribution and commitment, which have been key to the ACT's development in the Gulf states.

Over the past year, the ACT has developed a treasury network in the Middle East, co-sponsored by Emirates NBD, Abu Dhabi Commercial Bank and HSBC, and established a calendar of networking events in the region.

The ACT is planning to consolidate its leading position in the region with events, training and education over the coming year.

Siddall rewards Hurn with ACT Fellowship

PPF plans levy changes

The Protection Protection Fund (PPF), the government-backed and employer-financed body that insures the pension obligations of insolvent companies, revealed last month that its deficit for the year ended March 2009 rose from £517m to £1.2bn, as it published proposals for the 2011/12 pension protection levy year.

Rubenstein: accurately reflecting risk

The PPF said it planned to improve its methods of assessing the insolvency risk for sponsoring employers of pension schemes that pay the levy.

PPF chief executive, Alan Rubenstein, said: "Measuring the insolvency risk of the 20,000 sponsoring employers of schemes we protect is a complex task, and we need to have a system which accurately reflects the risks posed by a range of different employers, commercial and non-commercial, large and small, UK and foreign."

The proposed levy changes follow a review of the methodology and insolvency probabilities. One proposal is to exclude PPF-compliant contingent assets in failure scores on the basis that when measuring the failure score of a subsidiary whose parent company is likely to go bust the assets reflect the financial position of the pension scheme and not the employer.

The PPF is now consulting on the proposals as they relate to scores which take effect from March 2010 for the 2011/12 levy year. There will be a further consultation next year.

Nick Griggs, a partner at pension actuary firm Barnett Waddingham, said: "The proposed changes to the way the D&B failure score is calculated address some of the problems our clients have experienced over the last few years. However, we are still particularly concerned with the significant volatility in failure scores caused by changes in a company's perceived late payment experience, which will often only be based on a handful of bills. Many clients are seeing significant swings in the failure score on a monthly basis which would result in a 30%+ change in the PPF levy."

Griggs also criticised proposed changes to the probability of insolvencies as "bad news for the most secure companies". He said that companies with the best failure score would, all other things being equal, see a 200% increase in the risk-based part of their levy.

At Aon Consulting, consultant and actuary Milan Makhecha said it was encouraging that the PPF had listened to concerns, particularly on the impact of contingent assets on failure scores, although it "could have gone further" in other areas.

He said: "The PPF talks about inequalities for companies registering charges for the benefit of the pension scheme but there are still inequalities in the scores resulting from differences in the way sponsors adopt FRS 17/IAS 19 accounting. We hope the PPF will also be prepared to listen to these concerns." ■

Uncertainty puts lid on buy-outs

Private company acquisitions have slumped since the debt bubble burst two years ago, a report by accounting firm UHY Hacker Young suggests.

A total of 1,453 private companies were acquired for a total of £6.8bn in the 12 months to 31 July this year. The respective figures for the previous year were 2,336 acquisitions for £19.5bn, and followed a peak in the year to July 2007 that saw deals worth £24bn in all.

The report said economic uncertainty had deterred managers from launching buy-outs, and banks were unwilling to finance takeovers.

UHY Hacker Young partner Chris Lowry, who wrote the report, said: "Before this hiatus there was always a belief that owning your own business was a good thing to do, but now that is not clear, because of the uncertainty.

"Managers have to put up their own money to do a management buy-out and often have to mortgage their house, so they are going home to discuss this and their wives are saying no."

The market for secondary buy-outs, in which private equity groups sell companies to each other, has seen practically no activity since the onset of the credit crunch. Lowry said that in the market for acquisitions worth less than £10m they had been replaced by strategic buyers ready to pay cash.