Pension scheme assets crash by £65bn in 2008

The credit crunch wiped £65bn off the value of assets in the pension schemes of the UK's FTSE 100 companies in 2008. This is equivalent to five years' worth of current pension contributions from these companies.

According to business advisory firm Deloitte, the fall is equivalent to a return of -17% over the year although the returns achieved by individual schemes will have varied. Employer contributions have boosted funding levels, but only by around £13bn.

Total pension scheme liabilities will have risen over the year. Deloitte estimates that FTSE 100 pension schemes are in deficit by £130bn, using typical assumptions for cash funding.

Deloitte pensions partner David Robbins said: "In the current environment, it is crucial that companies look to proactively manage their pension schemes, just like the other aspects of their business operations."

A significant recession in the UK has serious implications for pension scheme funding:

- The prospect of low (or negative) economic growth can depress the price of assets such as equities and property that pension schemes have typically invested in.
- The aggressive cutting of interest rates can push up the price of existing government bonds, and hence the value of pension scheme liabilities.
- Trustees are likely to ask companies for more cash to plug the ballooning deficit.

Robbins added: "Management should engage with trustees to reach an acceptable agreement on cash contributions which takes into account the level of contributions the company can reasonably afford. The solution will usually involve non-cash options such as charges over assets or escrow arrangements."

■ There was equally gloomy news for pension provision in smaller businesses. According to a survey by the Association of Consulting Actuaries (ACA), 91% of defined benefit schemes in companies with fewer than 250 staff are closed to new entrants, and half are also closed to future accrual. Savings into defined contribution schemes in this sector are at 1996 levels (when the survey began), which, with lower investment returns and improved longevity, means the pension outcomes for employees in small firms is set to deteriorate markedly.

International centre set up to reform financial regulation

A centre to foster global regulatory co-operation for renewed efficiency of financial markets has been launched in London.

Brown: stronger regulatory framework

Based in the City of London, the International Centre for Financial Regulation (ICFR) is an independent global research institute focused on financial regulation. It is the product of co-operation between 19 financial services organisations, the City of London Corporation and the UK government to provide objective, non-partisan research, debate and training on financial regulation.

Gordon Brown, prime minister, said: "As the international community moves from crisis management to longer-term reform, the ICFR will help governments, regulators and firms across the world to learn from recent experiences and build a stronger global regulatory framework."

The current international economic and financial turmoil has accelerated the need for a more collaborative approach to global regulation. The ICFR will examine how regulation could better address and anticipate the evolution of financial markets, and how to shape the international co-operation among regulators that is fundamental to re-establishing financial stability and confidence.

ICFR chief executive Barbara Ridpath said: "The continued impact of the current financial turmoil has highlighted the need for greater harmonisation of financial regulation globally to address the current concerns of all market practitioners." ■

ACT Annual Dinner raises thousands for kids' charity

Treasurers, bankers and their guests have raised more than £46,000 for charity at the ACT Annual Dinner, held last November.

Tessa Peake-Jones with Tanya, a student on Action For Kids' work-related learning

Speaking on behalf of the charity, Action for Kids, Tessa Peake-Jones, famous for her role as Raquel in television comedy series Only Fools and Horses, talked to over 1,200 finance professionals about the charity's work.

Pledges made at the event will help support disabled children and young people across the UK through the provision of mobility aids, work-related learning and family support services.

Peake-Jones said: "As a mother of two children I recognise how important it is to give them every opportunity I can in life, and that's why this funding is so important."

Through its programme of services, Action For Kids aims to help young people with physical and learning disabilities achieve greater levels of independence and opportunity through the provision of appropriate aid and support.

Kate Hoyle, the ACT's director of communications, said: "The ACT annual dinner has a tradition of supporting charities and we are pleased that the guests managed to be so generous to such a worthwhile charity despite the current financial difficulties."

Mike Hayes, chief executive of Action For Kids said: "We're delighted with the number of pledges made at the dinner and know that the £46,000 raised will help make a real difference to all our work, including mobility equipment and work placements to hundreds of disabled children and young people.

"A big thank you again to the ACT for choosing such a worthwhile cause." ■

Tax battle looms on dividends

Taxation on dividends is set to be a key battleground between UK corporates and the UK government in 2009.

At the end of last year the prospect of billions in tax rebates came a step closer when the UK's High Court backed an earlier European Court of Justice decision that the UK's system of taxing foreign dividends contravened EU law.

And although HM Treasury confirmed in the Pre-Budget Report that it intended to change the rules so that dividends received by UK companies from foreign companies would not be taxed in the UK, the UK taxation of previously paid foreign dividends is in dispute, with hundreds of claims for refunds already filed in the UK courts and with HMRC.

Jonathan Bridges, associate partner for international corporate tax at KPMG in the UK, said: "The High Court judgement makes absolutely clear that the UK dividend taxation rules breach EU law. This paves the way for massive tax rebates.

"Given the fragile state of public finances and the forecast drop in tax receipts as a result of the economic downturn, the last thing that the Treasury will want to do is make refunds on this scale, so we fully expect there to be an appeal. But the decision is a significant step on the way to a victory for the taxpayers in this case."

See page 38 ■

ICMA and AMTE combine forces

The Euro Debt Market Association (AMTE) has begun operating as a semi-autonomous council under the auspices of the International Capital Market Association (ICMA).

The move, which came into operation in January, was ratified by the membership of AMTE at its AGM in December, and will allow the AMTE name and its work on the integration and efficient functioning of the euro debt markets to continue, with strengthened technical and administrative support from ICMA.

AMTE chairman Bertrand de Mazières said: "Recent developments in financial markets have led all trade associations to seek efficiencies through closer co-operation. AMTE and ICMA have demonstrated their leadership in this area and will immediately deliver enhanced value to both sets of members in these difficult times."

AMTE is a forum where all parties, issuers, investors, and intermediaries in the euro fixed income markets can share concerns and develop ideas. René Karsenti, executive president of ICMA, said: "ICMA and AMTE, as truly pan-European industry bodies, share many common aspirations; their joining forces will greatly enhance the representation of the international financial industry in Europe at this critical time in its history."

The Treasurer reveals winners of Deals of the Year Awards

The ACT has announced the winners of its 2008 Deals of the Year and Treasury Teams of the Year Awards.

In the capital markets, 2008 turned out to be an even more difficult year than 2007, but the judging panels still found outstanding examples of good treasury management.

The winners of the different awards, including the overall winner and the two Teams of the Year, are set out on page 22.

Jonathan Slade, chairman of the judging panel, said: "The winners can take great satisfaction that their achievements have been recognised by their treasury peers. Award-winning deals should be seen as all the more impressive given the extraordinary events and volatile market conditions which were a feature throughout the year and which followed the challenges in the second half of 2007."

The winners and highly commended were recognised at a dinner in central London in early February attended by treasurers and bankers. Coverage of the dinner will appear in the March issue of The Treasurer.

See Congratulations, page 22 ■

On the move...

- **Christopher Attwood**, AMCT, has joined HSBC as senior manager for principal investments. He was previously corporate treasurer for Entertainment Rights.
- **Gerry Bacon**, FCT, has been appointed senior advisor for Anthem Corporate Finance. He was previously Vodafone group treasurer and chief finance officer for Vodafone Group Services.
- **Ken Beech**, MCT, previously director for leveraged finance asset management at Bank of Scotland, has been appointed senior business development manager at Co-operative Bank.
- **Lisa Donnellan**, AMCT, has joined Close Premium Finance as financial controller. She was previously treasury finance controller at Co-operative Bank.
- **Manoj Devadas**, AMCT, previously an accountant for Lehman Brothers, has joined Standard Bank as regulatory manager.
- **Jill Duncan**, AMCT, has been appointed group treasury manager for Grainger. She was previously group tax and treasury manager for Sage Group.
- **Jean-Luc Janet**, FCT, has been appointed finance director of Alliance Medical. He was previously finance director of Lodestone Patient Care.
- **Peter Pollon**, MCT, previously assistant treasurer for Resolution, has been appointed assistant treasurer for Land Securities.
- **Kevin Rose**, AMCT, has joined Haunch of Venison as group finance director. He was previously chief financial officer EMEA for Universal McCann.
- **Amy Simpson**, AMCT, previously senior treasury manager at Anglo American, has been appointed group treasurer at Linpac Group.
- **Kenneth Whitelaw-Jones**, AMCT, has been appointed director of Financial Mechanics. He was previously assistant director at Deloitte.

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/index.cfm**