ACT survey probes pension deficits

A new survey will draw on treasurers' knowledge and expertise on pensions and how to deal with pension deficits.

An ACT/Mercer's Managing Pension Financial Risk questionnaire will be sent out to treasurers asking just eight questions about how they deal with the increasingly problematic pension issue.

With more treasurers struggling to find the best solution for the pension issues in their company, the aim is to find out how treasurers are approaching this issue. The information generated by the questionnaire will be used to help understand the complexities relating to pensions, including types of contribution, the PPF levy and mortality tables.

Taking part in the survey automatically gives eligibility for a prize draw. The prize is dinner at a restaurant of your choice worth £250 or a donation to your chosen charity for the same value.

Participants can complete the questionnaire enclosed with this edition. Alternatively, it can be filled in online at www.treasurers.org.

The closing date for completed questionnaires is Tuesday 23 May. ■

Treasurers urged to concentrate on right risks

Defining company-wide risk and implementing a suitable risk strategy should be a priority for treasurers, according to David Swann, Group Treasurer at British American Tobacco.

The ACT teamed up with the Association of Insurance and Risk Managers (AIRMIC) at the Achieving Integrated Risk Management event, sponsored by Zurich, at which a case study of BAT was presented.

Swann was joined by BAT's Global Risk and Equity Manager, Neil Wadey, to explain how they transformed their risk strategy from a complex and confusing network of risk elements into a coherent, manageable and concise structure.

Risk is a corporate priority, says David Swann, Group Treasurer, British American Tobacco.

BAT embarked on a project which used a value at risk technique to ascertain how well it was dealing with risk and how to improve.

Wadey said: "After this research we realised that we had not concentrated on the right things. For example, we concentrated on foreign exchange whereas what was needed was more concentration on the pension fund."

BAT spent time refocusing its risk management strategy, taking advantage of the similarities between the treasury and insurance worlds.

Swann said: "There are striking similarities between the two. The issues and technical skillsets do resemble each other and this proved to be a great success in our situation."

BAT has now turned around its risk management strategy, untangling the web of issues that previously hampered it.

The ACT and AIRMIC have created a special interest group on risk (insurance and treasury) to discuss the various approaches to risk management. ■

On the move...

- **John Collingwood**, AMCT, formerly Head of VA Tech Finance (UK), has recently been appointed Senior Manager Treasury Solutions at National Australia Bank.
- **Michael Corner-Jones**, AMCT, previously Assistant Director at Numerica Business Services, has joined Alvarez and Marsal.
- **David Dunkerley**, AMCT, has been appointed European Treasury Manager at Booz Allen & Hamilton. Previously he was Senior Consultant at Sector Treasury Services.
- **Stephen Higgins**, AMCT, previously Decision Support Manager for International Supply at Diageo, has joined Ernst & Young as Manager, UK Financial Services Risk Management.
- **Sunitha Kumar**, AMCT, formerly Associate Vice President/Senior Business Auditor at ABN Amro Bank, has been appointed Assistant Vice President/Senior Audit Officer at JPMorgan Chase.
- **Paul Edgar**, MCT, formerly Treasury Manager at Scottish & Newcastle, has joined British Energy.
- **Paul Minness**, AMCT, has joined KPMG, Birmingham, as a Senior Manager in the transfer pricing team. He joins the firm from PricewaterhouseCoopers, where he was Senior Tax Manager.
- **Patrick Morrissey**, AMCT, formerly Financial Controller Fortis Prime Fund Solutions Bank (Ireland), has been appointed Financial Controller at Fexco Dynamic Currency Conversion.
- **David Patterson**, MCT, has joined Unite Group. Previously he was Treasury Manager at Allied Domecq.
- **Lloyd Peckham**, AMCT, has joined Bank Saderat as the bank's Financial Controller and Company Secretary. He joins from Royal Bank of Scotland.
- **William Potts**, MCT, formerly Assistant Treasurer, Operations at Allied Domecq, has been appointed European Treasurer at Beam Global Spirits & Wine.
- **Christopher Stibbs**, FCT, formerly Development Director at Incisive Media, has joined the Economist Group as Finance Director.
- **Richard Thorby**, AMCT, has been appointed Managing Partner at Lane Clark & Peacock. He previously held the position of Company Secretary of Compagnie Financière Richemont.
- **Michael Wallace**, AMCT, formerly Deputy Group Treasurer at Exel, has recently been appointed Group Treasurer at Marks & Spencer.
- **Penelope Wallis**, AMCT, formerly Corporate Dealer at Balfour Beatty, has been appointed Treasury Manager at First Choice Holidays.

MEMBERS' DIRECTORY

Members' contact details are updated regularly at **www.treasurers.org**. *Email changes to Anna Corr:* **acorr@treasurers.org**

CAREERS

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

US tightens pension accounting rules

The US Financial Accounting Standards Board is planning to eliminate the understatement of pension liabilities for accounting periods ending after 15 December 2006.

At present pensions accounting under US GAAP provides significant opportunities for companies to understate their pension liabilities and overstate the income they recognise from fund assets.

The switch will bring US GAAP substantially into line with international accounting standards and is likely to have similar transitional effects on some companies. For example, after adopting the new provision, they will have substantially reduced net assets and – in a few cases – negative retained reserves, possibly threatening dividends.

Peter Elwin, Head of Accounting and Valuation Research at Cazenove Equities, said: "This means that calendar year-end companies filing under US GAAP will experience a similar shift to the one that companies adopting IFRS experienced in 2005 – balance sheet liabilities will increase and shareholder funds go down."

Reporting under US GAAP will hit balance sheets as hard as IFRS did, says Peter Elwin.

The impact will obviously vary from company to company in the same way as it has done in Europe. The change to US GAAP is in response to a recommendation by the Securities & Exchange Commission (SEC) in a report it published in June 2005 investigating off-balance-sheet financing.

In that report the SEC estimated there was "approximately $535bn in retirement obligations that are not recognised on issuer balance sheets". That's equivalent to around 5% of the market capitalisation of the S&P 500.

The SEC report highlighted the fact that, in aggregate, US companies were reporting a net asset position when in fact they should be showing a net deficit. It also highlighted the use of favourable discount rates to help understate pension liabilities. ■

Alfred Kenyon remembered

Alfred Kenyon, who died in March aged 86, was one of the giants of the early days of the ACT, *writes Daniel Hodson*.

Even before the ACT's foundation he was recognised as a great practitioner of the art of treasury. In his days as Treasurer of electronics company Plessey, in the days when bankers were very much in charge of the product agenda, he would treat young account officers with charm and courtesy, but leave them in no doubt that he knew more than they did – calling on him was a learning experience in its own right.

On his retirement from Plessey, Alfred became a Professor at the City University Business School, and the academic cap fitted his personality and very individual style.

Alfred was a natural to become one of the "four dons" who put together both the course and the learning materials for the first ACT Part II exams. But in truth, he was the only one who was a don, and he took his responsibilities seriously, goading and suggesting approaches and alterations in his usual polite but firm way. It was a moment of dread when one of his dispatches arrived, typewritten in an early computer-generated pointillist font.

He had many friends and admirers in the ACT, where he remained active for many years. He was meticulous in style, and thoughtfulness and concern were his watchwords, always accompanied by a delicious sense of humour (although some of the jokes, never smutty, had seen better days) and a wonderfully infectious high-pitched laugh.

He was a devoted family man and a committed Christian, a person of quiet good works. He will be sadly missed but very fondly remembered. ■

New systems help to streamline treasury

Treasury systems continue to show rapid development and progress in streamlining treasury functions.

Sleeping giant Tempur-Pedic International is using Management Dashboard from Hyperion to help respond to compliance issues. A traffic light system tells managers where and how to adapt internal controls to ensure Sarbanes-Oxley compliance.

Chief Accounting Officer at Tempur-Pedic, Jeffrey Johnson, said: "It is helping us with our ongoing compliance activities by making it easier to focus on key activities and financial reporting control areas."

And Trema and Numerix have formed a partnership to give treasurers a faster, more efficient way to value the most complex interest rate instruments. The system avoids the need to input information manually for complex derivatives and structured products or to rely solely on valuations provided by counterparties. ■

Unsolicited ratings 'good for competition'

Unsolicited ratings are healthy for competition and enable new agencies to succeed in this area of industry, according to the ACT.

The ACT's Technical Officer Martin O'Donovan said that although unsolicited ratings were seen by some treasurers as inaccurate, they did have a place in the industry.

"Although unsolicited ratings have a high nuisance value to the treasurer affected, the concept of allowing a new agency to build up its coverage and credentials is a good one," he said. "It provides a mechanism for a new entrant to break in and stimulates competition."

Many treasurers argue that unsolicited ratings are inaccurate because the analysts are not provided with private as well as public information. Solicited ratings are done as a result of management discussions and analysis of both types of company information.

O'Donovan said: "It is absolutely imperative that any unsolicited rating is clearly identified as such and not just in the detailed reports but also on every mention of the rating level awarded, perhaps by way of a subscript."

Some agencies insist that unsolicited ratings are just as well researched as solicited ratings and provide an environment in which competition can more easily flourish.

The issues surrounding unsolicited ratings and the rating agencies' hold are explored further in our feature on page 42. ■