On the move...

- **Sean Anderson**, AMCT, has joined Kiln as Treasurer. He joins from Genworth Financial where he was European Treasury Manager.
- **Michael Bartholomeusz**, MCT, formerly Partner at TMP Financial Services, has recently been appointed European Risk Director at Genworth Financial Mortgage Insurance.
- **Mark Gibbard**, MCT, previously Finance Director at Cheltenham & Gloucester, has joined Portman Building Society as Group Finance Director.
- **Julian Grainger**, AMCT, formerly Head of Financial Control at Commerzbank, has been appointed Head of UK Financial Reporting at ABN AMRO.
- **David Gray**, MCT, formerly Group FD/Company Secretary at Gowrings, has been appointed Group Finance Director at Dowlis Corporate Solutions.
- **John Hawkins**, FCT, has joined Mercer's Retirement Financial Management Team. He was previously Head of Finance and Risk at Invensys.
- **Katherine Horrell**, MCT, formerly Treasury Consultant at Hewlett-Packard, has joined RHM Group as Assistant Treasurer.
- **John Jackson**, MCT, formerly Group Treasurer at British Energy Group, has been appointed Group Treasurer at Scottish & Newcastle.
- **Jean-Luc Janet**, MCT, has been appointed Finance Director at Lodestone Patient Care. He joins from KPMG Corporate Finance where he was Associate Director.
- **Claire Johnson**, AMCT, previously Senior Manager of Commercial Banking at NatWest Bank, has joined Barclays Bank as Relationship Director, focusing on funding and structuring across the North East and Yorkshire region.
- **Jeremy Kernthaler**, AMCT, has joined PricewaterhouseCoopers as Treasury Operations Manager. He joins from QinetiQ where he was Treasury Accountant.
- **Victoria Long**, AMCT, formerly Treasury Operations Assistant at Allied Domecq, has been appointed Treasury Manager at John Lewis.
- **Peter Matza**, FCT, previously Senior Manager, Head of Capital Markets at RWE, has transferred back to RWE Thames Water, working as Senior Manager in Corporate Finance for the CFO.

MEMBERS' DIRECTORY

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

CAREERS

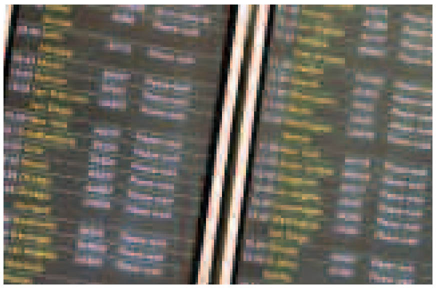
For up-to-date treasury vacancies and careers articles, log onto: **www.treasurers.org/careers/index.cfm**

Change of control clauses gain ground

Change of control clauses are fast becoming the norm as investors argue they are being disadvantaged by the current climate of frequent merger and acquisition activity.

After Danish cleaning firm ISS suffered slashed credit rating on its bonds and a wider spread due to its buy-out at the hands of private equity firm EQT Partners, investors made even more of a fuss about unfair treatment and are demanding the inclusion of a change of control clause.

Since then BAA has been forced to add such a clause to its bond issuance after Spanish company Ferrovial expressed an interest in Heathrow, Gatwick and Stansted.



Hands off: airports operator BAA inserted change of control clause to fend off Ferrovial.

And consumer packaging company Rexam included a change of control clause in the March issuance of its exchange offer for its €550m 2007 bonds. Rexam Group Treasurer Chris Bowmer said: "We wanted to include a change of control provision right from the start, so we could go on the road to meet investors with a clear, unambiguous statement.

"It is something investors have taken very much to heart, particularly with recent events at BAA and subsequently."

However, there is a concern among treasurers that the demand by investors for this type of clause is simply another method for banks to assert an extra level of control over organisations. Are treasurers being pushed into submitting to the banks, or is it just sensible forward thinking?

Bowmer said: "The plain fact is that the market is concerned about it and it has to be considered very carefully by any issuer. It is certainly a price matter and could make the difference between the transaction succeeding or not in some circumstances." ■

ACT launches pension qualification

The ACT has responded to corporate concern about the pension issue with a new course which will address the regulatory issues affecting UK companies managing defined-benefit pension schemes.

The Certificate Paper in Pensions Risk Management (Cert PRM) is aimed specifically at corporate treasurers, finance directors and risk managers with the knowledge and expertise of managing pension schemes in the new, ever-changing environment.

The five-month distance learning programme will focus on a range of topics including the appearance of pension liabilities on company balance sheets related to FRS 17 *Retirement Benefits* and IAS 19 *Employee Benefits*, and responsibility devolved on companies for these liabilities by the UK Pensions Act 2004.

David Blackwood, Group Treasurer at ICI, said: "This module will help all those who study it to make significant improvements in their approach to pensions and pension risk management.

"It gives excellent coverage to all areas of pensions that finance professionals and others need to understand."

As well as distance learning, each candidate will have four seminar days and 30 hours of personal tuition. The first enrolment deadline is 31 May 2006, with exams on 6 October 2006. The course will be led by Douglas Williamson. ■

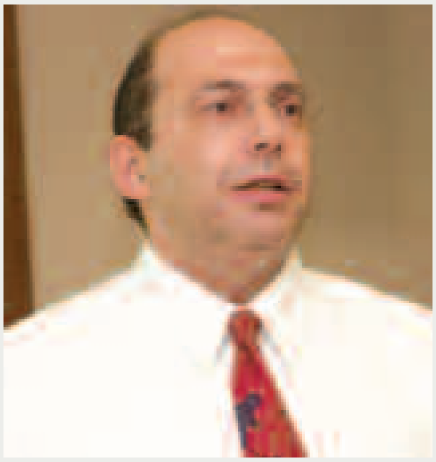
David Blackwood: "Excellent coverage".

Liabilities come into focus

Companies and pension trustees have finally started to focus on liabilities in defined benefit pension funds after decades of concentrating on the asset side of the equation.

Speaking at an ACT-organised evening symposium called *Managing Pension Fund Risk: Liability-Driven Investment Solutions*, Paul Venables, Integration Director at distribution company DHL and formerly Deputy Group Finance Director at logistics company Exel, told the audience that Exel had started to tackle its pension liabilities in various ways, such as closing the scheme to new entrants, reviewing members' benefits – including enhancements adding during times of surplus – and actively promoting defined contribution schemes.

Venables contrasted Exel's liability management of £1.2bn of bank debt – where there was a clear strategy and defined targets – with the £2.6bn pensions liability where until mid-2005 there was no strategy to manage pension fund inflation and interest rate risk. Venables said it was time to review liability-driven investment options.



Abdallah Nauphal: volatile exposure.

Abdallah Nauphal, Chief Investment Officer at Insight Investment, said the heavy reliance on equity risk premium plus the large and unmanaged liability risks described by Venables combined with a reliance on a flawed asset allocation process amounted to a volatile pension fund exposure for many corporates.

Nauphal said a better approach was to manage the pension fund as any other financial risk, and to optimise risk allocation by removing unintended and unrewarded risk and diversifying the source of returns.

Andrew Giles, Head of Insight's Financial Solutions Group, said that liability-driven investment delivered a smoother path to the funding objective. While some risks – inflation and interest rates – can be managed, others, such as mortality experience and exogenous changes, are residual.

The ACT symposium was sponsored by Insight Investment. ■

PPF board publishes its final levy decision for 2006/07

The UK Pension Protection Fund Board has published its final decision regarding the pension fund levy for 2006/07.

The calculation will be as proposed in December 2005, with the maximum payment capped at 0.514% of the gross liability. The original proposal set the cap at 3%.

The Pension Protection Fund has also responded to feedback by relaxing the rules in a few minor respects.

The deadline for schemes to submit Section 179 valuation certificates is now 31 March 2006 instead of within one year following the effective date of valuation, which will be the norm after 2007.The basis for the levy will now:

- Allow certain contingent assets such as parental or third-party guarantees or security to be taken into account, but not credit derivative structures;
- Remove from the failure score D&B's Parent Severe Risk override for subsidiary businesses with a parent at severe risk of insolvency, so that the score relates solely to the sponsoring employer;
- Calculate the insolvency risk of schemes sponsored by branches of overseas companies registered in the UK, by looking at the failure score of the overseas employer;
- Allow D&B to revise its original assessment if it has received representations that the assessment is too high or too low because it has been based on incomplete or incorrect information;
- Allow the trustees of a pension scheme to nominate a particular employer as the sponsoring employer rather than the normal rule in a multi-employer scheme of taking the one with the highest number of employees; and
- Recognise that the failure scores to be used should not be limited by D&B's convention for a maximum failure score for a company which has a negative tangible net worth. ■

■ A new survey shows that the average pension deficit of an organisation is 15% of its total turnover. The survey, carried out by Jardine Lloyd and *Financial Director Magazine* also found that 47% of respondents with defined benefit schemes are now closed to new entrants and that the key influencing factor on pension structure and provision is cost-related. **See Ask The Experts Page 8.**

FSA clarifies the disclosure rules

The UK disclosure rules, which arose out of the market abuse directive, require issuers to maintain lists of people with access to inside information (Disclosure Rules 2.8.1).

The February edition of the UK Listing Authority's newsletter *List!* provides additional clarification concerning regulators and credit rating agencies, although it has no official status as guidance. The FSA said: "We would not ordinarily expect regulators or credit rating agencies to be considered persons acting on an issuer's behalf or on its account. Though such persons often have access to inside information, they would not act on behalf of an issuer or on the issuer's account. So for the purposes of the disclosure rules, we would not expect such persons to appear on insider lists or be requested to keep lists of insiders for the issuer."

ALFRED KENYON

We were sorry to learn of the death of Alfred Kenyon on 9 March at the age of 86. Alfred was a founder member of the ACT and played a key role in setting up the ACT's qualifications, and the development of the ethical code.
A full tribute to Alfred will appear in the May issue of *The Treasurer.*