PRG

Pension Review

No. 3 February 2005

A NEWSLETTER FROM AND FOR REUTERS PENSIONERS AND CONTRIBUTING STAFF

More bad news from Reuters

ANOTHER YEAR, another slap in the face for Reuters pensioners. The cost of living goes on rising. The value of our pensions goes on falling. This is the third year that pensioners have had to cope with the erosion of the value of their pensions.

The reason given by the Managing Committee?

"As we have explained in previous Updates, this has to be seen in the context of RPF having to finance pensions for longer because of improvements in life expectancy."

So, there you have it: we may be getting on a bit but we're all too healthy and living too long. The clear implication, of course, is that the RPF's advisers ignored this well documented trend despite its being publicised over recent years and failed to make adequate provision to deal with it.

The bad news about no more money was buried in Update, the newsletter sent out by the Managing Committee.

What did yours say? It's worth checking, because there were two versions. Which one you received depended on your status at the time of your employment.

Most pensioners are members of the Reuters Pension Fund. But if you climbed the greasy pole all the way up to grade 27 or higher, you were given the privilege of admission to the Supplementary Pension Scheme.

Very senior executives who reached stratospheric levels were guaranteed inflation-proof pensions. Not a lot of people knew that.

In November 2004, 94 pensioners who received both RPF and SPS pensions were transferred out of RPF into SPS. Therefore they now have no beneficial interest in RPF.

Why did Reuters do this? The reason, it said, was that transferring the assets and liabilities of those pensioners out of RPF would provide greater security for the pension benefits of the remaining RPF members because it removes the risk to RPF of these liabilities growing faster than the nominal assets available to pay for them.

The question is, what does that tell us about the pensioner liabilities left behind and the nominal assets held in respect of them? And what does the Company plan to do about it?

Read on...

Pension Review is produced by the Pension Review Group of former employees of Reuters who are concerned about the performance and value of their pension fund.

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The headlines

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Stop Press

The January Update for RPF members (above) provided cold comfort.

It said: **"Given the ongoing financial pressures on RPF, the Managing Committee has regrettably to confirm that there will be no discretionary pension increases in January 2005."**

It gets worse: **"it is unlikely that RPF will be able to support discretionary pension increases in the foreseeable future,"** Update said.

We have said before ***(Pension Review No. 2)*** that part of the problem is the Managing Committee's policy of moving from equities into bonds at a time when equity prices have been low and bond prices high.

Many of you will have read that the Boots' trustees switched all their assets from equities to index-linked bonds just before the fall in the stockmarket in 2000/2001.

And what are the Boots trustees doing now? You've guessed it - they are going from bonds into equities! The move in RPF from equities to bonds provides greater protection for the Company than it does for members and pensioners.

It also announced that the Managing Committee of the Fund had informed the RPF's administrators (external specialists Hewitt Bacon & Woodrow appointed under a five-year contract in June 2001) of its dissatisfaction with the service provided and had stressed the need for improvement.

The level of service has been so bad that Hewitt has had to pay "service credits" to RPF.

The January Update for SPS members (above) offered a little more hope.

It noted that SPS assets had increased significantly following the transfer of active and pensioner members' benefits from RPF in 2004.

The sums involved are £63.2 million in pensioners' assets transferred to SPS from RPF plus £18.2 million for SPS members still in service and a further residual amount of £2 million.

At the same time, the Company had strengthened its funding commitments to SPS by an additional £100,000 a month from May 1, 2004. These changes mean that SPS assets increased from £36 million at the end of 2003 to £116 - a very handy jump of 322 percent - by last November.

As for discretionary increases, SPS pensioners were informed that **"the current funding position of SPS will not support the granting of discretionary increases and the Company has decided not to support them through any additional funding".**

But, while RPF pensioners have been told **"it is unlikely that RPF will be able to support discretionary pension increases in the foreseeable future,"** SPS members were offered some hope.

"The decision to grant no discretionary increases does not rule out increases in future years, if the financial position of SPS allows," the SPS Update said.

Ask about your pension at the AGM

All RPF and SPS members who are Reuters Group PLC shareholders can attend the Company's Annual General Meeting on April 21. As a shareholder you are entitled to put questions to the Board of Directors. It's at Cabot Hall, Cabot Place West, Canary Wharf.

On February 16 Reuters posted better than expected profits for 2004. Group operating profits jumped a whopping 52 percent to £198 million compared with £130 million in 2003. Revenues declined 11 percent to £2.885 billion, partly due to currency movements. Chief Executive Tom Glocer said the Company was beginning to look beyond recovery to growth.

Some of the questions we have put to the Company and keep asking are:

1. We continually read in the press that other FTSE 100 companies have substantially increased their contributions to their pension plans to improve the funding position. Why does Reuters remain resolutely opposed to such action?

2. The Chairman talks of Reuters obligations to its employees worldwide. In our estimation, most other Reuter salary related pension plans around the world provide for increases after retirement. So why not RPF and SPS? Let the Company publish a list of its plans and the increases provided so the information is open to all. Reuters is a communication company after all.

3. We are not aware, and the Company has not been able to provide evidence to the contrary, of any other FTSE 100 company that is not providing pension increases for retired staff.

PRG - for all pensioners, both RPF and SPS

The Pension Review Group includes and represents members of both RPF and SPS. Following up the unsatisfactory exchanges we had with the former chairman, Sir Christopher Hogg, we wrote to his successor, Niall FitzGerald. Click **here** to read our letter, sent on December 1 over the name of our chairman John Freeman, and FitzGerald's reply, received on February 11. It's not encouraging.

All the more reason for the Pension Review Group to remain active in its campaign to persuade the company to inject more money into its UK pension funds and thus enable pensioners to receive an annual increase.

The Media section of *The Independent* ran a long interview with FitzGerald on February 7. One quote, referring to Reuters future as a brand and product and emphasising the importance of trust for the company, particularly caught our eye.

"In the very complex and troubled world in which we live the commodity that is in least supply is trust, and yet at the very heart of what Reuters is, is trust so it has to be capable of being bigger and extending further than it has so far."

This follows on from a message sent to all Reuters staff in October last year by Tom Glocer when he said "In a world of changing values and confusion, we offer trust. Trust in our news and data, trust in the fairness and independence of our transaction systems, and trust in the fundamental decency and humanity of Reuters".

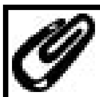
Well, trust and integrity go hand in hand and there's not much of either in the way pensioners are being treated.

Fast Backward

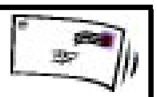
Niall FitzGerald's reply to pensioners who wrote in was along these lines: "I recognise the impact inflation has on pensions. However, like you Reuters is not immune from market pressures. Many companies have reviewed their pension provision in the light of the cost pressures arising from the fact that pensioner Members are living longer, whilst expectations for future investment returns from the assets held to fund those pensions have been lowered. Consequently, even without discretionary increases, the real cost of providing pensions has increased significantly. Given this environment Reuters pension plans have to strike an appropriate balance between ensuring the ongoing security of benefits and awarding benefit improvements, such as discretionary pension increases, to Members…

"With regard to your request that the Company provides additional funding to facilitate discretionary increases, the Company remains committed to maintain its contributions under the Rules.

"As the scheme sponsor Reuters will continue to take a close interest in RPF. Reuters operates retirement plans and other post-retirement arrangements in many countries and consequently has obligations to current and former employees in the UK and worldwide. Reuters will continue to monitor the funding position of RPF and will assess any request for additional financial support for this Fund in conjunction with our obligations to other stakeholders. As part of its dialogue with the Managing Committee, the Company has agreed measures in addition to its fixed contribution commitment which have contributed to improving the RPF funding position. These actions were communicated to Members last year."



Oh dear



You may remember that letters from the former chairman, Sir Christopher Hogg, arrived without stamps and we were asked to pay the mail charge. Reuters was so embarrassed that we were all sent a book of stamps (second class, of course) with a signed apology from the chairman.

Nick Farrow, now a member of the Pension Review Group, was one of several pensioners who wrote to the new chairman. When he got a reply he also received in the same envelope letters addressed to ten other pensioners.

Says Nick: "The real irony is that the letters were individually stapled but clipped together with a plastic paper clip!"

Pensioners may remember - indeed, some have been dining out on it for ages - the banning of paper clips after an important Company document was mislaid some years ago and later found to have been caught up with others by a paper clip.