



Pension Review

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A NEWSLETTER FROM AND FOR REUTERS PENSIONERS AND CONTRIBUTING STAFF

PENSION REVIEW GROUP

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- BBC Pensioners' Association
- Hewitt Bacon & Woodrow
- Lane Clark & Peacock (actuaries)
- National Pensioners Convention
- Occupational Pensioners' Alliance
- Pensions Advisory Service
- Reuters Alumni

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Pensions dominate AGM

PENSIONS AND PENSIONERS were front and centre at this year's Reuters AGM. Questions about the plight of pensioners who have received no increase for the past three years dominated the event.

Chairman Niall FitzGerald, noting the presence of many pensioners at the April 21 meeting at Canary Wharf, London, mentioned that he had received letters from many of them.

FitzGerald said the latest pension valuation received on April 18 showed that the Reuters Pension Fund has a £115 million hole in it in the form of a "past service deficit". The last full valuation at end-2001 showed a surplus of £158 million.

The RPF Managing Committee subsequently said that in addition to this £115 million deficit there was also a funding shortfall for active RPF members' future service benefits of £81 million.

The possibility of future increases in pensions was not ruled out, FitzGerald said, but the RPF Trustees' investment strategy was focussed on securing ongoing pension commitments.

PRG member Nick Carter was first in with a pensions question that noted

the absence of annual increases for the past three years had reduced the value of pensions by eight percent. When would Reuters inject the necessary funds to restore annual inflation-linked pension increases, in line with other FTSE 100 companies, he asked.

Withholding discretionary increases has saved £10 million to £15 million, according to the RPF Managing Committee.

Discussions "ongoing"

FitzGerald replied that a process had been started to see what appropriate action could be taken both by the Fund and the Company. Discussions were "ongoing", but he couldn't give any guarantee or even indicate when a decision would be taken.

Next up was Peter Fanning. He said it was reassuring that the Chairman had confirmed in his opening remarks that the Company recognised pensioners as stakeholders in the Company. He noted that in the Company's published Remuneration Policy for Directors and senior managers, contained in the Annual Report and Accounts, FTSE 100 companies were frequently used as comparators to assess pay and conditions.

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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.

Pensions dominate AGM...continued

He asked that those same companies be used as comparators by the Board when considering the question of pension increases because the view was that most of those companies paid regular annual increases to their pensioners.

Fitzgerald said that Hewitt, Bacon & Woodrow would shortly publish a report showing that only about 50 percent of FTSE100 companies provided for increases to pensions, although he acknowledged that there were a variety of different types of scheme in operation and the detail of the report would need to be studied when it became available.

“Bleak prospect for us pensioners”

This question formed part of the *Daily Mail* report of the AGM which said in its City & Finance section on April 22:

Shareholder Peter Fanning was not alone in bemoaning the “bleak prospect for us pensioners”. Reuters has, for the last three years, not made any discretionary increases to its pensioners to keep their incomes in line with rising prices. The scheme has 1,200 UK members and a £115m deficit.

Fitzgerald has brought in consultants to “look for ways to bring clarity and security to future pension expectations”. The outcome may not herald good news. He highlighted research from Hewitt Associates that shows more than half of FTSE100 companies are no longer paying increases.

Then came Adrian Robson, who recalled that it was the efforts of Reuters employees who are now UK pensioners who helped to build the value of Instinet and Radianz, both of which were for sale and likely to realise a ten-figure price. A three percent inflation increase for UK pensioners would take less than half a percentage point of the likely sale proceeds.

FitzGerald replied that he couldn't add to what he had already said. All of this would be taken into account and everything had to be put on the table.

But the pensions theme stayed on the agenda. One independent shareholder, accountant Martin Simons who is not a Reuters employee or pensioner, was critical of large payments to Directors, telling FitzGerald: “It's got to be stopped...you are setting a very bad example...the way you behave is unreasonable...”

“Listen to your pensioners”

“If cash-strapped ICI” could pay increases to its pensioners, so could Reuters, Simons said.

“Please, listen to what your pensioners are saying, and listen to what your shareholders are saying,” he told Directors. “Fair is fair.”

Warning to RPF members still in service: pay more or get less

THE PRG is not just for existing pensioners struggling to maintain the value of their pensions. Active RPF members – those who are still working for the Company – also need to pay attention, even if retirement seems to be a long way off, because it looks like they will get smaller pensions than they expected unless they agree to contribute more money.

Everyone who is a member of Reuters various pension funds – there are 67 of them around the world, Chairman Niall FitzGerald said at the Company's AGM – needs to be aware of the global funding crisis affecting pensions schemes.

The RPF actuary has already served warning that the Fund will have to reduce future service benefits or increase contributions to the Fund to secure the same level of benefits.

Any change in contributions - employees now pay six percent of their salaries and the Company pays in 10 percent - would require the approval of members at a General Meeting of RPF.

In case you missed it...

PRG member Tony Winning was quoted by *The Observer* on April 17 in an article previewing the Reuters AGM on April 21.

The story noted that Anglo-American corporate governance activists were demanding that investors block the re-election of Charles Sinclair, chief executive of the Daily Mail, as a non-executive director of Reuters, and also said:

A row is also brewing over retirement benefits paid to former employees. A website has been established which calls for a better deal.

One campaigner, Tony Winning, says: ‘Reuters profits are going up and so are executive pay packages, but pensioners employed prior to 1997 have seen inflation-linked rises frozen for three years’.

Lessons for Reuters

Old Reuters hand Trevor Goodchild has received notice of his annual increase of his BBC pension. It always goes up in April and it is based on the rise in RPI for the calendar year ending December 31, Trevor tells us.

“This year they estimated RPI at 3.5 percent, and that is the increase that I and other BBC pensioners (journalists and others) get.” Even the Beeb, with all its problems including cost cutting, can afford to do the right thing.

Ken Jones, former Staff Manager, has just received a 3.2 percent pension increase from the British Steel Pension Fund. Good to know that such a loss-making enterprise still honours its pension pledge.

Reuters could learn a lesson or two.

Hail...

The PRG welcomes four new members:

- Sandy Critchley
- Frank Fitter
- Paul Iredale
- Graham Turner.

...and farewell

REUTERS continues to chop away at the headcount. One of the latest victims is UK Pensions Manager Derek Forss, whose job is being axed.

One insider described the job as being “hung, drawn and quartered” with Derek’s duties as Secretary to RPF being outsourced and the rest carved up internally amongst other HR staff.

Derek is the last of the original Pensions Department staff with any knowledge of the history of RPF, with all its vagaries, so this must be a cause for concern. We wish him well.

Given the performance of Hewitt Bacon & Woodrow thus far, outsourcing pensions duties may cause alarm. They still can’t get it right. On top of all the failures that have caused Reuters to invoke penalties (Newsletter 2, September 2004), Hewitt (fees £300,000 pa) failed to credit March pension payments to pensioners’ bank accounts on March 15 and had to mail letters apologising for “an error in the submission of the automated payment request”.

In spite of the frustrations of some software, as we all know, computers don’t make errors; it’s the people who use them.

Pensioners who incurred any financial loss – in bank or credit card charges, for example – as a result of the late payment should contact Hewitt on 0808 107 1234 or, if calling from outside the UK, +44 144 220 1049. Hewitt said it would reimburse such charges.