



Pension Review

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A NEWSLETTER FROM AND FOR REUTERS PENSIONERS AND CONTRIBUTING STAFF

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Pensions study shows at least 50 UK blue chips pay pre-'97 pension increases

AT LEAST 50 UK blue chip companies pay increases on pensions for contributions made before 1997, a new study has found.

The ongoing study, conducted by the Pension Review Group, found that Reuters appears to be alone among FTSE 100 companies in having stopped paying increases on pensions arising from service before 1997.

The PRG contacted all companies in the FTSE 100. Results so far based on replies from 61 companies show:

- **50 pay increases for pre-1997 contributions**
- **5 have no final salary schemes**
- **5 decline to give information**
- **1 - Reuters - has stopped paying increases on pre-1997 non-Guaranteed Minimum Pensions.**

The tally is kept up to date on the Background page of our web site - www.reuterspensioners.org.uk

These incomplete responses contrast with Reuters' assertion at the Company's AGM in April that

more than 50 percent of FTSE 100 companies are not paying inflation-linked increases to their pensioners.

New Chairman Niall FitzGerald faced a barrage of pensioners' questions at the AGM. This is what he said when PRG member Nick Carter told him there was no evidence of any other FTSE 100 company not paying annual increases:

Without wishing to swap statistics on the subject, there is a Hewitt study just about to come out showing that more than half of the FTSE 100 companies are not currently giving increases in course of payment. I do not say whether that is good or bad.

Moreover, one has to be careful of these comparisons because it is not always apples and apples: some funds are defined benefits, some are defined contributions, some hybrids, some a mixture of different kinds of funds.

The Hewitt Bacon Woodrow study has yet to be published.

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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.

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We have told FitzGerald about the results of our research. PRG chairman John Freeman has written to him, saying: "Several months have passed and we have seen no sign of the Hewitt's survey. Indeed, we understand that when they were contacted Hewitt's did not seem to be aware of such a survey..."

Does the Hewitt study exist?

Freeman invited FitzGerald to issue a public clarification. "Clearly it was not correct to say that 50 per cent of FTSE 100 companies were not paying increases. We would also like to know whether the Hewitt's report does in fact exist and, if so, when will it be published," Freeman wrote.

"As you can imagine, Reuters UK pensioners are depressed enough by not receiving annual increases. To give them information which turns out to be untrue is simply adding salt to the wounds."

Last month Nick Carter wrote urging FitzGerald to persuade Reuters Board to improve its funding of RPF, without which the Fund cannot offer protection against inflation. The Chairman's reply left open the possibility that the trustees might seek extra funds for pension increases but only said any such request would be assessed along with other obligations.

This is what FitzGerald said, in part:

As I stated previously, "I recognise the impact inflation has on pensions." However, it remains the case that decisions regarding the award of discretionary increases rest with the Managing Committee of RPF, in conjunction with the Scheme Actuary, and not with Reuters. Discretionary increases can only be made if, in the opinion of the Scheme Actuary, these can be funded adequately from the Plan's assets.

Reuters has honoured its obligations to RPF and plans to continue to do so. Reuters has made, and continues to make, the contributions due under the Plan Rules. Furthermore, as you acknowledged in your previous letter, Reuters continued to make such contributions during periods when many other

companies ceased contributions to their retirement plans and took 'contribution holidays'.

You may not be aware that certain elements of RPF pensions are subject to indexation each year and accordingly some level of increase will be applied to the vast majority of pensions relating to service after 1978. There are statutory provisions under Guaranteed Minimum Pension (GMP) legislation as well as Limited Price Indexation (LPI) in respect of post-1997 service. As such, whilst increases may not maintain the full purchasing power of pensions, increases are applied to a substantial number of RPF pensions in payment.

I understand your request that Reuters provides additional funding to facilitate discretionary increases and I reiterate that Reuters remains committed to maintain its contributions under the Rules. 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.

Use the "Instinet billion"

Meanwhile, Trustees of the RPF and the SPS are also pressing Reuters to say how it is going to fund the pensions shortfall. The Company can do this very easily: use some of the "Instinet billion" - the proceeds of the sale of the New York-based brokerage firm this year.

Freeman has also written to Jim McNally, Global Head of Performance and Reward, about the pension situation outside the UK. He asked: "Can you let us know whether Reuters is paying pension increases to Reuters staff in other countries and whether such increases are enforced by law or agreements with trades unions and/or works councils? Are there any situations similar to the UK where the Company has discretion on such increases?"

www.reuterspensioners.org.uk
page views are up from 131
in February to 559 in July.