



Pension Review

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A NEWSLETTER FROM AND FOR REUTERS PENSIONERS AND CONTRIBUTING STAFF

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Pensioners seek 2.7% increase from May 1

- Resolution tabled for Reuters AGM
- Action follows fourth blank year

PENSIONERS suffering from the depressing effects of a fourth year in a row without any increase have tabled a resolution for Reuters' forthcoming Annual General Meeting seeking a 2.7% hike from May 1.

The initiative of the Pension Review Group of former staffers follows more than two years of frustrating and fruitless communication with the company. Our hopes that it would have been a constructive dialogue have been dashed and we are left with yet another blank year.

In the four years since pensioners last received a discretionary increase in January 2002 the value of our pensions has fallen by 10.7%.

Cost is 0.3p on share price

According to the actuarial valuation at December 31, 2004, the average RPF pension in payment was £10,767 pa. The previous average including SPS pensioners was £13,729 pa. The increase we are seeking is equivalent to just one year's inflation.

2.7%

It would cost Reuters less than half of one per cent of the £1 billion capital that the company is returning to shareholders from the proceeds of its 2005 sale of Instinet and Radianz and is worth about a third of one penny on the current Reuters share price of 450p.

100+ shareholders sign

The resolution - signed by more than 100 shareholders to qualify for inclusion at the AGM - asks fellow shareholders to approve sufficient additional funding for the Reuters Pension Fund and the Reuters Supplementary Pension Scheme to enable the trustees to award an immediate increase to pensions currently in payment.

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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.

Our case is based on the history, integrity and trust of Reuters, the custom and practice over the years, our position relative to other FTSE 100 companies, the inequity between pensioners and current members who now have guaranteed increases and the prospect for retired staff of having no increases in the future - particularly since we are now being told we are living longer. And all of this relative to retired directors who have guaranteed annual increases underwritten by the company.

Retired staff and their widows are the most vulnerable. They have limited opportunity to take up paid employment again and represent a cross section of Reuters employees, some of whom put their lives on the line for the company.

“...trust in the fundamental decency and humanity of Reuters”
CEO Tom Glocer

In media interviews, Chairman Niall FitzGerald has emphasised the importance of trust at the very heart of the Reuters brand. And in a message to staff, Chief Executive Tom Glocer 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.”

A statement entitled “Fair Deal for Reuters Pensioners” which accompanies the resolution sets out our case. It states that these principles are consistent with the reputation earned by Reuters over more than 150 years.

“We ask the Company to apply these principles to its pensioners and to provide the support and commitment to its retired staff that has been shown in the past”.

It concludes: “A future based on fixed incomes is a bleak prospect for RPF/SPS pensioners. They are seeking some encouragement from the Company that pension increases might be restored in line with past practice and with the practice of other FTSE 100 companies. We ask our fellow shareholders to support an increase equivalent to one year’s inflation, by voting in favour of the proposed resolution.”

Reuters alone among FTSE 100 in not providing pre-1997 service increases

A survey of FTSE 100 companies conducted by the Pension Review Group has found that, among 83 replies, 75 have final salary schemes and Reuters is the only one not providing increases for its pensioners in respect of pre-1997 service. Most FTSE 100 companies have plans that provide guaranteed increases but there are still a few, like Reuters, where discretionary increases apply to pre-1997 service.

These companies are HBOS, Next, Prudential, Rolls-Royce and Scottish and Newcastle. They have not shirked their obligations and have continued to pay discretionary increases despite carrying pension fund deficits much greater than those in RPF/SPS.

Full results of the survey can be found on our website at www.reuterspensioners.org.uk.

The AGM is on April 27. Anyone who owns shares in Reuters Group PLC in their own name rather than that of a nominee is entitled to attend the meeting and should receive an invitation from the company to do so.

The complete text of the resolution and statement follow on pages 3 and 4 of this newsletter. They have been submitted to the company and are due to be circulated to all shareholders with other AGM documents in March.

● PRG's AGM Resolution

RESOLVED that

- (a) the Company procure that Reuters Limited provide sufficient additional funding for Reuters Pension Fund and the Reuters Supplementary Pension Scheme to enable the Trustees of those funds to make an increase of 2.7% to pensions in payment (in excess of any Guaranteed Minimum Pension and inclusive of any increase already provided whether statutory or otherwise) and instruct the Trustees to use the additional funding for this purpose;**
- (b) such increase be payable from 1 May 2006 and apply to pensioners who retired on or before 1 January 2005 (and the spouses of such pensioners) with a proportionate increase to apply to pensioners who retired during 2005 (and the spouses of such pensioners).**

● PRG's AGM Statement

FAIR DEAL FOR REUTERS PENSIONERS

Introduction

1. Reuters operates two defined benefit pension plans in the UK, Reuters Pension Fund (RPF) and the Reuters Supplementary Pension Scheme (SPS), both now closed to new members. Pension increases in retirement are awarded on a discretionary basis but have not been paid for the last four years. Questions were raised about this at last year's AGM. This statement focuses on RPF but the same issues apply to SPS.

What is the current position?

2. RPF is unusual in that increases to pensions in payment (other than statutory increases relating to pensions earned after April 1997) are discretionary. Nevertheless, custom and practice has been to award such increases annually. The last increase was paid from January 2002 in respect of inflation for the year to September 2001.

3. The September year-on-year inflation rate, published in October 2005, showed an increase of 2.7% in the Retail Prices Index. This means that, in the four years since pensioners last received a discretionary increase, the value of their pensions has fallen by 10.7%.

4. The freezing of pensions has already caused hardship among pensioners and widows. It also discriminates against current pensioners compared to other members of RPF:

- contributing members have been accruing pension since April 1997 with guaranteed statutory increases in retirement of inflation up to 5% pa. (2.5% pa. from April 2005);
- deferred pensioners also benefit from statutory increases.

What is the current financial position of RPF?

5. The latest actuarial valuation of RPF at 31 December 2004 showed a past service deficit of £117 million. The Company has reserved for this and is talking with the Trustees about funding arrangements but it is uncertain whether these discussions address the question of discretionary increases or what the outcome will be.

6. The current deficit contrasts with earlier RPF valuations which carried modest surpluses and explicit reserves for discretionary increases. The reserve was £94 million in the 2001 valuation. Current pensioners have taken the full impact of the deterioration in RPF's funding position: pension increases have stopped and the reserve held for future increases has been taken to meet other areas of funding shortfall.

What happened in the past?

7. RPF was established in 1893 and throughout its history has been supported by the Company. Contribution rates have risen over the years from 2.5% (from both members and the Company) to the current levels of 6% from members (since 1975) and 9.5% from the Company (since 1982). Contracting out from the State Earnings Related Pension Scheme in 1978 effectively reduced the Company's contribution rate by about 2%.

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8.Despite the age of RPF the membership profile is that of a much younger company, due to the dramatic growth in Reuters following its flotation in 1984. There are currently around 1,500 active members, 1,200 pensioners and 5,500 deferred pensioners, with assets of £700/£800 million.

9.Cautious funding assumptions used by the Actuary have enabled regular pension increases to be paid from RPF. At times when inflation was running at very high levels the Company ensured that pension values were maintained by paying ex-gratia increases.

Can the Company afford an increase?

10.We recognise that the Company has gone through a difficult period recently and that tough decisions had to be made. But the message from the Board now is that the Company is back on track and looking beyond recovery to growth.

11.Reuters announced in 2005 the sale of both Instinet and Radianz and the capital return to shareholders of £1 billion. A 2.7% increase for pensioners would take about 0.5% of this figure.

What are other companies doing?

12.Reuters typically uses FTSE 100 companies as comparators when assessing remuneration policy and other issues.

13.The Pension Review Group, made up largely of Reuters pensioners, has conducted its own survey of FTSE 100 companies. 83 have so far replied, of which 75 have final salary schemes; of these Reuters is the only company found not to be providing increases for its pensioners in respect of pre-1997 service. Most FTSE 100 companies have plans that provide guaranteed increases but there are still a few, like Reuters, where discretionary increases apply to pre-1997 service. The results are at www.reuterspensioners.org.uk.

14.In June 2005 the Government Actuary's Department published its latest survey of UK occupational pension schemes, covering 72% of the membership of all schemes. The results show that 97% of pensions in payment which accrued before April 1997, in excess of Guaranteed Minimum

Pensions, received some increase in 2004. The results are at www.gad.gov.uk.

15.These two surveys show that Reuters is clearly out of step.

Is the Company's attitude fair and principled?

16.None of the current directors is a member of RPF/SPS. Former directors who are now retired have special terms underwritten by the Company which provide for pension increases of up to 5% pa. When the outgoing Chairman retired in 2004 he received a lump sum of £2.26 million paid by the Company in place of his unfunded pension promise.

17.In interviews, the Chairman has emphasised the importance of trust at the very heart of the Reuters brand; in a message to staff, our Chief Executive 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."

These principles are consistent with the reputation earned by Reuters over more than 150 years, and we ask the Company to apply these principles to its pensioners and to provide the support and commitment to its retired staff that has been shown in the past.

Conclusion

18.A future based on fixed incomes is a bleak prospect for RPF/SPS pensioners. They are seeking some encouragement from the Company that pension increases might be restored in line with past practice and with the practice of other FTSE 100 companies. We ask our fellow shareholders to support an increase equivalent to one year's inflation, by voting in favour of the proposed resolution.

●Reuters' latest letter offers little hope of restoring annual pension increases

As we reported in the previous issue of *Pension Review* (No. 7, December 2005), our latest letter to Reuters' Chairman Niall FitzGerald about our plight was sent on November 8. FitzGerald passed it to Jim McInally, Reuters' Global Head of Performance & Reward, whose response received on January 16 adds nothing to our knowledge and is no more optimistic about the restoration of annual pension increases than any other company communication.

The Company continues to choose to ignore (because it suits their purpose on this occasion to do so) what other FTSE 100 companies are doing for discretionary increases and the significant contributions that most are making to their pension plans. Some recent examples: **HSBC** has halved its pension fund deficit with a £1 billion cash injection, **HBOS** has pledged to eliminate its pension scheme deficit within a decade and made an initial contribution of £800 million, **IBM** has proposed a wide-ranging set of changes to its UK pension arrangements including a £500 million cash injection, **Royal Bank of Scotland** has pumped £750 million cash into its pension fund, **Marks & Spencer** has injected £115 million into its pension fund and **Royal & Sun Alliance** has paid an initial £180 million plus three annual payments of £86 million.

Reuters has declined to meet representatives of the Pension Review Group to discuss discretionary increases. McInally, who is due to leave Reuters in March, said: "Furthermore, we are engaged in a constructive dialogue with the Managing Committee of RPF. As the Committee are, in part, elected by the members of the plan, it is appropriate that any meetings regarding the management or operation of the Plan are held between Reuters and the Managing Committee."

We recognise this sidestep from the company because, as we all know, the Managing Committee cannot provide discretionary increases unless the company is prepared to finance the cost. So a constructive dialogue may end up as one-way traffic.

●RPF *Update* newsletter

RPF trustees circulated their latest *Update* newsletter (Issue 27) in January. There is some information on funding the deficit and ongoing discussions with the company. The trustees also write about the latest position on pension increases. They say they recognise the importance of discretionary increases and the effect that inflation is having on pensions, and state:

"In their discussions with the Company on the funding deficits, the Trustees are pressing the Company to address this issue (discretionary increases) both now and in the future, while at the same time seeking to ensure the security of members scheme benefits."

●RPF roadshow

The RPF newsletter tells us about a members roadshow to be held in London and asks members and pensioners to register their interest with the Reuters Member Services Centre whose contact details are given on the back page of *Update*.

This is an ideal opportunity for members and pensioners to find out about the effects of the new legislation and the results of the discussions currently underway between the trustees and the Company. It will provide a forum to ask questions, raise issues and to seek explanations.

We encourage all pensioners and members to register their interest and to attend the roadshow when details are announced in the coming months.

●Actuarial Valuation

Update also advises that the Actuarial Valuation as at 31 December 2004 has now been signed off by the Actuary and the trustees and that copies are available on request from the Reuters Member Services Centre. Members and pensioners are encouraged to request a copy so that they can better understand the financing position of RPF.

Questions on the Valuation can be raised with the trustees by contacting Geoff Francis whose details are given on the back page of *Update*.