

Pension Review Group

Glocer says company cannot provide increase

Tom Glocer says Thomson Reuters cannot provide an inflation-linked pension increase to its former Reuters UK pensioners this year.

In a letter to Pension Review Group chair Angela Dean, the Thomson Reuters CEO writes, "We do not believe we can unilaterally provide a discretionary increase at this time for the participants in the two former Reuters pension plans."

He was responding to a letter from the PRG which pointed out that senior company executives had recently had financial rewards worth many millions.

"It is hard to believe that the Company cannot afford a modest increase to the pension funds to ensure Reuters pensioners are fairly compensated, particularly in view of the financial performance of Thomson Reuters over the last year and predictions for 2009," the letter said.

Glocer's letter

The text of Glocer's letter reads:

"... To begin by addressing your request directly, we do not believe we can unilaterally provide a discretionary increase at this time for the participants in the two former Reuters pension plans (the Plans). We explain this position in the remainder of this letter.

"As you are aware, the Reuters Pension Fund (RPF), the larger of the two legacy Reuters Plans, is an unusual and very old hybrid plan which combines elements of both defined contribution and defined benefit plans. In fact, during the 100 year plus history of the RPF, Reuters never took a contribution holiday despite years of pension surpluses as we followed the practice that company contributions

were fixed. Consistent with this position, it was the Plan Trustees and not management of the company that held the power to determine investment strategy, surplus or deficit status and, importantly, how to provide inflationary increases, if any, to participants.

"After a series of revisions to pension laws, a thorough review of the unusual Reuters Plans and the appearance of a deficit in the Plans, the company and the Plan Trustees entered into a Funding Agreement in 2006 pursuant to which the company made a £153m contribution to the RPF, and an undertaking to contribute an additional £40m. This served to cover Plan deficits, and thereby permit the Trustees to consider whether to make inflationary increases. The Trustees, using their discretion under the Plans and the 2006 Funding Agreement, did, in fact, grant increases of 2.7% in 2006, 3.6% in 2007 and 3.9% in 2008. In addition, consistent with the company's commitment to the retirement security of its former employees, Thomson Reuters entered into a parent company guarantee of Reuters obligations under the Plans soon after the completion of the Reuters acquisition, and fulfilled Reuters commitment to contribute another £40m to the RPF.

"With respect to the manner in which discretionary increases are to be considered, the Plans and the 2006 Funding Agreement provide that following the close of each year, the scheme actuary is to perform a funding review to assess whether there was a surplus or deficit at the close of such year. If a surplus is

determined to exist, the Trustees are empowered to use up to 40% of such surplus to provide a discretionary increase on Relevant Pensions (as defined), subject to a maximum of the change in RPI in the year to the preceding September, capped at 5%. This mechanism was put in place as it was understood between the parties that the primary objective should be to secure members' benefits and that the granting of any discretionary increase should not be materially detrimental to that primary objective.

"It should thus be clear that the ability to authorize any inflationary increase is dependent on the investment performance of the Plans which is managed by the Trustees of the Plans, and not the company. As 2008 was an "anno horribilis" for the investment community, it is not surprising that the Plan Trustees have determined that no inflationary increase is possible at this time.

"We are committed to working with the Trustees of all the company's plans to find solutions which honor the contributions made by generations of Reuters and Thomson employees in building the current company. While Thomson Reuters is prepared to consider alternative arrangements with the Trustees, these discussions must await the expiration of the current 2006 Funding Agreement."

Glocer was responding to a letter from the PRG which can be seen in full [here](#).

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