



Pensions Risk and Strategy

1st Edition

Authors: Jonathan Seres, Partner, Sacker & Partners LLP, Feargus Mitchell, Partner, Deloitte & Touche LLP

By 2005 three-quarters of final salary schemes were closed to new entrants, with many commentators predicting their closure for future benefit accrual to existing members. Employers have consequently been criticised for stepping away from their obligations to members of final salary schemes. This raises the question of what, exactly, their obligations are or should be.

Over the years, layers of additional legislation and regulatory control have steadily increased the obligations on scheme trustees towards their members, as well as the associated costs for employers. These increased costs were largely concealed by healthy investment returns in the 1990s, but have been quickly exposed in the current financial and regulatory environment. As a result, the extra funding now needed to fully secure existing benefits could be as much as £300 billion. It is therefore not surprising that employers are questioning their ability to carry this huge burden of cost and remain competitive.

Conversely, the adoption of defined contribution schemes can generate employee relations problems for the future unless an adequate contribution rate is paid. *Pensions Risk and Strategy* illustrates the pension that can be expected at various ages from a given contribution rate, on stated bases to assist the reader who may hold different views about the future. The book is not judgmental; it is up to companies and their employees to decide how much each party pays into the scheme, but all should be aware that the emerging pension is directly related to the amount paid in.

Pensions Risk and Strategy is written in two distinct parts. Part 1 addresses the key areas of concern to employers. It examines the strategic questions faced by finance directors and senior management and suggests practical solutions to the pensions problems many firms typically face. Each chapter presents the key questions briefly; where needed, the more technical information is in the chapter's appendix. Part 2 of the book details the regulatory environment affecting these issues. "PLC accounts" illustrates the funding volatility of defined benefit pension schemes. "The Pensions Act 2004" introduces funding requirements that are driven both by an EU directive and UK experience, and covers a whole host of other issues of direct importance to both trustees and employers.

Who should read this book?

- Finance directors
- Senior management
- In-house counsel
- Pensions lawyers
- Consulting actuaries and benefits consultants
- In-house risk managers

How will you benefit?

- A book that addresses key areas of pensions risk for companies
- Straightforward advice, addressing strategic questions with authority
- Identify the company's pension obligations
- Understand the factors that affect the trustees' investment strategy
- Assess how the company can influence trustee decisions
- Understand how pension plan risk will affect your company - and how changes in accounting standards, including FASB, IFRS & FRS17 impact disclosure

About the Authors

Jonathan Seres

Jonathan is a Partner in Sacker & Partners LLP, a past Chairman of the Association of Pension Lawyers and has served on government liaison committees relating to various aspects of pension law. He is a leading practitioner as well as an established author and regular speaker at conferences. His specialist areas are pension scheme mergers and strategic advice.

Feargus Mitchell

Feargus is a Partner in Deloitte & Touche LLP. He is an actuary, and the leader of Deloitte's European Total Reward and Benefits practice. He works in the design, funding, accounting, investment and administration of pension and employee benefits plans. His specialities include corporate transactions, expert witness services and risk management.

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Authors: Jonathan Seres, Partner, Sacker & Partners LLP, Feargus Mitchell, Partner, Deloitte & Touche LLP

Pensions Risk and Strategy is published at a time when occupational pensions are undergoing radical reform. There are entirely new questions facing employers, trustees and administrators.

This book addresses the current major issues, including the ending of final salary (defined benefit) schemes in favour of defined contribution schemes; the balance between debt and equity investment strategies; the impact of new accounting and disclosure rules under FRS17 and developments following the Myers Report.

Significantly, this is the first book available to bring together key areas of the Pensions Act 2004, the Pensions Commission’s report of October 2004 and the Chancellor’s tax changes applicable from April 2006. *Pensions Risk and Strategy* covers important measures such as employers’ new funding obligations and the tax changes that have particular effect on senior executives. Compliance regulations, issued in March 2005, are included.

Pensions Risk and Strategy will make a valuable contribution to those now proposing defined contribution pensions by showing, on bar charts, the typical emerging benefits, and the remaining risks and options.

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