

**Telent (Marconi/GEC)** <http://www.thepensionsregulator.gov.uk/pdf/TelentReasonsofDeterminationsPanel.pdf>

Last month I noted the appointment of three independent trustees to the board of trustees of the Telent Pension Scheme. The above link will take you to the Pensions Regulator's compulsory review of the situation. In terms of pensions governance at the highest level this makes compulsory reading. But firstly some background –

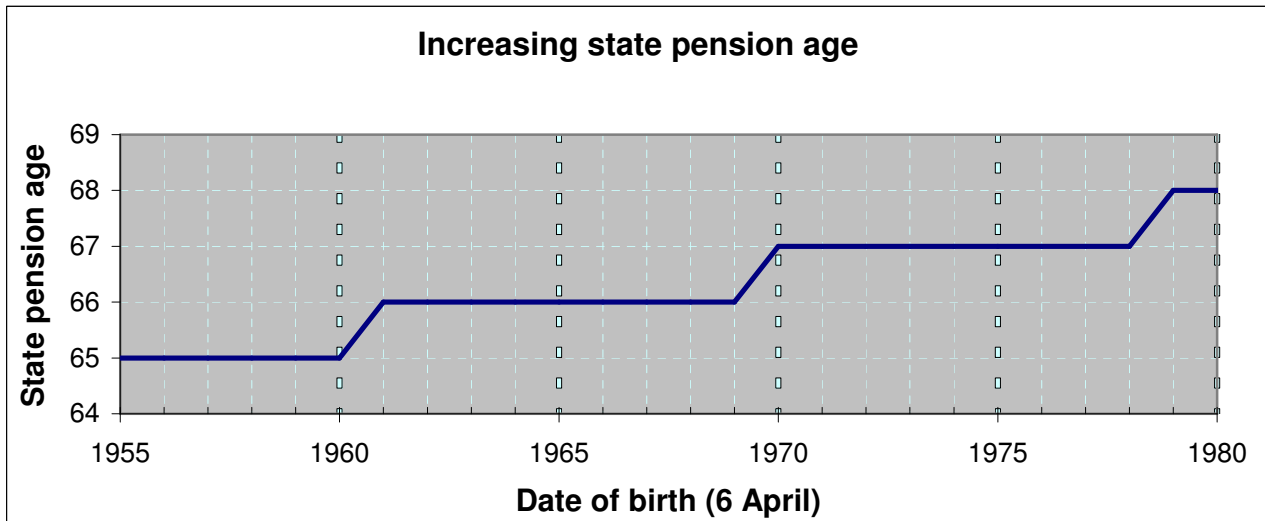
- The Telent Scheme is mature by any standards with assets of £2.5bn and only 1000 contributing employees.
- In 2006 the Marconi business as it was then called (formerly GEC) was sold to the Ericsson Group. As part of this deal a £490m escrow account was established (with the blessing of the Pensions Regulator).
- An escrow transfer to the pension scheme was required if the funding dipped below 100% IAS19 basis.
- An escrow transfer back to the company however needed scheme funding to be over 105% buy out cost.
- In October the buy out cost was estimated to be £150m more than the scheme assets + the escrow account!

A bid by the Pensions Corporation (via a specially established investment vehicle) for Telent involved an investment strategy with allegedly greater risk taking and a target of buy out in five years. After 5 years the escrow account could then revert to the Pensions Corporation! The Pensions Regulator unsurprisingly looked to the balance of risk and return.

Of further interest and perhaps most damningly, The Regulator criticised the Pension Corporation's potential conflicts of interest. The Corporation had power to appoint scheme trustees, who look after the security of member benefits as well as controlling investment strategy, investment advice and investment management. The Corporation would have a duty to make money for its shareholders. The regulator found no evidence of any satisfactory arrangements to manage these conflicts and hence stepped in "to secure the proper use or application of the assets of the scheme" as required by PA95, section 7 (3)(c). Perhaps we will see more use of the word "proper" in future!

**Basic State Pension**

As many readers are children of the 60s and 70s I thought I would remind you of your later retirement!



<http://www.dwp.gov.uk/asd/asd5/summ2007-2008/TrustandConfidenceinPensions.pdf>

**And finally:** A wonderful trust is a potentially emotive word. A recent DWP survey (see above) found that many key players in our industry do not inspire, justify or generate trust. Least trusted were in fact the Government, perhaps reflecting the difficulties ordinary people have with finding that Guaranteed Minimum Pensions are not guaranteed. Significant mistrust has also been generated with 100,000+ people losing their pension pre 2005. With hindsight large queues outside high street banks should have been formed. The Bank of England could then have quickly thrown in the necessary, justified but few £bn!

As always, for further comment, assistance, advisory or trustee services, please contact me on **07714 064964** or via [allan@acmca.co.uk](mailto:allan@acmca.co.uk) Feedback on Pension Snippets is always welcome. For further details, the full CV, occasional lecture notes and published articles and previous Snippets - visit the web site at [www.acmca.co.uk](http://www.acmca.co.uk)