> **Of most concern are the [government] policies that are conspicuous by their absence"**
>
> PAUL JAYSON, PARTNER, BARNETT WADDINGHAM

PPF faces £131m equalisation liability

Charlie Kirby

The Pension Protection Fund (PPF) may be liable for millions of extra pounds in schemes where equalisation has been miscalculated.

According to a range of industry experts, at least 80% of all schemes suffer botched equalisation attempts. A £10m scheme that hasn't equalised correctly could end up with an extra £500,000 in liabilities.

This means 262 of the 327 schemes in the PPF assessment period are likely to suffer from inaccurate equalisation data. The trustees of those schemes would have to pay to have their data re-audited, and face higher liabilities as a result.

Should the scheme then fall into the PPF, the lifeboat scheme would ultimately bear the costs.

Assuming the average scheme size in the PPF is £10m, collectively the liabilities would increase by £131m, with just over £1m being paid in legal auditing fees.

The 80% estimate was released to coincide with the 20th anniversary of the Barber judgment, which stated workers' pensions should be treated as pay.

The figure was confirmed by several lawyers, with one even suggesting it was "erring on the side of caution".

Emma King, a partner at Hammonds, commented: "In my experience, we invariably find a legacy equalisation problem that had not been appreciated by anyone involved with the scheme."

Giles Orton, partner at Eversheds, said the PPF was aware the problems with equalisation had made the transition periods "much longer than hoped for".

"The Financial Assistance Scheme is also being hit hard by these issues," he added.

Richard Butcher, managing director of Pitmans Trustees, said many schemes also suffered from the government's failure to tackle the underlying inequality in the state pension system.

"We are constantly finding employers who believe in good faith that they dealt with this in the mid-1990s, but who in reality haven't," he said. "This is resulting in pension schemes having enormous liabilities that have not been funded."

The PPF confirmed the initial cost to reassess a scheme's liabilities would lie with the trustees, "as this is a matter that must be resolved in a scheme's discontinuance situation, whether the scheme is above or below the PPF funding level".

At the time of going to press, the scheme was unable to confirm how much Barber adjustments had ultimately cost it to date.

Pensions Rocks! raises £7,500

The inaugural Pensions Rocks! event raised more than £7,500 for charity.

The event, hosted by *PW*, took place on Thursday, May 13 at the 100 Club in London, and was attended by over 300 pension professionals. Six bands competed for the title of Pensions Rocks! winner 2010.

After watching a hard-fought battle of the bands, the judges crowned F&C Investments' Pink Torpedo as champions.

The band consisted of Carl Yearwood on vocals, James Rixon on drums, Simon Cordery on bass and Paul Grice on guitar.

Their setlist included Jimi Hendrix's 'Purple Haze', Billy Idol's 'White Wedding' and the Rolling Stones' 'Brown Sugar'.

Independent consultant Ros Altmann, who acted as compere for the evening, said she was blown away by the exceptional musical talent.

"Everyone got into the spirit of the evening and had a great time listening to talented musicians and raising money for good causes," she said.

"The talent among pensions professionals was amazing. Perhaps this keeps us all young; it may even add to the longevity problems, but who cares?"

Pink Torpedo's chosen charity was the Back-Up Trust, which provides assistance, activities and advice for people and their families who have suffered a spinal injury.

The Back-Up Trust will receive £4,500, with the remainder of the money raised being split between the other bands' charities. **CK**

NEWS IN BRIEF

BT's annual payments to reduce its pension fund deficit could rise from £525m this year to £1.26bn, according to stockbroking firm Charles Stanley. It bases the estimate on BT paying its deficit off over 10 years instead of 17, and a 10% increase in liabilities

The NAPF has written to members of the European parliament urging them not to back restrictive rules on alternative investments.
The letter, co-signed by the IMA and the Alternative Investment Management Association, states the rules could restrict pension funds from investing outside the EU.

Trustees of the British Horseracing Authority (BHA) Pension Scheme have appointed Mercer for implemented consulting of its £40m fund. After a deal with Celestica last year, BHA is also the second client Mercer has announced for its dynamic derisking solution.

The Pensions Management Institute has set up a committee to find ways of helping firms cope with auto-enrolment. The committee includes representatives from Mercer, Capita Hartshead, Pi Consulting, Ferrier Pearce and Aon Consulting.