



The SFHA Pension Scheme

Pensions Update

Information for SFHA Pension Scheme members at April 2002

The Background

These are worrying times for members of many “final salary” pension schemes.

Recent authoritative and widely publicised quotations paint a gloomy picture of private pension provision in the UK. Such comments as “10% of surveyed final salary schemes closed to new members in the last year alone” and “the flight from final salary pensions has become a stampede” and “the change from final salary to money purchase could cost members up to 30% of anticipated benefits” have caused widespread concern over the future financial security of many pension scheme members.

This “Update” sheet is therefore included with the review of the year to September 2001 to bring members right up to date on the current context of our pension scheme.

The SFHA Pensions Committee had responded to anticipated adverse conditions for pension schemes by commencing in year 2000 a fundamental scheme financial review and consultation with members. The resultant changes in contributions and benefits came into effect on 1 April 2002.

These changes greatly strengthened the scheme’s forward financial projections. Even after the collapse in financial markets following events in New York on 11 September 2001 the actuaries were able to certify the scheme’s viability in relation to the year-end 30 September 2001.

The Present

The months since 11 September 2001 saw a continuing depression in financial markets and investment values, reinforcing existing pressures

on pension schemes which were also adversely affected by the introduction of rigorous accounting disclosure regulations under “FRS17”.

The start of 2002 saw a further succession of highly publicised closures of final salary schemes by a range of major organisations.

The issue of final salary pensions was therefore forced into the media spotlight as members of closed schemes claimed that their anticipated pension income was being reduced by up to 30% and previous perceptions of financial security had vanished, virtually overnight.

Employee representatives, trade unions and the public at large finally realised the implications of a widespread closure of final salary schemes, and politicians have come under pressure to respond.

The response to date by government has not been impressive. Ministerial interviews and statements are widely seen as displaying complacency, confusion and a lack of strategic vision, giving little confidence in effective government response to the developing crisis in final salary scheme provision.

Meantime, however, our own SFHA pension scheme, benefiting from the timely scheme financial review, has weathered the initial effects of the present general fall in financial market values.

The Pensions Committee, while closely monitoring external developments, is pressing ahead with its next stage review of the scheme’s internal management, with evaluation by external consultants, to ensure that we maximise efficiency and maintain scheme viability in terms of cost as well as income.

The Future

Even with close attention to changing events and the benefit of expert advice, views of the future for final salary pension schemes remain obscure.

One beneficial effect of recent events has been to force the value of final salary pension schemes into public, media and political consciousness to an almost unprecedented extent. It remains to be seen whether this interest can be sustained to maintain pressure for more effective and supportive government policies and action.

Concerns over the intentions of the UK government are augmented by further potential threats from Europe, where the Spanish are reported to be promoting changes which in their present form would have a harmful effect on funded final salary schemes, which until now have been a particular strength of UK pensions provision.

We can therefore anticipate an extended period of controversy and media concern, all adding to potential anxiety and feelings of insecurity for final salary scheme members.

The Pensions Committee cannot change these external circumstances. What it can do is reassure members of the viability of the scheme's present position and longer term projections, and the Committee's careful management of the scheme on members' behalf.

On a brighter note, we have been able to point out to employers the advantage of SFHA pension scheme group arrangements in reducing the very onerous "FRS17" accounting requirements, thus affording a considerable benefit to employers, whose past and future support for the scheme is crucial and is much appreciated.

Looking beyond the immediate sense of crisis in the pensions world, the position of the SFHA pension scheme is considered satisfactory on the basis of present financial projections.

The Pensions Committee repeat their commitment to keep members informed, to alleviate unnecessary concerns which may arise in the present pensions climate.

Administered by



The Pensions Trust

for Charities and Voluntary
Organisations since 1946

Verity House, 19 Haymarket Yards, EDINBURGH EH12 5BH
Tel: 0131 341 1200 Fax: 0131 341 1299

www.thepensionstrust.org.uk
e-mail: efs@thepensionstrust.org.uk

