

Britain's DB plans roiled by gender equalization

By Editorial Staff Thu, Nov 8, 2018

The DB schemes of the UK's 350 biggest listed companies showed a combined estimated deficit of £36bn (€41bn) on October 31, down from a £3bn aggregate surplus on September 30, according to Mercer Consulting.



UK corporate defined benefit (DB) pension plunged into deficit on aggregate in October following a High Court ruled that guaranteed minimum pension (GMP) payments could not be paid at different ages for men and women under EU equality laws.

The DB schemes of the UK's 350 biggest listed companies showed a combined estimated deficit of £36bn (€41bn) on October 31, down from a £3bn aggregate surplus on September 30, according to Mercer Consulting.

"With the continuing backdrop of uncertainty likely to persist in the run up to the UK's departure from the EU early next year, trustees should evaluate the potential impact on their sponsor's financial security and put themselves in a position to capitalize on de-risking opportunities as they arise," said LeRoy van Zyl, a DB strategist and partner at Mercer.

Pension funds were continuing to de-risk their portfolios and crystallize investment profits, Zyl said: "The need for taking selective action was demonstrated again during October as markets stepped back significantly from previous gains."

Total liabilities rose by £21bn, Mercer said, attributing nearly three quarters of that to the UK High Court ruling. Combined assets fell by £8bn, due in part to falling equity markets. The FTSE All Share index fell 5.1% in October. The MSCI World index fell 5.6% in sterling terms.

While the High Court ruling related specifically to the Lloyds Banking Group pension plans, many other DB funds are expected to have to recalculate benefits and potentially make payments in arrears, according to a report in IPE.com.

Adrian Hartshorn, senior partner at Mercer, said, "Preliminary analysis... has suggested an increase to liabilities of between £15bn and £20bn, with the additional costs potentially flowing through the P&L account.

© 2018 RIJ Publishing LLC. All rights reserved.