

Costain ends final-salary pension

Construction and civil engineering company Costain has become the latest big employer to shut its final-salary pension scheme to its current members.

The company blamed the rising cost of financing the pension fund, whose deficit rose from £36m to £76m in the first half of the year.

The scheme has 800 contributing members and was closed to new joiners in 2005.

Costain also reported a half-year profit of £6.9m and said it was raising its dividend to shareholders by 10%.

"The proposal to close the scheme follows the increasingly disproportionate risks and costs arising from a combination of factors including rising life expectancy, interest rate volatility and lower investment returns," the company said.

Costain is increasing its monthly contributions to make up the deficit in the pension scheme.

They will rise from £0.5m to £0.9m until at least the next valuation of the scheme in April next year.

The company said this would be on top of other extra contributions to match under a previous commitment to match its dividend payments.

An increasing number of employers are shutting their final-salary pension schemes to all members, in an attempt to rein in the cost of financing them.

Among the big employers doing this recently has been Barclays bank.

On Tuesday, Royal Bank of Scotland said it would take a different tack, by restricting the amount of annual salary growth that would be pensionable in the future.



Costain, in business since 1865, helped build the channel tunnel