

Pensioners to come before shareholders

A WARNING by the pensions watchdog last week that companies' retirement contributions must come ahead of dividend payouts is set to pitch pension fund members against shareholders.

The Pensions Regulator said that companies struggling in the face of the recession could not reduce payments into final salary schemes if they continued to pay dividends to investors.

The watchdog said firms which were under pressure could renegotiate payment plans to plug holes in pension funds but schemes must not be "disadvantaged".

The stern message comes at a sensitive time as a growing number of final salary schemes see the value of their assets plunge and deficits soar following turmoil on the financial markets, just as their sponsor companies feel the squeeze from the recession.

David Norgrove, chairman of the Pensions Regulator, said: "We are sensitive to the pressures many of these employers face in current economic conditions with falling asset prices and increasing deficits.

"There is no reason why a

pension scheme deficit should push an otherwise viable employer into insolvency. But the pension scheme recovery plan should not suffer, for example, to enable companies to continue paying dividends to shareholders."

Industry figures out this month showed that 90 per cent of the country's 7,800 defined benefit pension schemes faced a funding shortfall, with a combined deficit of £204billion, against £48billion a year ago.

Pensions consultant Ros Altmann commented: "Shoring up the pension scheme will take away resources that could be ploughed into the business or paid out to shareholders, but the regulator indicates pensions take precedence.

"This is bound to cause controversy or resentment. Increasing tensions can be expected throughout 2009 between the interests of pension scheme members and the demands of shareholders."

Paul Jayson, at Barnett Waddingham, said: "Pension schemes are already a noose around the necks of companies. This is another disincentive to invest in companies with a pension scheme."

Sweetener for Thorntons



SALE: Demise of Woolworths could boost Thorntons

THE collapse of Woolworths has been a bitter-sweet experience for chocolate maker Thorntons.

As one of the country's biggest confectionery retailers, Woolworths was a major customer of Thorntons, generating £4.6million of annual sales. When the stores shut it left the chocolatier nursing bad debts of

£150,000. But its demise could boost sales at Thorntons shops and leaves a hole for shops served by Woolworths' distribution arm.

Heavy discounting in the run-up to Christmas bit into profits at Thorntons, down 39 per cent to £7.2million in the six months to January 10, despite sales up 1.3 per cent to £128.3million.