

# Savers hit as firms 'milk and dump' pensions

A couple whose 'gold-plated' savings will be decimated are among thousands suffering as companies break promises. By **Ruth Emery**

WHEN Jane Tordoff began working at the engineering consultancy Halcrow in 1970, it marked the start of two big love affairs.

She met her husband Mike, a civil engineer, in the London office and also fell in love with the company as they travelled the world to work on projects in exotic locations such as Dubai, Brunei and Panama. Jane's father had also worked for Halcrow.

The couple, now retired and looking forward to their 44th wedding anniversary this month, were shocked when they discovered that the employer for which they had been proud to work was going to change its final salary pension scheme — and freeze members' payouts.

The Halcrow scheme, which has about 3,300 members, has struck a rare deal with the Pensions Regulator that allows it to slash the annual increase from 5% to zero. Members must choose whether to go into a less generous scheme or be tipped into the Pension Protection Fund (PPF), the industry-backed lifeboat for insolvent firms. The twist is that Halcrow, which was taken over by the American infrastructure company CH2M five years ago, has not gone bust.

Jane, 66, said: "It's shocking. We saw pensions as part of our salary. We need to fight so that other employers don't jump on the bandwagon and do the same."

The change comes as black holes in pensions at companies such as BHS and Tata Steel have left savers worried about the safety of their nest eggs.

Last month a campaign group called the Halcrow Pensioners Association mounted a legal challenge to the changes but, fearing the hefty costs of losing, withdrew. The association's Edward Evans, who worked for Halcrow for 25 years, said it had met with "venomous opposition" from CH2M and accused the regulator of

While employers can close schemes to new employees or tweak future benefits, whatever an employee has already built up in a pension is — in theory — protected.

Last December, the scheme's trustees, Halcrow and CH2M met the regulator and PPF officials to discuss a new proposal. The solution was one rarely chosen that has devastating consequences for pensioners. In April, members received a letter telling them they had to decide whether to move to a new scheme or be placed in the PPF. Those who do not indicate a choice by August 31 will be transferred to the PPF.

The main difference between the current and new Halcrow schemes is that the former gives pensioners a 5% increase every year for benefits accrued before April 5, 1997. For pension built up after this date the uplift is linked to the retail prices index (RPI) measure of inflation, capped at 5%.

The new scheme offers members a one-off boost of between 1% and 2.5% but the annual increase will be drastically cut. Pensions earned before April 1997 will get no uplift, while benefits accrued after then will get annual increases linked to the less generous measure of inflation, the consumer prices index (CPI). RPI was 1.6% in June but CPI only 0.5%.

The change will cost pensioners thousands of pounds over their retirement. For example, members with a £10,000 annual Halcrow pension receiving a 5% increase



## Swing low

Could you save £3,600 a year, like this family, by fixing your mortgage after the Bank rate cut?

Page 2

Hayley and Danny Lane, pictured with son Toby, 3, will save about £300 a month by switching

£110m in Halcrow and had never taken money out of the business. It said Halcrow was not profitable enough to meet its pension obligations, and the change would place it on a stable financial footing, preserving jobs in the UK.

Jonathan Refoy, its corporate affairs director, said: "This is a good deal for members. It will protect their accrued benefits and prevent the scheme from going to the PPF. CH2M will also provide a cash injection of £80m to help tackle the deficit and provide a £50m company guarantee."

### A DANGEROUS PRECEDENT?

Pension experts say so. Martin Jenkins, a partner at the law firm Irwin Mitchell, which represented the Halcrow Pensioners Association in its legal challenge, said: "Companies with international owners, or predators such as hedge funds, will start saying that an RAA is a good deal and walk away [from their pension obligations]."

"We believe the Halcrow pension scheme can continue as it is, with no risk of

Your nest egg source of

Fig. 1: An ordinary nest egg

