Informal report from the Pension Fund Open Forum, September 14 2006, Guildford

David Jordan, Fund chairman, opened the session by telling us that the Trustees had had a very busy year. Bill Bryant has recently been reselected as a member-nominated Trustee (and a pensioner) for another 6 year term: there is one more position to be filled which will be by an existing employee. They had to decide how to manage the £350 million injected into the Finals Salary Plan by Holland (the remaining £50 million will be forthcoming after the valuation, at the latest by the end of March next year. I suppose that even if you are Philips you don't have these cash sums just lying around.) The administration of the Defined Contribution scheme has been handed over from AON to Merrill Lynch, most successfully. The sale of the Semiconductors business will be complete in 2 weeks and by January all its members will become deferred members. The new company will be called NXP. (That's all the components businesses gone, apart from LCD. Philips even wonders whether it should any longer call itself an electronics company.) LG Philips Displays is now formally insolvent and its members have now left the Fund to become deferred members. After all these closures, Philips UK has acquired Avent, a healthcare business, but its employees will stay in their own Fund.

Adrian Holmes told us about the running of the Fund. There were a lot of retirements immediately after April 2006, taking advantage of the new Finance Act which allows people to take a bigger share of their pension pot as a tax-free lump sum: this put quite a pressure on the Aon service capacity: but we are now past this point. Members can now take Defined Contribution and Defined Benefit parts of their pension at different times. Civil Partnerships are now covered by the Fund: by law at levels around GMP, at the discretion of the Trustees above this. People need to notify the administration if such partnerships apply to them. Good news is that Aon have finally changed their telephone number to an 0845 number from the old 0700 number, which placed a high cost on the caller. The new number is 0845 0710051.

Doug Ballardie gave a broad presentation of the asset performance of the Fund, which was strong over the year to last April and has been less so since then. This is in line with markets generally. The valuation of liabilities is now in progress, and we expect it to say that the Fund is now fully-funded. This has implications for the investment strategy, which from now on will be aimed at security of the total fund, with less risk and therefore less exposure to equities. The value of the Fund at the end of June 2006 was £2285 million. I won't go through all the numbers, because Insight will do it better in November, and I'm bound to get something wrong. But the critical thing is that there will be only about 400 active members left in the FSP after January.

In summarising after several questions, David Jordan said the intention of the Trustees is now not to generate either surpluses or deficits, in order further to reduce risks. There are therefore unlikely to be further improvement in benefits such as special increases. The Rules require that the Fund pays RPI up to 5% increases, but the Fund is unlikely to be able to go beyond this even if inflation were suddenly to soar: but as in this case the investment strategy would change again, there may be some improvement. The greater worry is of deflation, as our pensions would remain protected, but the assets would fall in value: no-one knows (nationwide) how to deal with such a situation. Two pensioners expressed their thanks to the Trustees and the PPC for a well-run Fund, and particularly for securing the cash injection from Holland.