Lloyds TSB promises to repair pension damage
Page 26 ▶

Christopher Fildes on the future of the IMF
Page27 ▶

FTSE 100	Dow Jones Av	Nikkei 225 CLOSE
up 21.3 at 5857.3 ▲	down 21.60 at 11,047.60 ▼	up 5.81 at 16,101.91 ▲
£1 buys $1.746 down 0.6 cent ▼	€1 buys 68.05p down 0.15p ▼	€1 buys $1.188 down 0.5 cent ▼

Checkout choice: pay more or cut benefit

Deal to save final-salary pensions at Sainsbury's

SUPERMARKETS giant J Sainsbury today struck a compromise deal with workers which means it will retain its generous final-salary pension scheme.

The group is injecting a one-off £350 million into its pension fund plus an extra £18 million annual top-up to deal with its £580 million deficit. In return, staff will have the choice either to pay an extra 3% to keep current benefit levels or to accept a smaller pension.

Despite the extra contributions unions welcomed the move, particularly in the light of Rentokil's recent decision to axe its final-salary pension scheme for existing members.

Sainsbury's scheme was closed to new members in 2002. Since then the company has been paying in £20 million a year extra to plug the fund deficit. This will now rise to £38 million a year for the next eight years to eradicate the shortfall.

Sainsbury's chief executive Justin King has mortgaged 127 supermarkets to raised the funds. Most of the proceeds will go to buy back £1.7 billion of bonds, in a bid to lop some £12 million a year off the group's interest bill.

After four quarters of "positive turnaround of the business", he said, the firm could now be more confident about future cash needs.

Proof that endowments weren't such a bad idea

ANTHONY HILTON
CITY COMMENT

IT'S that time of year when life assurance offices tell the world how well — or badly — they did for their investors in the last 12 months. Thus Prudential announced on Wednesday that its with-profits funds had delivered a return of about 20% in 2005, and Legal & General came in yesterday with a growth figure for its funds of 19%.

These are the best we have seen so far and, as the Pru said, as well as beating most of their peers it makes for a significantly better performance than the investor could have got from either the FTSE 100 or the FTSE All-Share indices, not just in 2005 but over the past five and 10 years.

What has been less appreciated is that this recovery in with-profits policy bonuses means the endowment-linked mortgage scandal is fast disappearing — if it ever was one in the first place — as this column has often argued that it would.

The Pru produced figures to prove the point. All Prudential endowments maturing in 2005 met their repayment targets and delivered an average surplus of £2200. Nineteen out of every 20 policies of Scottish Amicable (the life office owned by the Pru) met their targets and delivered a surplus of £2409.

In the 5% of cases — amounting to 815 Scottish Amicable policies — where there was a shortfall, the average was just £49. In an age when the cheapest house even outside the prosperous South-East may well cost more than £100,000, the sum of £49 hardly seems back-breaking to the owners — especially if they have had the place for the 25 years of the policy's life.

The picture is just as good looking forward. The Pru has just over 10,000 endowment-linked policies scheduled to mature this year. All are expected to meet their targets and deliver a surplus of £3300 on top.

The Scottish Amicable arm expects 18,500 policies to mature and of these 96% are likely to exceed their targets and produce an average surplus of £2600. Of the 800 policies that will come in too low, the average shortfall is forecast to be around £700 — a more material sum than £49 , of course, but still not, perhaps, deserving all those crisis and scandal-laden headlines.

The past few years since 2000 have been sobering for the life assurance industry and it is therefore worth noting just what the annual rate of return on these maturing polices has been.

In the Prudential's case, a £50-a-month contract for 25 years delivered £46,892, which is equivalent to an annual return of 8.2% after tax and charges.

In the Scottish Amicable case, the relevant figure is £47,872 for an annualised net return of 8.3%.

It is fair to say that Prudential and Legal & General are at the top of the range and, because they have a strong capital base, they have been able to invest heavily in higher-returning equities. But even with that caveat, the figures do underline how with-profits funds were not such a bad idea after all.

Unfortunately, it is probably too late to save them. Sales of new policies have virtually disappeared and, like final-salary pension schemes, they have fallen victim to well-intentioned but ultimately destructive consumer-driven regulation.

Such rules, designed to protect the public, end up depriving people of the very products they ought to have.

Reasons for giving

PRIZE for the most timely book of the year, given that we are in the middle of the season where high-fliers in the City receive their bonuses and, for a few days at least, feel relatively prosperous, goes to Mike Dickson for his pocket-sized publication called The More You Give.

As the title suggests, it is about charitable donation, at an individual and corporate level, but unlike most such books it does not confine itself to making appeals to the better nature of people and companies so much as laying out the hard-headed business case for being generous and stressing the rewards donors get if they engage in charitable giving in the right way.

In this sense, the author's list of acknowledgments is instructive — how often do you see names like Bob Wigley of Merrill Lynch; Howard Carter, until recently running Foreign & Colonial; Jamie Borthwick; Julian Richer; Charles Handy; Graham Ross Russell and many others, listed as supporters of his efforts?

Dickson knows what he is talking about. He is the driving force behind Whizz Kids, the charity that provides wheelchairs for disabled children. But this is not a book about that. Rather, he wants to inspire others to try something similar themselves or, failing that, to advise individuals and companies to give imaginatively and effectively. He also offers an advisory service which seeks to match those with the money to worthwhile and innovative projects they might otherwise never have heard of.

Want to know more, or get a copy of the book? Contact mikedickson@themoreyougive.co.uk.

Coin it with the nickel

THE increase in the price of gold has been widely commented on in recent weeks, but less publicised increases elsewhere in the metals markets promise to have equally unusual side-effects.

One of these concerns nickel, the lightweight metal used in various alloys but perhaps best-known as the metal used in the American five-cent coin. Such has been the increase in the price of the underlying metal that the raw-material value of the coin is now four cents.

The bulls would have us believe the boom has some way to go — in which case there will soon be money to be made melting them down.

> **'All such Prudential policies maturing in 2005 met their repayment targets and delivered an average surplus of £2200'**

Banks face desertion after bonuses

BY JIM ARMITAGE

HALF of bank workers plan to quit their jobs within months of receiving their bonuses, a survey showed today.

The so-called "take the money and run" attitude has exploded in a buoyant job market where employees know their skills are in high demand. It comes despite one of the biggest bonus rounds in recent years.

Many banks have already recognised the problem of facing mass desertions after bonuses are paid and have offered deferred elements to the payments, including the promise of future share awards. But that has not stopped potential rival employers tempting staff away with packages that outweigh their current offers.

The survey by recruitment group The Blomfield Group, which includes City recruiters Joslin Rowe and executive headhunter Firth Ross Martin, found 58% of London staff were either "certain" or "very likely" to change jobs within three to six months of bonuses. A further 22% said it was "possible".

Headhunters are hovering around employees of banks known to have been disappointed in the recent bonus round.

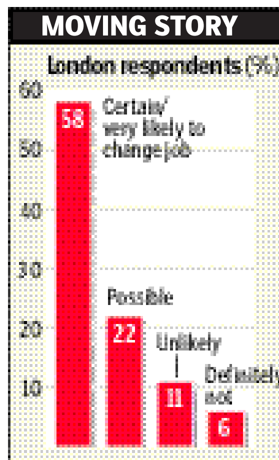
Dresdner Bank has been widely cited as having paid out lower-than-expected bonuses to investment banking staff. Equities sales and trading staff in London had also been disappointed, according to some insiders.

MOVING STORY

London respondents (%)

Response	%
Certain/very likely to change job	58
Possible	22
Unlikely	11
Definitely not	6

KATHMANDU
SPECIALISTS IN QUALITY OUTDOOR CLOTHING & EQUIPMENT FOR TRAVEL & ADVENTURE
50% OFF
SHORTHAUL TRAVEL PACK v2



SHORTHAUL TRAVEL PACK v2
Durable & comfortable single compartment travel pack,
> Fully adjustable Apex™ Harness System > Supplied with a 15L Gluon™ Daypack
750D Durable Nylon fabric
Black
Std: 55L + 15L
Long: 65L + 15L
Retail: £149.90, Disc 50%
NOW £74.95
GLUON APEX
Offer valid until 26 February 2006 • While stocks last
1 BERNERS ST (OFF OXFORD ST) PH 020 7436 7499
26 HENRIETTA ST, COVENT GARDEN PH 020 7379 4748
www.kathmandu.co.uk