

Dealing with the press

a guide for

UK pension scheme trustees

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Pension fund guide

Pension fund trustees and the press:
why **pensions** are in the **press**

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Why pensions are in the press

Pensions are now a staple item for the business and investment press and increasingly the national and regional press. For example, when the world's stock markets fall sharply, press reports soon appear on the UK's pension funds losing billions of pounds in value. While such losses will almost certainly be made up over time, these stories illustrate how pensions have been leveraged to give the general public a direct connection to events in the financial markets.

The last few years have seen a succession of stories about individual companies and their pension schemes. These stories vary from national press coverage of major corporate transactions and restructurings, to regional and local papers writing about smaller companies which are significant employers in a particular area. There are a number of reasons for the heightened press interest in pensions. At a general level, demographic changes and the decline in state pension provision have led to pensions becoming an important issue for many of us. More specifically, the decline of private sector final salary schemes, the collapse of Equitable Life, personal pension mis-selling and other scandals have repeatedly thrown 'pensions' under scrutiny. Consequently, there is now a widespread perception of a 'pensions crisis' in the UK, although levels of pension provision vary hugely and many individual company schemes are still well-funded.

It is against this background that changes in pension legislation, allied to a spate of high-profile corporate deals, have put the spotlight on the role of pension scheme trustees at defined benefit (DB) schemes. The greater attention paid to pensions also means that trustees who have previously had no call to deal with the media may come under pressure to speak to regional, local, trade or even national press.

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The raised profile of trustees

A key role to play

Recent attempted or actual take-overs at household name companies such as Alliance Boots, W.H Smith, Marks & Spencer and Sainsbury's have shown that pension scheme trustees have a key role to play in corporate transactions. The fact that private equity players have been behind much of this activity has only heightened press interest, given current concerns over the growing power, lack of transparency and anomalous tax treatment of the private equity industry in the UK. From a press perspective the combination of major brands, enormous sums of money and the involvement of private equity has led to trustee deliberations becoming newsworthy.

Under the Pensions Act 2004, pension fund trustees are able to negotiate with company boards over scheme funding levels and can ask a new owner of a company for increased funding, if they believe the security of the pension fund is weakened by a new corporate structure. Consequently, the views of the trustee have become critical to potential acquirers of companies operating a DB pension scheme. Naturally, the press has latched onto this.

Before going further, it is worth remembering some of the main points about the role of scheme trustees under the new Act and the extent of their powers. Their main concern, as far as the current or future ownership of their sponsoring employer is concerned, will be the strength of the employer covenant. This is the ability of the employer to make pension contributions and its willingness to do so. If a financially robust employer is committed to a pension scheme, the covenant will be considered strong. This may enable the trustees to consider a higher risk investment strategy, or to agree to close a funding deficit over a longer period. But if a corporate restructuring, such as a listed company being taken private with its purchase financed by higher debt levels, threatens to weaken the covenant, scheme trustees need to act. Trustees cannot prevent a take-over, as they cannot stop an acquirer buying shares in the target company, but they can ask for more contributions.

In addition, most buyers will be very wary of testing the powers of the Pensions Regulator, which can bring in a contribution notice or a financial support directive where it considers funding to be inadequate. As a result, most acquirers will be keen to win the support of the trustee board of their target if it has a final salary pension scheme.

In this situation, trustees have a one-off opportunity to take stock of their funding position, consider in detail how it could be affected by a new owner with new financing arrangements and negotiate the best deal possible for the pension scheme. Doing so may well test the skills and capabilities of the trustees and in many cases they will want expert help. In the last year or so, a number of specialist advisory firms have been set up and existing pension consultants are adding services to cater for trustee needs. Advisers with a background in corporate finance or accountancy can help trustees with negotiating different forms of funding, such as contingent assets or letters of credit. Pension scheme trustees will also play an important role when a pension scheme is being redesigned in order to make it more affordable for the sponsoring company. Examples of this have occurred at companies such as British Airways and British Aerospace. Here, trustees have been at the centre of talks involving unions, representing their members' interests, and the employer, wanting to control its pension costs.

General principles

Preparation is a key part of good management, so pension scheme trustees can take steps to ensure that they are ready should their pension scheme become the subject of press attention. This does not necessarily mean the trustees are seeking publicity. Planning ahead for all eventualities, including press interest, should be seen as part of trustees' normal responsibilities.

Preparing to deal with the media

- > It is important to bear in mind the corporate culture of the sponsoring employer, as this can be an important factor. Some companies deliberately adopt a low profile and may not want pension fund representatives to appear in the press, or may expect any journalist enquiries to be dealt with by the sponsoring employer. In this case, agreeing a prepared statement may be the best way to communicate a message to the press.
- > Trustees should also consider what particular issues could crop up at their pension scheme, depending on its circumstances. For example, this could be the funding position of the scheme and member security, particularly if the scheme has a deficit. Investment policies could be a sensitive issue. Do they support a company's general stance on environmental issues? Can the trustees explain why their fund managers hold certain investments which might not fit with overall corporate policies?
- > Thought could be given to possible answers for questions on these issues to ensure that the relevant facts are checked and to hand. How do members regard the scheme? What do scheme members think of the benefits on offer and the way the scheme is run? It is hard, if not impossible to try and position the scheme in a certain way, if this is at odds with reality.

Setting broader PR objectives

- > Trustees should think about how they want their scheme to be seen. For example, does the scheme aspire to being 'best in class'; the model of a well-run, well-funded pension scheme? Does the scheme see itself as leading the way on pension, investment and governance issues? What do scheme trustees want to achieve through the press? This could vary from specific objectives, such as putting the trustees' case in a reasoned and accessible way, in the course of a high-profile corporate deal, to more general goals, such as raising the fund's profile as an industry thought leader.
- > It is also worth considering whether the scheme already has a voice. If scheme personnel play a prominent role on pension industry bodies, or take part in national debates on pension issues, this may reinforce the scheme's public perception as proactive and well-run

Deciding on the strategy

In dealing with the media, the following general points should be borne in mind and can form the basis of a communication strategy:

- > ***Should trustees be prepared to talk to the press?***
Tempting as it may be to stay silent, if there is strong interest in a story, this may be very difficult to do. It could also create a vacuum and allow other parties to put over a message that is partial or inaccurate.
- > ***What is the key message that the scheme wishes to get across?***
For example, in a corporate restructuring, it could be that the trustees' sole concern is the security of assets that members are relying on for their pensions. As a result, the trustees may seek additional funding if the corporate sponsor is planning to put in place more debt. At the same time, the trustees do not want to seem obstructive.
- > ***Who should speak to the media?***
It is sensible to delegate communications to a spokesperson to whom all press enquiries should be referred, to avoid different trustees giving a different message. For example, this could be the chairman of the trustees on the basis that he is aware of all the issues, possibly has past experience in dealing with the press and is a good communicator. As an alternative, communications could be split. For example, a senior trustee could be given the job of speaking to the business press, while the scheme manager handles local press and trade press.
- > ***What information should be given to the press?***
Generally, trustees will be guided by what is already in the public domain, such as published financial results and communications sent to members, and what they consider to be sensitive, such as interim scheme valuations or information on the employer's financial strength.
- > ***Is any media training required?***
Do potential spokespeople feel comfortable about communicating with the press? Are systems in place for enquiries to be dealt with promptly and have standard replies to questions been agreed on?

Knowing what to expect

- > Different sections of the media will take different angles on what is happening at a pension fund. National press, TV and radio will be more interested in large companies or well-known brands, or where a story has major implications. Local or regional media will be more concerned about pension schemes at companies that have a strong local presence in a town or region. Trade or specialist press will cover a story in greater depth and will follow angles of interest to their particular readership.

A few DOs and DON'Ts for dealing with the press

It is worth bearing in a mind a few practical tips for establishing and maintaining good press relations:

- > ***Do cultivate relationships with key journalists***
It can be sensible to build up a good working relationship with journalists covering pensions issues. Don't expect this to automatically lead to favourable coverage, but it should mean they know that they can contact you for comment or factual input. Journalists will also appreciate being able to talk to someone who can talk them through pension issues, which can be complex and difficult to follow. Building a dialogue means that scheme trustees will come to have contacts in the media they are known to and can call, if they feel their point of view is being misrepresented or ignored.
- > ***Do return journalists' calls promptly***
Journalists invariably work to very tight deadlines, often measured in hours, rather than days. They will appreciate a prompt response, even if it is just to say that you cannot help in this particular instance. It may help to have some idea of a particular journalist's timescale; for instance, a radio or TV reporter may want an interview or comment that day, a national press reporter may be working for the next day's edition, while a trade journalist may have slightly longer before they file copy, although they could still call right on their deadline.
- > ***Do be aware of 'on the record' and 'off the record'***
Unless you specifically say so, journalists will assume that they can quote you, so if you don't want to be quoted, make sure you say so at the start of a discussion. 'Off the record' or unattributable comments are best kept to a minimum, if used at all.
- > ***Don't expect to be given copy approval***
It is extremely unlikely for copy approval to be given, where an interviewee is allowed to see a story before it runs and make changes to suit them. But if you are discussing a complex issue, you can ask for your quotes to be read or emailed back to you, if you want to check that they are accurate. But make sure you have a journalist's agreement on this before conducting an interview.

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Public relations support

PR Advisers

Until recently, pension fund staff and trustees were not usually expected to deal with the press on a regular basis. However, as we have seen, this is changing. One option for trustees is to do as most corporate entities do and engage a public relations (PR) specialist for advice and help with a media relations strategy. For most pension funds, using a PR adviser is something that will be considered when a scheme has a high profile, as a function of its size, or when circumstances such as a corporate bid push the scheme into the spotlight.

Using a PR Adviser

When considering a PR adviser, one option is to make use of any internal expertise at the sponsoring employer. For example, the corporate sponsor may have an in-house press office, an external public relations agency and an investor relations team, all of whom work with the press or city analysts. In some cases, it may be possible to use these resources if necessary. But in other situations, where scheme trustees wish to maintain their independence, for example in a corporate restructuring, it might not be advisable.

One obvious reason why an in-house PR function might not be appropriate is that they may well have a conflict of interest, or potential conflict, if they are supposed to work both for the sponsoring employer and scheme trustees over issues affecting scheme funding. In a take-over situation, for example, the employer may decide to fight against a bid, whereas the trustees will need to act to ensure members' benefits are best served, rather than trying to block a take-over to help existing management. As a result, trustees may feel more comfortable hiring an external PR for a specific project or on an ongoing basis. When dealing with the press, an internal PR department or an external PR company can help in various ways.

In the first instance, a PR adviser can handle press enquiries, lightening the load for hard-pressed trustees, who may be struggling with a full-time day job, as well as running a pension scheme. Often, press enquiries can be directed to a PR adviser who will deal with them on the basis of communicating an agreed message. Helping to draft and distribute press releases can be part of this. Monitoring press coverage and giving unbiased advice on key issues, opportunities and damage limitation is also something that a PR adviser can help with. A PR adviser can also alert the pension fund to relevant pension issues and whether a comment from the scheme could be made if this would advance the scheme's overall objectives.

As the PR team will have existing relationships with the media, it can help build constructive relationships amongst the fund's key spokespeople and the media, through meetings and interviews. Placing articles on topical pension issues, giving the scheme's views, can be handled by a PR adviser familiar with the type of articles different publications are looking for and their deadlines. Media training is another area where an internal or external PR could help trustees become more confident and accomplished in interviewing techniques. Scenario planning, practising interviews, helping draft Q&A crib sheets or help with broadcast interviews are all aspects of this.

Generating interest

Possible scenarios for press interest

As well as considering PR support, trustees should consider the likelihood of a scenario developing which would lead to press interest in their scheme. A number of possible situations are now possible:

The trustees' reaction to a corporate transaction, such as a take-over by a trade buyer or a private equity firm

The media is now keen to pick up on stories involving large UK companies where trustees have a role in a transaction, particularly if the potential buyer is a private equity firm or an overseas company. Alliance Boots' purchase by KKR and the interest in Sainsbury by a Qatari buyer are examples of this trend.

A scheme deficit that is substantial in absolute terms or in relation to the size of the scheme or the sponsoring employer

Interest is magnified if scheme benefits are subject to dispute or debate, particularly if unions are involved and strike action is possible. British Aerospace, Royal Mail and British Airways are examples of this.

If a pension fund holds investments which could go against any stated ethical, environmental or social investment policies espoused by the corporate sponsor, or which members may object to

An example of this could be the pension fund of a charity holding shares in an armaments manufacturer. Corporate governance is a related issue, where schemes hold large shareholdings and have voting rights which they may, or may not, be exercising effectively.

Where member benefits are adversely affected at a pension scheme

The loss of pension benefits at underfunded final salary schemes which collapsed before the Pension Protection Fund was set up are good examples of this. Many of these companies are relatively small but, it is estimated that around 125,000 people were affected. Developments, such as the Financial Assistance Scheme, to assist these people have been covered in the national press. At a local or regional press level, coverage could be based on human interest stories such as the issues faced by individual scheme members and their families. Or regional papers could follow the story by looking at a local employer, such as Allied Steel & Wire in South Wales.

Where a pension scheme is involved in legal action

Examples could be a scheme member taking action against what they consider to be unfair treatment, or the scheme taking action against a supplier, as in the Unilever scheme action against fund manager Merrill Lynch. Media interest will be particularly intense if the case has wider implications or involves individuals already in the public eye, such as a well-known fund manager.

In all these situations, reporters and pundits could take an interest in events at a pension fund. In order to reassure scheme members and ensure benefits are protected, trustees have to act wisely and listen to expert advisers.

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Pension funds and the press

Conclusion

For pension fund trustees, especially those at larger schemes or attached to high-profile companies, press attention is increasingly part of the general landscape. Pensions are in the press far more than in the past and the profile of trustees has been raised, often because of corporate restructurings. The effect of this has been compounded by greater awareness that we all need pensions and that good occupational pension schemes are, for various reasons, under threat.

As a result of this, trustee boards should consider strategies and plans for dealing with the press in alignment with their overall business objectives and contingency planning.

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To discuss this further, or for more information on any of the suggestions within this document please call:

Gay Collins, Managing Director
+44 (0) 20 7786 4882
gayc@penrose.co.uk

Sally Todd, Partner
+44 (0) 20 7786 4815
sallyt@penrose.co.uk

www.penrose.co.uk

www.penrose.co.uk