

Press Release

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Immediate Release

NAPF CALLS FOR THE DEBT MANAGEMENT OFFICE TO USE A RANGE OF GILT ISSUANCE MECHANISMS

The National Association of Pension Funds (NAPF) has backed the Government's medium term strategy to issue more long-dated, indexed-linked gilts¹ and has called for a range of distribution methods to be available to help meet pension funds needs.

The NAPF believes that issuing more long-dated gilts would achieve three highly desirable objectives:

1. Government will obtain access to funding at low rates of interest (lower than those available at shorter durations).
2. Institutions such as pension funds and insurance companies will benefit from greater availability of a strategic asset and reduced pressure on their balance sheets.
3. Companies will have greater access to debt finance at short and medium durations with less 'crowding out' by government borrowing.

The NAPF called for greater availability of long-dated, index-linked gilts in its *Action Plan* (Annex 1) to help pension funds through the recession.

In its response to the Debt Management Office's (DMO) consultation² on supplementary distribution methods for issuing long-dated gilts, NAPF has recommended using a combination of mini-tenders, syndication and direct placement of gilts in order to ensure that pension funds' demand for long-dated gilts can be successfully met.

The NAPF has also said the DMO should have a more flexible remit which would allow it to respond better to pension fund demand for these gilts.

Joanne Segars, NAPF Chief Executive, said:

“Both pension funds and the Government would benefit from the greater issuance of long-dated, index-linked gilts and we welcome the DMO’s commitment to exploring different mechanisms for issuance.

“We are keen to work with the DMO to help make sure that distribution methods meet the needs of our members and help protect pension provision in the long term.”

ENDS

1. The NAPF’s to the response can be found at <http://www.napf.co.uk/policy/recentreports.cfm>
2. The DMO consultation can be found at http://www.dmo.gov.uk/index.aspx?page=Gilts/consultation_papers

About the National Association of Pension Funds

The NAPF is the leading voice of workplace pensions in the UK. We speak for 1,200 pension schemes with some 15 million members and assets of around £800 billion. NAPF members also include over 400 businesses providing essential services to the pensions sector.

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Annex 1

On 23 January the NAPF issued an *Action Plan* to help pension funds turn through the recession. The *Action Plan* is as follows:

Enhance scheme member security by making the Government the ultimate guarantor of the Pension Protection Fund.

Build member confidence through joint Government/industry information campaigns on the importance of pension saving.

Improving scheme efficiencies to reduce costs (for example, by facilitating scheme consolidation) by Government, regulators and the pensions industry working together to mitigate the drags on pension provision.

Ease pressure on scheme sponsors through the greater issuance by Government of long-dated gilts which will ease the pressure on scheme sponsor balance sheets and, beneficially, provide Government with access to funding at low rates of interest.

Help schemes manage their liabilities by allowing them flexibility in setting their scheme rules on the key issues of retirement ages and indexation.

Help schemes manage their deficits by allowing longer periods over which these schemes can make good funding shortfalls, including pushing back trigger points (that is, the point at which the Pensions Regulator will investigate schemes) from 10 to 15 years. In the current environment this will give schemes some flexibility.