

£1bn Serco pension scheme seeks loan from outsourcer amid markets turmoil

The pension schemes of Serco, the government contractor, have approached their sponsor to seek financial support amid a funding crunch triggered by this week's wild gyrations in financial markets.

Sky News has learnt that the outsourcing giant's pension trustees contacted the company in recent days about establishing a new credit facility in the event of a continued deluge of collateral calls.

The request is thought to be highly unusual and highlights the turmoil caused even in well-funded and well-run corporate pension schemes by the sudden surge in gilt yields that followed last Friday's fiscal statement by Chancellor [Kwasi Kwarteng](#).

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The [Bank of England](#) intervened in financial markets on Wednesday by promising to buy tens of billions of pounds in government bonds during the next fortnight in an attempt to stabilise the market.

That followed a slump in sterling's value against the dollar to its lowest-ever level and deep anxiety about investors' appetite to buy UK government bonds.

Ministers have sought to blame the turmoil on global market forces, but Mr Kwarteng's £45bn of unfunded tax cuts, announced in last week's mini-budget, have been held responsible by many analysts for sparking the most dangerous

financial markets rout since the 2008 banking crisis.

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A person close to Serco pointed out that its retirement schemes boasted a surplus, before tax, of £105.3m at its

latest half-year results.

The source added that the standby loan request from its pension trustees was simply to provide liquidity to help it meet demands for additional collateral.

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Corporate pension fund trustees were faced with no choice but to sell billions of pounds of equities and bonds this week to meet margin calls – forcing them to put up extra collateral – as gilt yields surged and upset delicately balanced hedging strategies.

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The turmoil has drawn closer attention to so-called Liability-Driven Investing, in which many pension schemes use financial instruments such as derivatives to help them match their long-term assets and liabilities.

The precise number of Serco's pension scheme members was unclear on Friday.

Members' retirement funds are not at risk as a consequence of the move to seek financial support from the schemes' sponsor.

According to its most recent results, Serco makes annual deficit recovery payments of £6.6m, a figure that is fixed until 2030.

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Serco is one of Britain's biggest outsourcing groups, handling contracts for a multitude of government departments.

This month, the company announced that Rupert Soames, its

long-serving chief executive and grandson of Sir Winston Churchill, would retire.

He is regarded as one of Britain's most capable chief executives, having transformed Serco's fortunes since taking over in 2014.

Serco and its pension trustees both declined to comment.