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# Nortel faces £2.1bn demand by pensions watchdog

The UK Pensions Regulator has set its sights on failed telecoms group Nortel Networks by calling for £2.1bn to be paid into its former UK pension scheme before it enters the Pension Protection Fund (PPF).

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By Jamie Dunkley, City Reporter (Pensions)

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The regulator is planning to serve a Financial Support Direction (FSD) against 25 companies in the Nortel group in Canada, the US, Europe and Africa. Nortel was placed into administration last year.

Under normal circumstances, the FSD would require Nortel companies to provide financial support for the abandoned scheme, which currently has a deficit of about £2.1bn on a buyout basis – the amount required to settle the pension scheme's liabilities.

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However, as the administration is being handled overseas the move is largely symbolic, but it will support legal actions being taken by Nortel's UK pension trustees and the PPF, the pensions lifeboat.

The legal moves were rejected by the Ontario Superior Court of Justice and the US Bankruptcy Court of the District of Delaware in February, heightening fears that the pension scheme would double the deficit of the PPF, which stands at about £1.2bn.

The move is the latest course of action the regulator has taken to protect UK pension schemes after ordering the parent company of Belgian textile group Bonas to pay £5m into its former UK pension scheme after it was found guilty of avoiding its liabilities.

In a statement, the Regulator said Nortel UK had ceased to operate as an independent unit and was "effectively controlled by the Canadian parent", which made "little or no contributions" to the pension scheme between 1990 and 2002.

June Mulroy, executive director for delivery at the regulator, added: "The panel's decision is obviously

welcome. It makes clear that companies within the Nortel group benefited from both the activities of Nortel Networks UK – and from the failure by the controlling Canadian companies to allow the UK company to repair the sizeable pension deficit.

"We will continue to strive for the best result for the 42,000 members of the Nortel Networks UK Pension Plan and to limit calls on the Pension Protection Fund."

The move was welcomed throughout the pensions industry. Jonathan Land, business recovery services partner at PricewaterhouseCoopers, who advised Nortel's pension fund trustees throughout the two-year case, said the regulator had "made the right decision given the size of Nortel's pension deficit.

"Following hot on the heels of its first contributions notice to Belgium-based Michel Van De Wiele, the regulator has sent a powerful sign that it is not afraid to pursue companies globally to protect the interests of UK pension scheme members," Mr Land said.

"This is a clear message to international groups that they need to support UK pension schemes."

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