



Press Release

FTSE 350 Pension Scheme Deficits Improve Against Backdrop of Market Rally

16 September 2013 – Latest research by JLT Employee Benefits (JLT EB), one of the UK's leading employee benefit providers, with advisory services including pension scheme de-risking, reveals that the total combined deficit of the FTSE 350 pension schemes improved by £11 billion to £56 million over the last 12 months (as at 31 December 2012). However, this compares to a surplus of £13 billion four years ago despite a total contribution of £40 billion in 2012 due to difficult market conditions and increased liabilities.

Nine FTSE 350 companies, including Royal Dutch Shell, BT, Barclays, HSBC and Lloyds Banking Group have each paid over £1 billion into their pension schemes over the last three years.

The average pension scheme asset allocation to bonds has increased from 33% to 56% in the last six years and the pace at which trustees are switching assets out of equities and into bonds is quickening. In the past three years alone 16 FTSE 350 companies have switched more than a quarter of their assets out of equities into bonds, with Kentz seeing the biggest switch, moving from 23% assets in bonds in 2009 to 78% of assets in bonds in 2012.

Total disclosed pension liabilities of the FTSE 350 companies have increased by £109 billion over the last three years to £542 billion. Fourteen companies disclosed pension liabilities of more than £10 billion, whilst eighteen FTSE 350 companies disclosed pension liabilities greater than the total equity value of the company. A further seven companies now have disclosed pension liabilities valued at over double the company equity value.

Companies are reacting to the combination of difficult economic conditions, rising pension costs and increasingly aggressive pension regulations by closing pension schemes to future and even current employees. Already, more than a third of FTSE 350 pension schemes have no DB pension scheme offering at all.

Charles Cowling, Managing Director, JLT Employee Benefits comments:

"Markets have reacted strongly to the arrival of Mark Carney at the Bank of England, with the FTSE rising sharply and the bond markets holding, but tensely awaiting the slowdown of QE measures. Encouragingly, bond yields have risen in the last few months, aiding the funding level of

DB schemes and, with Carney reassuring markets that there will be no sudden hikes in interest rates, pension schemes should be able to maintain their funding levels and chip away at deficits. If markets and economies improve leading to improved funding levels within pension schemes, then the potential volume of de-risking transactions could materially increase. Against this backdrop, we anticipate that the trend of pension liabilities being transferred to insurance companies via buyouts will accelerate.”

The JLT EB report, The FTSE 350 and Their Pension Disclosures, explores the pension disclosures of the FTSE 350 companies, as well as the steps being taken to address pension scheme deficits. To access the latest The FTSE 350 and Their Pension Disclosures report, please refer to www.iltpcs.com

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Notes to Editors

Enquiries:

JLT Employee Benefits:

Jennifer Warner
jennifer_warner@jltgroup.com
+44 (0)1344 464 582

Smithfield Consultants:

Andrew Wilde
awilde@smithfieldgroup.com
+44 (0)20 7903 0661

Ged Brumby
gbrumby@smithfieldgroup.com
+44 (0)20 7903 0674

About JLT Employee Benefits

JLT Employee Benefits is one of the UK's leading employee benefit providers offering a wide range of benefit and pension services, including administration, actuarial and pension consultancy, investment, Self Invested Personal Pensions (SIPPs) and Small Self Administered Schemes (SSASs) administration, flexible benefits, healthcare, benefit communication and financial education.

JLT Employee Benefits, which through the recent acquisition of Alexander Forbes Consultants & Actuaries, now employs over 2,000 professionals. In 2012 JLT Employee Benefits had revenues of some £146m in the UK.

Pensions and employee benefits companies within the JLT Employee Benefits group of companies include: JLT Benefit Solutions Ltd, Profund Solutions Limited, JLT Wealth Management Limited, JLT Investment Management Limited and Independent Trustee Services Limited. JLT Employee Benefits is part of Jardine Lloyd Thompson Group plc.

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JLT is quoted on the London Stock Exchange and employs over 8300 people worldwide and through the JLT International Network provides services in more than 135 countries.

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