

Latest Monthly Update

London, 30 September 2012

JLT Pension Capital Strategies (PCS) has updated its monthly index showing the funding position of all UK private sector defined benefit (DB) pension schemes under the standard accounting measure (IAS19 / FRS17) used in company reports and accounts.

As at 30 September 2012, PCS estimates the total DB pension scheme funding position as follows:

At 30 September 2012	Assets	Liabilities	Surplus / (Deficit)	Funding Level
FTSE 100 Companies	£448bn	£488bn	(£40bn)	92%
FTSE 350 Companies	£516bn	£563bn	(£47bn)	92%
All UK Private Sector Pension Schemes	£1,053bn	£1,173bn	(£120bn)	90%

For comparison, the corresponding figures as at 30 September 2011 are as follows:

At 30 September 2011	Assets	Liabilities	Surplus / (Deficit)	Funding Level
<i>FTSE 100 Companies</i>	<i>£400bn</i>	<i>£448bn</i>	<i>(£48bn)</i>	<i>89%</i>
<i>FTSE 350 Companies</i>	<i>£465bn</i>	<i>£523bn</i>	<i>(£58bn)</i>	<i>89%</i>
<i>All UK Private Sector Pension Schemes</i>	<i>£942bn</i>	<i>£1,059bn</i>	<i>(£117bn)</i>	<i>89%</i>

Charles Cowling, Managing Director of JLT Pension Capital Strategies comments:

"Not only are companies facing the present large deficits but they also need to prepare for the potential of more bad news due to the revised accounting standard, IAS19 (IAS19R). We estimate that this will increase Profit & Loss charges by £10bn each year across UK businesses. Companies will wish to review their key assumptions to try and mitigate some of these effects and we also expect that these accounting changes will further accelerate de-risking considerations.

"However, despite the continued pressures on UK plc and the seemingly endless stream of bad news, it is encouraging to see funding levels increase year on year, and deficits fractionally decrease."

The revised accounting standard, IAS19 (IAS19R) will apply to all accounting periods starting on or after 1 January 2013 with a restatement of the previous period. This will have a significant effect on the balance sheets of those that use the "corridor" approach (spread actuarial gains/losses through their P&L) and who have built up a sizeable unrecognised actuarial losses item. It will also have a significant effect on the P&Ls of most companies, because their financing item will be much lower. The expected return on assets figure will effectively be replaced by the discount rate.

Pension scheme deficits

Latest monthly update

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Notes to Editors:

About JLT Pension Capital Strategies

JLT Pension Capital Strategies (PCS) was established in 2006 to help companies to manage their Defined Benefit pension obligations, offering advice on managing scheme assets and liabilities, on communication with trustees and on finding the right funding solutions.

A subsidiary of the Jardine Lloyd Thompson Group, PCS can draw upon skills and experience in the areas of corporate finance, tax, capital markets, asset management, actuarial and general pension regulation and practice to provide strategic advice and practical answers.

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