Pension Scheme Deficits

JLT PENSION CAPITAL STRATEGIES

Press Release

Latest Monthly Update

London, 31 January 2013

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 31 January 2013, PCS estimates the total DB pension scheme funding position as follows:

At 31 January 2013	Assets	Liabilities	Surplus / (Deficit)	Funding Level
FTSE 100 Companies	£467bn	£526bn	(£59bn)	89%
FTSE 350 Companies	£531bn	£596bn	(£65bn)	89%
All UK Private Sector Pension Schemes	£1,120bn	£1,241bn	(£121bn)	90%

For comparison, the corresponding figures as at 31 January 2012 are as follows:

At 31 January 2012	*Assets*	*Liabilities*	*Surplus / (Deficit)*	*Funding Level*
FTSE 100 Companies	*£431bn*	*£488bn*	*(£57bn)*	*88%*
FTSE 350 Companies	*£496bn*	*£563bn*	*(£67bn)*	*88%*
All UK Private Sector Pension Schemes	*£1,020bn*	*£1,131bn*	*(£111bn)*	*90%*

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

"The closure of defined benefit schemes hit its fastest rate ever during 2012, with the proportion of open schemes falling from 19% in 2011 to 13% by the end of last year, National Association of Pension Funds figures show, but the value of the schemes' liabilities are still increasing. The main cause for this latest increase in liabilities was caused by the rise in the RPI (Retail Price Index) expectation, which was due to the recent announcement by the Office for National Statistics (ONS) that the methodology for calculating RPI is remaining unchanged. The markets had previously built in an expectation that the RPI would reduce as a result of a possible change in methodology. The rise in liabilities has offset the impact of positive investment performance.

We are now expecting pension scheme liabilities to peak over the next year or so as more companies enter into pension liability reduction strategies to tackle these non business risks allowing them to concentrate more on their core line of work. The Government are leading the way with their recent white paper showing the need to deal with their defined benefit legacy; so we are sure even more companies will follow suit by setting out their end game plans for their pension scheme liabilities."

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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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