Pension scheme deficits

JLT PENSION CAPITAL STRATEGIES

Press Release

Latest Monthly Update

London, 1 April 2011

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 March 2011, PCS estimates the total DB pension scheme funding position as follows:

At 31 March 2011	**Assets**	**Liabilities**	**Surplus / (Deficit)**	**Funding Level**
FTSE 100 Companies	£410bn	£442bn	(£32bn)	93%
FTSE 350 Companies	£471bn	£508bn	(£37bn)	93%
All UK Private Sector Pension Schemes	£993bn	£1,056bn	(£63bn)	94%

For comparison, the corresponding figures as at 31 March 2010 are as follows:

At 31 March 2010	***Assets***	***Liabilities***	***Surplus / (Deficit)***	***Funding Level***
FTSE 100 Companies	*£386bn*	*£454bn*	*(£68bn)*	*85%*
FTSE 350 Companies	*£446bn*	*£526bn*	*(£80bn)*	*85%*
All UK Private Sector Pension Schemes	*£928bn*	*£1,084bn*	*(£156bn)*	*86%*

Charles Cowling, Managing Director of PCS, comments: "Despite the recent turmoil in markets, due largely to international crises, the last 12 months have been quite good for companies weighed down by pension liabilities and deficits, with total deficits reducing from £156bn to £63bn. In part this has been due to the Government's changes to statutory pension increases – moving from an RPI base to a CPI base.

"However, these are still very difficult times for DB pension schemes which are increasingly looking at end-game strategies and solutions. The new tax changes restricting benefits to high earners, which come into effect next week, are accelerating the demise of DB pension schemes. As it becomes more difficult and illogical to include key employees in the membership of DB pension schemes, so employers become less keen to provide DB pensions to other employees.

“In addition, there are all the impending costs (and difficulties) associated with the introduction of auto-enrolment of employees generally into pension schemes starting next year. Sadly, as a result, we believe 2011 will be the year when the majority of DB pension schemes are finally closed to all employees."

Note:

* The RPI is the Retail Prices Index; the CPI is the Consumer Prices Index. There are two main differences in these indices. One is in their mathematical construction which means over time that the RPI is greater than the CPI. The other major difference is the inclusion of certain items, particularly housing costs, in the RPI which are excluded from the CPI. Again, over time the expectation is that these will mean that RPI increases are greater than CPI increases.

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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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