Pension Scheme Deficits

JLT PENSION CAPITAL STRATEGIES

Press Release

Latest Monthly Update

London, 31 October 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 31 October 2012, PCS estimates the total DB pension scheme funding position as follows:

At 31 October 2012	**Assets**	**Liabilities**	**Surplus / (Deficit)**	**Funding Level**
FTSE 100 Companies	£456bn	£489bn	(£33bn)	93%
FTSE 350 Companies	£518bn	£556bn	(£38bn)	93%
All UK Private Sector Pension Schemes	£1,063bn	£1,165bn	(£102bn)	91%

For comparison, the corresponding figures as at 31 October 2011 are as follows:

At 31 October 2011	***Assets***	***Liabilities***	***Surplus / (Deficit)***	***Funding Level***
FTSE 100 Companies	*£415bn*	*£449bn*	*(£34bn)*	*92%*
FTSE 350 Companies	*£483bn*	*£525bn*	*(£42bn)*	*92%*
All UK Private Sector Pension Schemes	*£981bn*	*£1,063bn*	*(£82bn)*	*92%*

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

“UK pensions are operating on the Archimedes Principle at the moment – the rule that any object, wholly or partially immersed in a fluid, is buoyed up by a force equal to the weight of the fluid displaced by the object. UK pensions appear stable because, whilst there is a rising liability level, the market rally has momentarily boosted assets and injections of money from companies into Schemes has kept the funding levels roughly flat. However, merely in order to stay afloat, UK DB schemes, require regular cash injections. They are still billions of pounds away from being fully funded and remain at the whim of the equity markets and, consequently, at the mercy of macro-economic turbulence. With market uncertainty surrounding the run up to the US election and future pressure from the revised accounting standard IAS19 (IAS10R) set to impact the P&Ls of most companies in the New Year, every effort needs to be made to keep funding levels ticking upwards.

“DB Schemes are taking on water; we envisage that the struggle for UK pensions buoyancy will increasingly rely on the life raft of bonds, as Schemes continue to de-risk. Deficits still represent a material risk to many companies and market stability cannot be relied upon forever. The increase in liabilities, albeit small, should serve as a warning to corporates and trustees alike that more needs to be done to address this issue.”

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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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