

JLT Pension Capital Strategies: Pension Schemes of FTSE 250 Companies in a Precarious Position

London, XX 2012 – JLT Pension Capital Strategies Limited (PCS), which specialises in corporate consulting and pension scheme de-risking, has published its latest research on the pension schemes of the FTSE 250.

The report shows that a significant number of FTSE 250 pension schemes are in a precarious position. Latest figures show the total deficit in the pension schemes of the FTSE 250 companies stood at £11bn* – a deterioration of £5 billion from the position last year.

Despite this there continues to be significant funding of pension deficits. Last year saw total deficit funding of £1.5 billion up from £1.2 billion the previous year, with Taylor Wimpey and Cable & Wireless leading the way with net deficit contributions of £122 million and £101 million respectively. 46 other FTSE 250 companies also reported significant deficit funding contributions during the year (i.e. surplus funding over £10m).

In addition, the report has also shown that the average pension scheme asset allocation to bonds has risen to 50%, a slight increase on last year's figure of 48%. Although the change is relatively slight, it belies a more significant trend of companies moving away from equities in an attempt to de-risk their schemes, with has resulted in an 8% rise in bond allocation over the last three years. In eight companies, pension scheme assets allocation to bonds has increased by more than 20%.

Overall, the decline in DB provision continues with only 75 FTSE 250 companies still providing more than a handful of current employees with DB benefits and, of these, only 15 companies (just 6% of the FTSE 250) are still providing DB benefits to a significant number of employees. The underlying reduction in ongoing DB pension provision is 10% in the last 12 months alone.

The figures show that the total disclosed pension liabilities of the FTSE 250 have risen from £67bn to £69bn. As at 31 December 2011, 18 companies disclosed pension liabilities in excess of £1 billion; the five companies showing the largest pension liabilities were:

*As of 31 December 2011

Name	Total Pension Liabilities (£m)	Liabilities as a % of Equity Market Value	Surplus/(Deficit) (£m)
Invensys	5,452	320%	(428)
FirstGroup	3,450	212%	(161)
Phoenix Group	2,995	333%	56
Babcock International	2,795	106%	(215)
Balfour Beatty	2,785	154%	(441)

Charles Cowling, Managing Director, JLT Pension Capital Strategies said: “This latest data further underlines the precarious situation most companies now find themselves embroiled in. Changes in economic conditions and increasing life expectancy have contributed to the spiralling growth in pension liabilities. Crucially, there are a significant number of FTSE 250 companies where the pension scheme represents a material risk to the business.

“In the last 12 months, the total disclosed pension liabilities of the FTSE 250 companies has risen by £2bn and the total deficit in pension schemes continues to grow at an alarming rate. Closing DB pension schemes to new entrants has clearly had little impact. This is why more and more Trustees Boards are moving towards a more risk-averse stance, protecting schemes from over-exposure to the stormy equity markets by buying corporate bonds in increasing numbers. However, there is still a demand for growth investments that will produce returns, whilst still mitigating risk, so schemes should be looking at diversified growth investments (DGF) to plug deficits.

“However this de-risking is coming at a significant cost, as evidenced by the fact that pension deficit funding is significantly up from the last quarter. Exposure to equities will continue to fall in favour of fixed income as schemes seek to de-risk. This move is important because of a significant minority of FTSE 250 schemes could be viewed as considerably jeopardised by the extent of their liabilities.”

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Enquiries:

JLT Group Corporate Communications
Isabella Young
Isabella_Young@jltgroup.com
+44 (0)20 7558 3387

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.

www.jltpcs.com

JLT Pension Capital Strategies

6 Crutched Friars
London
EC3N 2PH
Tel 020 7528 4892
Fax 020 7309 8330
Email solutions@pensionstrategies.co.uk
Web www.jltpcs.com