PENSION CAPITAL STRATEGIES

PENSION SCHEME DEFICITS – LATEST MONTHLY UPDATE

London, 1 February 2011 – Pension Capital Strategies Limited (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 2011, PCS estimates the total DB pension scheme funding position as follows:

At 31 January 2011	**Assets**	**Liabilities**	**Surplus / (Deficit)**	**Funding Level**
FTSE100 Companies	£405bn	£436bn	(£31bn)	93%
FTSE350 Companies	£465bn	£502bn	(£37bn)	93%
All UK Private Sector Pension Schemes	£978bn	£1,040bn	(£62bn)	94%

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

At 31 January 2010	***Assets***	***Liabilities***	***Surplus / (Deficit)***	***Funding Level***
FTSE100 Companies	*£370bn*	*£436bn*	*(£66bn)*	*85%*
FTSE350 Companies	*£428bn*	*£505bn*	*(£77bn)*	*85%*
All UK Private Sector Pension Schemes	*£874bn*	*£1,057bn*	*(£183bn)*	*83%*

Charles Cowling, Managing Director of Pension Capital Strategies, comments: “2010 proved to be quite a good year for companies weighed down by pension liabilities and deficits. A combination of perhaps surprisingly benign markets and the Government's changes to statutory pension increases – moving from an RPI base to a CPI base – has meant that deficits have reduced from £183bn to £62bn.

"However, 2010 has not been a universally good year for defined benefit pension schemes – particularly in the shape of the new tax changes which come into effect in April 2011. It brings further evidence that companies are closing down their defined benefit schemes for all employees and we believe this will be accelerated by tax changes for higher earners, making it more and more difficult and illogical to include key employees in the membership of defined benefit pension schemes.

"If defined benefit pension schemes can have no role to play in rewarding key employees, we believe they will soon be ditched altogether in favour of defined contribution schemes. Indeed, we believe 2011 will be the year when the majority of defined benefit pension schemes are sadly and finally closed to 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 Pension Capital Strategies Limited

Pension Capital Strategies Limited (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.pensionstrategies.co.uk