JLT Pension Capital Strategies: FTSE 100 Pension Scheme Deficits double over last 12 months

London, XX July 2012 – Research from JLT Pension Capital Strategies, which specialises in corporate consulting and pension scheme de-risking, reveals that the total deficit of FTSE 100 defined benefit (DB) pension schemes has more than doubled over the last 12 months.

The total deficit in FTSE 100 pension schemes at 31 March 2012 is estimated to be £73 billion - a deterioration of £38 billion from the position 12 months ago. Over the first quarter of 2012 alone, the deficit jumped by £17 billion.

However, the funding of pension deficits has remained significant, with companies paying a total of £11.6 billion into schemes over the last year, up from £10.8 billion the previous year. Barclays and BT led the way with a massive deficit contribution of £1.8 billion and £1.0 billion respectively, but 61 other FTSE 100 companies also reported large deficit funding contributions of £10 million or over.

55% of the average pension scheme's assets are now made up of bonds, up from 50% a year ago and 33% six years ago. This continuing shift out of equities into bonds highlights the trend towards de-risking, as companies look to match their investments to their pension liabilities.

For some companies, pension schemes now represent a material risk to the business. International Airlines Group, BAE Systems and BT are among the eight FTSE 100 companies whose pension liabilities are actually greater than their equity market value. IAG's pension liabilities are worth over five times its equity market value, whilst BAE Systems and BT disclosed liabilities are twice their equity market value.

The total pension liabilities of companies within the FTSE 100 have risen from £451 billion to £462 billion in the last 12 months. Royal Dutch Shell led with liabilities of £45 billion whilst another 13

companies have pension liabilities of more than £10 billion. Only 18 companies showed a pension surplus in their most recent annual report and accounts.

Charles Cowling, Managing Director of JLT Pension Capital Strategies, comments:
"Schemes have once again made significant changes to asset allocation with a marked spike in the shift to bonds. If shareholders see none of the upside of pension scheme investment in equities and all

of the downside, there will be further pressure on company management to encourage moves towards lower risk investments in schemes, which does little to assist in plugging widening deficits.

“Pension scheme deficits are becoming increasingly significant in the boardroom and in company management decision-making. Companies are reacting to difficult economic conditions, rising pension costs and increasingly aggressive regulation by closing more DB schemes.

“There is evidence to suggest that balance sheet volatility caused by pension schemes flows through to share price volatility. This is not to say that the balance sheet has a direct impact on the share price, but investors are increasingly taking into account the state of the pension scheme attached to a UK listed company.”

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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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