



PENSION CAPITAL STRATEGIES

PENSION CAPITAL STRATEGIES RESEARCH HIGHLIGHTS TRANSFER VALUE ISSUES AND THE MISSED OPPORTUNITY FOR COMPANIES

London, 17 January, 2008 – Pension Capital Strategies Limited (PCS) believes that many companies are still missing out on opportunities to generate significant shareholder value, members are still losing out on the opportunity to take a fair transfer value and some trustees are still missing out on the opportunities to reduce risk and offload pension liabilities (as well as continuing to treat members unfairly).

Charles Cowling, Managing Director, PCS, says "It is useful to look at the IAS19 value (i.e. the amount recorded in the company's books for the value of the pension liability) as a benchmark for considering the relative size and generosity of transfer values. Surprising as it may seem, there are still many companies and trustees offering transfer values which are less than 50% of the IAS19 value. Some are as low as 25% of the IAS19 value".

PCS has researched the transfer values on offer to the directors of FTSE100 companies (as recorded in their latest annual reports). PCS found that even amongst FTSE100 company directors, transfer values were surprisingly ungenerous and, for the large majority, consistently below IAS19 levels.

Best	Estimated multiple for a 50 year old*	Worst	Estimated multiple for a 50 year old*
AMEC	22.4	Lloyds TSB	12.1
Rolls-Royce	19.1	Experian	12.1
BAT	18.1	Royal and Sun Alliance	12.1
National Grid	17.3	Hammerson	12.1
HBOS	17.2	BAE Systems	12.0
Smith and Nephew	17.1	Land Securities	11.8
BP	16.9	Severn Trent	11.8
International Power	16.6	Next	11.3
Yell	16.1	Centrica	11.3
GlaxoSmithKline	16.1	Reed Elsevier	11.2

* This is our estimate of the transfer value expressed as a multiple of the accrued pension derived from the directors' disclosures included in the latest Annual Reports.

Charles Cowling continues, "You might imagine that transfer values for directors would be more generous than for ordinary members, but if they are all in the same pension scheme then directors have to be treated the same as other members when it comes to the calculation of transfer values. Some of the differences will be down to variations in benefits and varying market conditions, but it is clear that there are wide variations in practice amongst the FTSE100 when it comes to policy on transfer values".

PCS believes now this is the time for companies and trustees to act to avoid all the previous pitfalls and failings on transfer values.

Charles Cowling concludes, "The deep irony is that there is a rare "win-win" situation for all concerned here. More generous transfer values can benefit companies, trustees and pension scheme members alike. Moreover the idea of giving cash incentive payments to members to encourage transfers-out should also be considered. Provided the member receives independent financial advice, we believe this is a very sensible approach (again of benefit to companies, trustees and members alike). Done well a transfer value strategy can result in happy members and a significant reduction in pension scheme liabilities".

PCS and JLT Benefit Solutions Limited have joined forces to put together a standard process for managing pension liabilities through the sensible use of transfer values. This combines the necessary advice to companies and trustees as well on the provision of all important independent financial advice to members.

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Notes to Editors:

About Pension Capital Strategies

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.pensionstrategies.co.uk