



PENSION CAPITAL STRATEGIES

PENSION CAPITAL STRATEGIES REPORT THAT 2007 WAS A GOOD YEAR FOR FTSE 100 PENSION SCHEME DEFICITS WITH AN IMPROVEMENT OF £27 BILLION OVER THE YEAR

London, 3rd January, 2008 – Pension Capital Strategies Limited (PCS) is pleased to report that 2007 was another good year for pension scheme deficits. The total deficit in the FTSE100 Pension Schemes at 31 December 2007 is estimated to be £8 billion. This is an improvement of £27 billion on the position 12 months ago.

Charles Cowling, Managing Director, PCS, says, "Although equity markets have shown only modest increases in 2007, increases in interest rates have meant smaller pension liabilities. For the FTSE100, this means that total pension liabilities have reduced by an estimated £19 billion to £389 billion. Also FTSE100 companies have helped the situation by paying extra contributions, estimated at £7 billion, into their pension schemes to reduce deficits".

However this good news is tinged with caution on two fronts. Firstly, the Pensions Regulator is encouraging pension scheme trustees to be more cautious on the funding of pension schemes, particularly when it comes to setting mortality assumptions.

Cowling continues, "PCS believes that pension schemes will have to increase life expectancy assumptions still further in 2008 and for the FTSE100 this could add another £40 billion to liabilities (and to deficits). Also, new guidance on accounting standards (IFRIC14) may mean that companies have to recognise larger pension deficits in their accounts or that they will not be allowed to recognise pension surpluses in their accounts - which in turn could lead to companies deliberately under funding pension schemes to avoid surpluses that they cannot show in their accounts".

This new accounting guidance affects company years starting from 1 January 2008, and may have a material impact over the next year.

PCS will be issuing its detailed report on the FTSE100 and their pension disclosures later this month.

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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