



PENSION CAPITAL STRATEGIES

DEFICIT IN FTSE100 PENSION SCHEMES AT RECORD £90 BILLION

London, 3rd August 2009 – Pension Capital Strategies Limited (PCS) has updated its regular analysis of the pension schemes of the FTSE 100 to the end of the second quarter of 2009, and can reveal that its latest estimate of the total deficit in the pension schemes of the FTSE100 amounts to £90 billion at 30 June 2009. This represents a massive loss of £82 billion on the position a year ago.

This record level of deficit comes at a time when the Pensions Regulator is encouraging pension trustees to be increasingly prudent. In particular the Regulator is seeking that when companies get into difficulties, the trustees should respond by toughening the assumptions used to calculate the pension scheme deficit.

Charles Cowling, Managing Director, PCS, comments "These are very difficult times for companies and their pension schemes. We believe that the Regulator's stance of seeking that trustees react to the economic downturn by putting even more pressure on companies will have major implications for companies' attitudes towards their pension schemes".

Charles Cowling continues, "It is not surprising that companies are reacting to this combination of tough economic conditions and an increasingly challenging Regulator by closing down final salary pension schemes. We believe that within the next 2 to 3 years the very large majority of final salary pension schemes in the private sector will be closed to all employees".

The other striking feature of the latest research from PCS is that pension schemes' flight out of equities into bonds continues and appears to be accelerating. The average pension scheme asset allocation to bonds has increased to 49% from 41%. This represents the largest 12-month shift in investment strategy for more than 20 years, and it comes on top of a very significant shift, from 35%, the previous year. Over just two

years, therefore, bond holdings of FTSE 100 pension schemes have increased by more than a third.

Charles Cowling comments, "The massive shift of pension scheme assets out of equities and into bonds stems not only from the recent turmoil in markets but it is an inevitable consequence of successive Government legislation demanding more and more guarantees and security from companies and their pension schemes. We commented earlier in the year that the "final nail" has now been hammered into the final salary pension scheme coffin, and this latest research confirms this alarming conclusion. Companies are now preparing to close down pension schemes for good. We believe that within the next 2 to 3 years the large majority of pension assets will be in bonds as companies move towards the final end game of offloading pension liabilities and the winding-up of pension schemes".

The PCS report, *The FTSE 100 and Their Pension Disclosures*, explores the pension disclosures of the FTSE 100 companies, as well as the steps being taken to address pension scheme deficits. To access the latest *The FTSE 100 and Their Pension Disclosures* report, please refer to the PCS website at: www.pensionstrategies.co.uk.

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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