



PENSION CAPITAL STRATEGIES

PENSION CAPITAL STRATEGIES 2008 ANALYSTS' SURVEY

'THE 'CITY' IS PLACING MORE IMPORTANCE ON THE PENSION SCHEME SOLVANCY POSITION WITH IAS19 SEEN INCREASINGLY AS AN INADEQUATE MEASURE OF PENSION LIABILITY'

London, 3rd April, 2008 – Pension Capital Strategies Limited (PCS) has today released the findings of its second annual survey of Equity Analysts' Views on Pensions.

Pension schemes are having an ever greater impact on companies' share prices. Previously there had been much speculation as to how the City viewed pension scheme liabilities. This years' survey again gives insight into how pension schemes are factored into research done by City analysts and also shows how some of these views are changing.

Charles Cowling, Managing Director, PCS says, "Analysts are placing increasing importance on the solvency position of the pension scheme. The very large majority of analysts (97%) believe IAS19 is either a fair estimate or an under-estimate of the "true" size of pension liabilities. Moreover many more analysts, 78% (compared to 57% in 2007) are now asking companies for information on the pension scheme solvency position".

The 2008 survey also shows that whilst the majority of analysts would view a switch from equities into bonds in the pension scheme as neutral, more would view it positively than negatively (despite the impact on the P&L). This contradicts the conventional view that the City has a bias towards equity investment in pension schemes.

Charles Cowling concludes, "The results of this survey should sound a loud warning bell to company management. They suggest that the City is becoming warier of company pension schemes. In particular, IAS19 is seen as an inadequate measure of the pension liability, and the favourable treatment of pension scheme investment in equities under

IAS19, is increasingly disregarded by analysts. These findings suggest that City analysts might be supportive of the Accounting Standards. Board's recent controversial discussion paper *The Financial Reporting of Pensions*, which proposed a more prudent (i.e. significantly higher) calculation of pension liabilities (using a risk-free discount rate rather than the current AA bond discount rate) and also proposed that the current policy of allowing companies to boost their profits by including the expected return on pension assets should cease".

The full survey results can viewed at www.pensionstrategies.co.uk

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Notes to Editors:

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About this survey

This Equity Analysts' Views on Pensions Survey was conducted by Pension Capital Strategies Limited. Responses were invited online and via email from a large number of equity analysts from over 250 UK based companies in January 2008. The results are based on a reflective sample of 32 responses.

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