



PENSION CAPITAL STRATEGIES

THE INCREASE IN PENSION SCHEME DEFICITS IN 2009 MAKES IT THE WORST YEAR ON RECORD - BUT WILL 2010 BE A TURNING POINT FOR EMPLOYERS AND THEIR PENSION SCHEMES?

London, 31 December 2009 - Pension Capital Strategies Limited (PCS) has updated its monthly index showing the funding position of UK defined benefit (DB) pension schemes under the standard accounting measure (IAS19 / FRS17) used in company reports and accounts.

As at 31 December 2009, PCS estimates the total DB pension scheme funding position as follows:

At 31 December 2009	Assets	Liabilities	Surplus / (Deficit)	Funding Level
FTSE100 Companies	£400bn	£472bn	(£72bn)	85%
FTSE350 Companies	£460bn	£540bn	(£80bn)	85%
All UK Private Sector Pension Schemes	£919bn	£1,131bn	(£212bn)	81%

For comparison, the corresponding figures as at 31 December 2008 are as follows:

At 31 December 2008	Assets	Liabilities	Surplus / (Deficit)	Funding Level
<i>FTSE100 Companies</i>	<i>£345bn</i>	<i>£333bn</i>	<i>£12bn</i>	<i>104%</i>
<i>FTSE350 Companies</i>	<i>£394bn</i>	<i>£387bn</i>	<i>£7bn</i>	<i>102%</i>
<i>All UK Private Sector Pension Schemes</i>	<i>£809bn</i>	<i>£846bn</i>	<i>(£37bn)</i>	<i>96%</i>

Charles Cowling, Managing Director, PCS, comments: "2009 has not been a good year for UK pension schemes. Indeed the increase of over £170bn in the total deficit (as recorded in Companies' Accounts) is the worst calendar year performance on record. Despite strong investment returns in equities and elsewhere, pension deficits have risen sharply as liabilities have increased by even more than the investments. This is mainly due to changes in the bond rates used to value liabilities. As financial markets have returned to some sort of calm after the turbulence of 2008, reductions in AA bond yields

(used to value pension liabilities) and increased inflation expectations have resulted in significant increases to pension liabilities."

PCS have just issued a Newsletter (a copy of which can be found at www.pensionstrategies.co.uk), highlighting some of the quick and easy actions that employers should be taking to reduce their pension liabilities.

Charles Cowling continues: "Whilst 2009 has been a very difficult year for employers and their pension schemes, it has highlighted the need for employers to get a hold of and then manage down their DB pension risks. The pension landscape may look bleak at the moment for employers, but there is light at the end of the tunnel - it is possible to get on top of pension worries by implementing an integrated programme of measures to reduce liabilities and risks. We believe 2010 could mark a turning point for employers as liability reduction measures become normal and the closure of DB schemes to all employees accelerates, thus capping the growth in new liabilities. 2010 therefore holds up the prospect of being the year when UK plc finally turned the corner in the management of its pension liabilities."

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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