

JLT Pension Capital Strategies: Companies show increased dedication to funding levels of FTSE 250 pension schemes

London, December 2011 – JLT Pension Capital Strategies Limited (PCS), which specialises in corporate consulting and pension scheme de-risking, has published its latest research on the pension schemes of the FTSE 250.

The report shows a number of the FTSE 250 pension schemes in an unstable position; there are a significant number of FTSE 250 companies where the pension scheme represents a material risk to the business. As at 30 September 2011, the total deficit in the pension schemes of the FTSE 250 companies stood at £10bn. Whilst this represents a £1bn improvement on the position this time last year, 10% (25) of companies had total disclosed pension liabilities greater than their equity market value and only 27 companies disclosed a pension surplus in their most recent annual report and accounts; 121 companies disclosed pension deficits.

Moreover, companies are increasingly required to inject funding to shore up the scheme deficits. A total of £1.6bn was contributed, up from the £1.3bn contributed last year. Taylor Wimpey led the way with a contribution of £122m; 50 other FTSE 250 companies also reported significant deficit funding.

In the last 12 months the total disclosed pension liabilities of the FTSE 250 have risen from £70bn to £75bn. As at 30 September 2011, 20 companies disclosed pension liabilities in excess of £1 billion; the five companies showing the largest pension liabilities were:

Name	Total Pension Liabilities (£m)	Liabilities as a % of Equity Market Value	Surplus/(Deficit) (£m)
Invensys	5,452	300%	(428)
FirstGroup	3,450	223%	(161)
Premier Foods	3,120	1260%	(321)
Phoenix Group	2,995	364%	56
Babcock International	2,795	119%	(215)

The average pension scheme asset allocation to bonds is 50%, an increase on the 48% allocation of last year. This signifies an 8% rise in bond allocation over three years, as trustees seek ways to de-risk. In eight companies, pension scheme assets allocation to bonds has increased by more than 20%.

Only 82 FTSE 250 companies are still providing more than a handful of current employees with DB benefits, showing the significant move from DB to DC, and decline in DB provision. JLT PCS estimates the underlying reduction in DB pension provision is approximately 10% in the last 12 months alone.

Charles Cowling, Managing Director, JLT Pension Capital Strategies said: “A number of FTSE 250 schemes carry worryingly large deficits. The strategies of some pension schemes within the index could be addressed; we’re seeing more Trustees Boards moving towards a risk-averse stance, protecting schemes from over-exposure to the stormy equity markets.

“Exposure to equities will continue to fall in favour of fixed income as schemes seek to de-risk. This move is important because of a significant minority of FTSE 250 schemes could be viewed as considerably jeopardised by the extent of their liabilities.”

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Notes to Editors:

About JLT Pension Capital Strategies

JLT 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.

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