



Media Release

7 February 2011
For immediate release

Xafinity: UK Corporate Pension Deficits Continue to Grow

Based on assumptions as at 31 December 2010, the Xafinity Corporate UK Pension Scheme model shows that liabilities had again climbed; now reaching £1,334 bn.

Continuing pressure from longer life expectancies and falling yields has now driven these liabilities up by over £500 bn in just two years. December 2010 brought some respite with the rally in equity markets holding the aggregate deficit back to £350 bn.

The latest update shows that January 2011 will have been one of the quietest months for some time, with the deficit just creeping up to £365 bn as equity and bond markets pause.

Hugh Creasy, director at Xafinity Corporate Solutions said, *"It is all too easy to take false comfort from this brief period of calm. Pension deficits can move swiftly and sharply as investment markets shift. Despite the closing of DB pension schemes, many continue to be heavily dependent on equity prices and even more are exposed to the outlook for price inflation."*

Hugh referred to the recent replacement of Retail Price Inflation (RPI) with Consumer Price Inflation (CPI).

"The change to CPI will be helpful to corporate sponsors, but has a far more modest effect than some early commentators suggested. The real concern is over inflation – however you measure it - taking off in the shorter term and driving up liabilities."

"The major challenge for corporate sponsors is managing their exposure during turbulent financial conditions. You need to be nimble to implement de-risking plans. This means advance preparation, careful choice of triggers, together with closer monitoring to spot the moment now, not last week."

The Xafinity Corporate UK Pension Scheme model draws on the Pensions Regulator's latest edition of the Purple Book, which was published in November 2010. The model covers 99% of the UK's PPF-eligible DB schemes and some 12 million members, making it the most comprehensive and accurate appraisal of pension scheme funding in the UK.

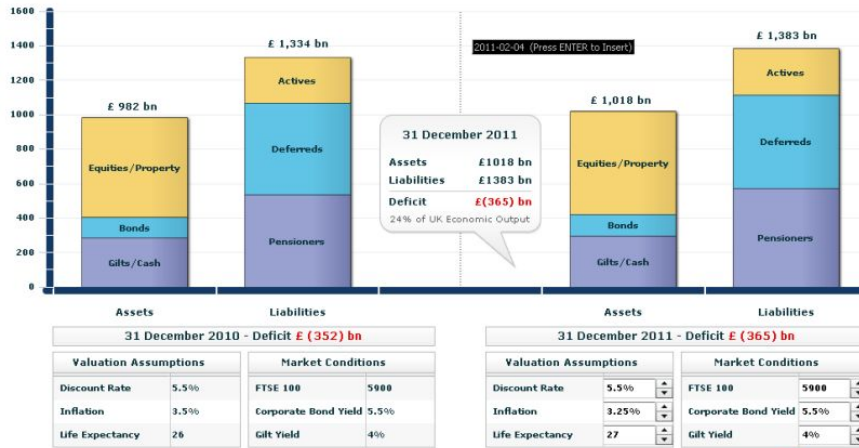
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Note to editors:

You can visit the Xafinity's Corporate Solution's web site at <http://www.xafinity.com/modelsolutions> and use the interactive tool to see how the year end funding position of Corporate UK Pensions Scheme varies under your own economic predictions.

Corporate UK Pensions Scheme (updated to January 2011)



Adjust 2011 year end assumptions to see the impact on the funding of Corporate UK Pensions Scheme



 Latest news and articles relating to pension deficit management. [Read more.](#)

 Find out how Xafinity can model your company's pension scheme. [Enquire now.](#)

 Find out more about the model.

 
Change the parameters (based on the market conditions as at the end of January 2011) to make predictions for the future of Corporate UK Pensions Scheme at the end of the year.

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About Xafinity Consulting:

Xafinity Consulting is one of the UK's leading specialists in pensions and employee benefits. Our expertise addresses the needs of both trustees and companies in pensions and actuarial services, flexible benefits, healthcare and training. We are committed to working in partnership with our clients, providing tailored solutions to maximise the returns of their benefit strategies.

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