

Media Release

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For immediate release

Xafinity: UK Corporate Pension Deficits Reach New Depths

Based on assumptions as at 30 April 2011, the Xafinity Corporate UK Pension Scheme Model shows that liabilities have now climbed to £1.5 trillion. Higher asset values have tempered the increase a little, but the aggregate deficit has now reached £430 billion.

Hugh Creasy, director at Xafinity Corporate Solutions said, *“the benign first quarter of 2011 may have lulled some into thinking the tide was turning but, as we enter the Summer, the outlook for lower long term interest rates has rekindled the issue of pension costs.”*

Hugh explained, *“this mark up of nigh on £100 billion illustrates two lessons. First, costs can swing by very large amounts over very short periods – in this case, just the second half of April. Second, it puts into context the ONS recent news over employer contribution hikes. The ONS tell us that employers have paid in around £16 billion extra in contributions over the last two years, just one sixth of the interest rate hit.”*

The news will be a concern for finance directors looking ahead to the year end.

“If there is a silver lining, it must be that employers will now have a greater budget for de-risking exercises. The greater the reported pension cost, the greater the opportunity to offer members options without causing pain in the company accounts. Line this up with the news that deficits are on the march again and we can expect plenty of de-risking activity through 2011.”

The Xafinity Consulting 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.

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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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