

Media Release

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For immediate release

Xafinity: UK Corporate Pension Deficits Hold Firm Thanks to De-risking

Based on assumptions as at the end of June 2011, the Xafinity Corporate UK Pension Scheme model shows that liabilities are holding firm at £1.4 trillion. While the outlook for price inflation is once again picking up, rising corporate bond yields have come to the rescue of company balance sheets.

£ billion	June 2011	Last month	Last year
Scheme Liabilities	1,383	1,400	1,424
Scheme Assets	1,018	1,020	918
Deficit	365	380	506

Hugh Creasy, director at Xafinity Corporate Solutions said, *“the year so far has been remarkably stable with aggregate deficits oscillating between £360 billion and £425 billion. This is an astonishingly tight range during such a turbulent period in the wider world.”*

Hugh continued, *“looking back twelve months to the relatively grim days of June 2010, with the FTSE standing 1,000 points lower, the swing is £140 billion. This means corporate pension schemes are now 10% better funded, almost entirely as a result of the state of the equity market.”*

On 16 June 2011 the International Accounting Standards Board (IASB) revised the disclosures for profit and loss accounts. This means that companies will no longer reap the benefit of higher expected returns on equity investment within their profit and loss accounts.

“Corporate pension schemes are gradually and inexorably heading towards less volatile investment holdings as part of their de-risking strategies and this is starting to pay off. It does not require a long memory to recall the FTSE plummeting to 3500. Until now, there has been a balance to strike between higher volatility within the balance sheet and lower charges within the profit and loss account – estimated by Xafinity as an annual saving of around £10 billion. Now that the carrot is being taken away, the move towards bond-related investments is bound to accelerate.”

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 website at 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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