

## Media Release

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For immediate release

### Benign markets stabilise pension deficits

The UK's Defined Benefit pension schemes benefit from stability in corporate bond yields and inflation, giving rise to a small fall in deficits, says Xafinity. The £10bn fall is based on FRS17 and IAS19 accounting rules, as tracked by actuaries using the Xafinity Corporate Pension Scheme model.

£ billion	January 2012	December 2011	January 2011
<b>Scheme Liabilities</b>	1,435	1,435	1,383
<b>Scheme Assets</b>	1,043	1,033	1,018
<b>Deficit</b>	392	402	365

Source: Xafinity Corporate Pensions Scheme model, based on all UK DB pensions and using FRS17 and IAS19 accounting rules

However, Xafinity is warning that many pension scheme sponsors are concerned that trustee funding valuations continue to show extraordinarily high deficits based on modelling that follows daily gilt yields; the rules for company accounting do not exhibit these astronomical deficits.

In fact, many organisations are witnessing surpluses on their company balance sheets and thus finding it challenging to reconcile these accounting surpluses with demands for hikes in funding for their corporate pensions.

**Hugh Creasy, director at Xafinity Corporate Solutions said:** *“Many pension scheme sponsors are genuinely perplexed at the mixed messages that they receive regarding pension deficits. The PPF 7800 for example paints a picture based on the situation if all employers go insolvent. This is fine, but only if it is seen in context. De-risking of pension liabilities should certainly continue but corporate sponsors need to be presented with a picture that reflects current reality and a realistic view on future outcomes. Today’s doom and gloom in the government bond markets should not be allowed to dominate management of these long term enterprises.”*

ENDS

**Note to editors about the Xafinity Corporate Pension Scheme model**

The model uses FRS17 and IAS19 accountancy standards and assumes the total assets and liabilities that all UK Defined Benefit pension schemes would have to disclose to the market.

**For more information:**

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You can visit the Xafinity's Corporate Solution's website at:  
[www.xafinity.com/modelsolutions](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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