

## Media Release

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### UK Pension Deficits end 2011 £50 billion up

The UK's Defined Benefit pension schemes have ended the year £50 billion up on 2010, based on FRS17 and IAS19 accounting rules, as tracked by actuaries using the Xafinity Corporate Pension Scheme model.

£ billion	December 2011	November 2011	December 2010
<b>Scheme Liabilities</b>	1,435	1,435	1,334
<b>Scheme Assets</b>	1,033	1,016	982
<b>Deficit</b>	<b>402</b>	<b>419</b>	<b>352</b>

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

### Highlights

2011 saw Defined Benefit pension schemes deficits rise by £50 billion. Their liabilities rose by £101 billion but these were offset by £51 billion growth in the value of scheme assets. Scheme asset values picked up £17 billion during the final month, helped by the continuing rises in gilt markets and the slight gain in equity markets during December.

Monthly changes (November 2011 to December 2011):

- Equity markets up a shade
- Gilt yields down, but having a marginal impact on corporate pension disclosures
- Corporate yields and inflation remain steady into the year end

Annual changes (End December 2010 to end December 2011):

- Equities down
- Corporate yields down severely (0.75%)

- Price inflation – down 1% - sufficient to achieve a net improvement of £50bn

Hugh Creasy, director at Xafinity Corporate Solutions said: “2011 ended on a strong note with a boost to equity prices, but the real saviour for defined benefit pensions in 2011 was price inflation falling by 1%; without this the figures would look very grim. As the corporate pension scheme model uses FRS17 and IAS19 accountancy standards and is based on the whole market we could see significant readjustments in light of the OBR’s report on CPI issued in early December. This report suggests that there is a very wide gap – 1.4% between RPI and CPI and if corporates take this as read it would have a major impact on balance sheets, e.g. wiping £120bn off deficits and £6bn off annual P&L charges. Of course, if the OBR view is indeed accurate, it will be the scheme members who provide that £120bn through lower benefit payments over the years.”

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.

<http://www.xafinity.com/Microsites/Xafinity-Consulting/Services/Corporate-Solutions/Model-Solutions-Example.aspx>