



PENSION TRUSTEES PLAN ON ASKING FOR SIGNIFICANT CONTRIBUTION INCREASES FROM THEIR SPONSOR

London, 20 June, 2011 – 55 per cent of pension fund trustees are likely to increase the contributions they require from their sponsor following the next valuation by more than 10 per cent, with 11 per cent planning to increase contributions in excess of 20 per cent. That was a key finding of a leading independent survey of occupational pension fund trustees carried out by Pension Corporation, a leading provider of risk management solutions to defined benefit pension funds, in conjunction with Engaged Investor magazine.

Key points:

- After the next valuation 55% of pension fund trustees may increase sponsor contributions by more than 10 per cent; 11% may do so in excess of 20%
- 70% of trustees do not believe fund assets are well matched with liabilities
- 85% of trustees are happy with their investment advisors; 93% happy with their actuarial advisors
- 47% of trustees are not sure their assets would cover PPF benefits in case of sponsor insolvency in the next five years

The survey, entitled “The Future of Pension Funds 2011” which will be published on July 4 2011, also found that 47 per cent of pension fund trustees were either unsure or not confident that fund assets would exceed the minimum level needed to cover PPF liabilities in case their sponsor became insolvent in the next five years.

At the same time, just under 70 per cent of trustees do not believe their assets and liabilities are well matched, although 85 per cent were happy with the service they received from their investment advisors and 93 per cent happy with their actuarial advisors.

David Collinson, Co-Head of Business Origination, Pension Insurance Corporation, said, “Employers have already experienced significantly increased contribution requirements after worse than expected triennial valuations over the past couple of years. This trend seems set to continue. The fact that many funds have not fully matched their liability risks only heightens the chance that further increases to contributions will be needed from the sponsor in the future.

“Although the up-front cost of insurance may seem significant to many trustees and sponsors, the key point for them to bear in mind is that it brings certainty – after all there are no guarantees that even the current high level of contributions will be adequate in the future, particularly if funds have not matched their assets to their liabilities.”

“Pension fund trustees are worried about their funding position and uncertain how they are to make good their deficits without more financial support from their sponsoring employer,” said Bob Campion, Publisher/ Editor-in-Chief of Engaged Investor and Pensions Insight magazines. “Financial markets have not been kind to pension funds and the recession has been equally unkind to many employers; trustees have good reason to be worried.”

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Editor’s Notes

- 1) The study was conducted by readers of Engaged Investor magazine and sister website during Q1 2011. 197 lay trustees, consultants, pension managers and independent trustees took part. 39% were member nominated trustees, 25% company nominated trustees, 9% were independent trustees and 19% were trustee secretaries and other pension professionals.

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About Pension Corporation

Pension Corporation is a leading provider of risk management solutions to the trustees and sponsors of defined benefit pension funds. Its FSA authorised and regulated insurance company, Pension Insurance Corporation (“PIC”), brings safety and security to scheme members’ benefits through innovative, tailored solutions. PIC has over £4bn in assets and has insured more than 50,000 pension fund members. Its solutions include pension insurance buyout, pension insurance buy-in and longevity risk insurance. It has transacted both the UK’s largest corporate and the first public sector backed pension insurance buyouts. Other clients include FTSE 100 companies and several multinationals. PIC is proud to work with pension fund trustees to maximise member benefits. For further information please visit

www.pensioncorporation.com

About Engaged Investor

Engaged Investor *The Trustee Magazine*, is the only magazine and website dedicated to the UK’s army of occupational pension fund trustees. Launched in 2004, the magazine has a readership of 9,121 pension trustees and 984 pension professionals, audited by the BPA. Engaged Investor runs two free conferences for trustees each year and holds the UK’s only Trustee Awards every July.

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