



TRUSTEES AIM TO CUT EQUITIES, INCREASE CONTRIBUTIONS, UTILISE COMPANY ASSETS

London, 4 July, 2011 – 73% of occupational pension trustees plan to reduce their allocation to equities in the next year, with 22% expecting to receive company assets, such as property, in lieu of cash contributions to help fund their deficit, according to a comprehensive survey of trustees “The Future of Pension Funds 2011”, published today.

Key findings

- 73% of trustees plan to reduce their allocation to equities
- 22% expect to receive company assets, such as property, from their sponsor in lieu of cash contributions
- 55% of pension fund trustees may increase sponsor contributions by more than 10% after the next valuation; 11% may do so in excess of 20%
- 44% believe switching to CPI-linked benefits is ‘unfair on pensioners’
- 47% indicated that tackling a deficit is their top priority; 31% expect to buyout
- 58% are confident of being fully funded within 10 years; 29% expect to get only the minimum PPF benefits if their sponsor becomes insolvent within five years
- LDI is the most favoured de-risking strategy under consideration (56%), then buy-ins and buyouts (33%), longevity swaps (30%) and fiduciary management (9%)

The survey of almost 200 trustees with aggregate liabilities of at least £50 billion was carried out by Pension Corporation, a leading provider of risk management solutions to defined benefit pension funds, in conjunction with Engaged Investor magazine.

David Collinson, Co-Head of Business Origination, Pension Corporation, said, “Our second annual survey of pension fund trustees has shown that more than ever, trustees

are looking to seriously tackle the deficits in their pension funds and aim to use every tool available to them, including company owned assets.

“Flexibility in how to pay off deficits should be good news for companies as they seek to retain liquid assets in a difficult economic environment, not least since there is likely to be a big increase in the amount trustees request from their sponsor after the next valuation.”

In the study, trustees admit that despite their determination to reduce risk and improve funding levels, they are uncomfortable in following the Government’s lead in applying the Consumer Price Index (CPI) to inflation uplifts, even though this would potentially reduce their liabilities.

44% believe switching from Retail Price Index to CPI-linked benefits is ‘unfair on pensioners’, and only 24% welcome the move towards CPI. Despite their unhappiness with the situation, 51% plan to move at least some of their benefits to CPI indexation.

Trustees also revealed that on balance they should be remunerated for their work (43% said ‘yes’, 35% said ‘no’) on the basis that the role requires increasing pensions expertise, although the overall proportion of trustees in favour of remuneration has declined compared with previous years (62% said ‘yes’ in 2010).

“Trustees are under pressure to reduce risk and improve funding while being fair to members; mission impossible unless sponsoring employers are able to foot the bill at a time when many businesses continue to struggle,” said Bob Campion, Publisher/ Editor-in-Chief of Engaged Investor and Pensions Insight magazines. “It is no wonder that they feel their role is getting increasingly complex. It is about time that trustees got the recognition and support they deserve for working hard to protect the pensions of millions of UK workers.”

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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. The aggregate liabilities of pension funds which undertook the survey is at least £50bn.

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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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