

## Press release

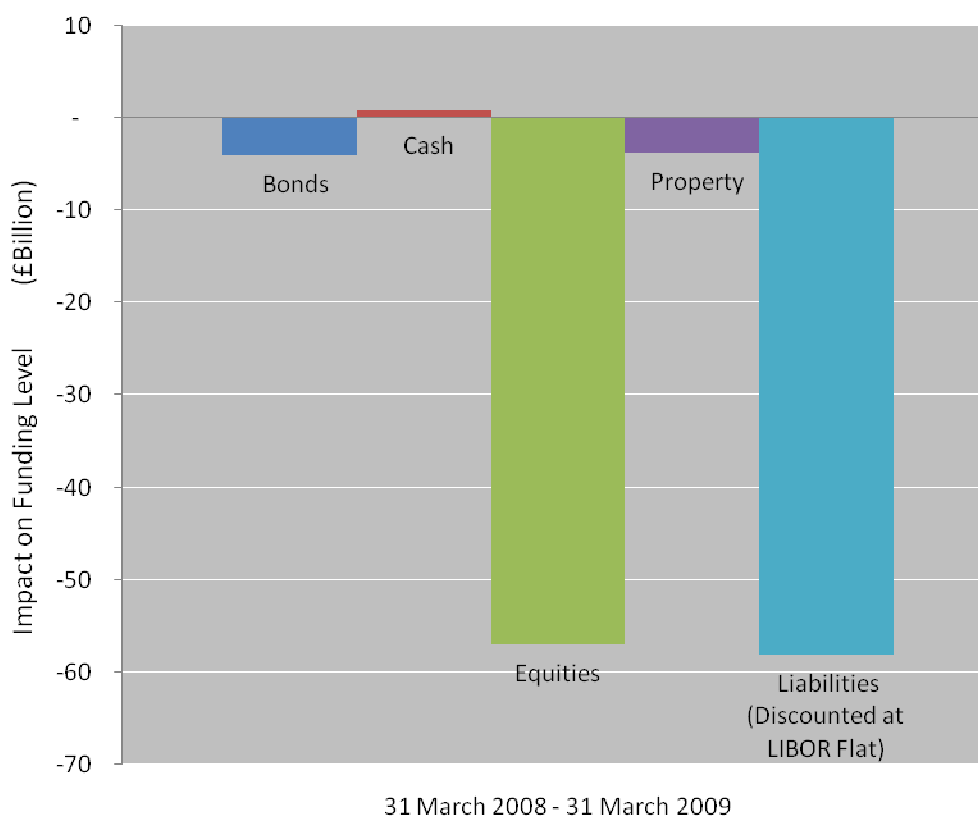
### AGGREGATE FTSE100 PENSION FUNDS SEE £245BN “ECONOMIC” DEFICIT

**London, 6 April 2009:** Redington Partners LLP, the independent consultancy firm that advises pension funds and insurance companies on risk management and investment strategies, estimates that on an “economic” basis the deficit of the aggregated pension funds of the FTSE100 has almost doubled, from £124bn as at end March 2008 to £245bn as at end March 2009.

The economic basis discounts the liabilities using the swap curve (i.e. at LIBOR flat) and is a much more conservative valuation than IAS19, the measure used by corporate sponsors to report the pension scheme deficit in the Annual Report and Accounts.

As the performance attribution chart below shows, the £121bn increase was almost entirely due to a combined £58bn increase in the present value of liabilities and £57bn deterioration in equity holdings.

**Figure 1: FTSE100 Aggregate Pension Scheme Performance Attribution**



On an IAS 19 (“accounting”) valuation basis, FTSE100 aggregated funds have seen a surplus of £21bn fall to a deficit of £51bn - a one year funding deterioration of £72bn. On an IAS 19 basis, liabilities are valued using appropriate yields on long term AA rated corporate bonds. These yields have declined by around 0.20% and FTSE has fallen 30%.

A new ingredient this year is the weakening of corporate sponsor covenants: FTSE100 market capitalisation has fallen from £1,381 billion to £989 billion. Consequently, a year ago, the aggregate economic deficit of the FTSE100 pension schemes represented around 9% of the sponsors’ total value by market capitalisation. As at 31 March 2009, the aggregate economic deficit had increased to 25% of market cap.

Dawid Konotey-Ahulu, Partner and Co-Founder said, “On any basis, these numbers illustrate the immensity of the challenges facing defined benefit pension funds. Pension liabilities have risen very sharply, entire asset classes are in free fall and all at exactly the point of the most extreme weakening of the collective corporate covenant in recent history. There have been many references in the past to a “perfect storm” but this time it’s the real thing. We are seeing a significant increase in the number of pension funds urgently seeking to implement risk management strategies.”

**END**

**For more information please contact:**

Louise Ballard, Ballard Associates: 020 7978 7700 / 079 7433 3704

Josephine Salm, Ballard Associates: 020 7978 7700 / 077 5760 6357

**Notes to editors:**

**About Redington Partners LLP**

Founded in 2006, Redington Partners was established by two investment bankers, Dawid Konotey-Ahulu and Robert Gardner, to offer pension funds and corporate sponsors clear and independent advice on investment strategy. The firm's aim is straightforward – to help clients implement an investment strategy with the greatest return on the scheme's assets in return for taking the lowest risk. Their approach is to blend investment banking technology with actuarial consulting to help trustees understand the risks they are running with respect to interest rates, inflation, equity, credit, property and longevity (among others). The ultimate aim is to achieve solvency on an economic basis within a significantly reduced timeframe.

Konotey-Ahulu and Gardner spent several years advising on risk management strategies for their clients and, in 2003, devised and implemented the first full LDI risk management transaction by a pension fund, Friends Provident Pension Scheme. Their experience allows them to harness effectively the technology of investment banks and asset managers to provide clients with a wide range of solutions.

First, Redington carries out a state-of-the-art analysis of the risks being run within the pension scheme. Then the firm advises on how best to control and reduce those risks cost-effectively.

Some of Redington's clients approach them having already embarked on the risk management process and re-allocation of assets, but requiring an independent assessment of their current position and the alternatives available to them. Others are just starting the process and require full strategic and analytical advice.

Redington has over £100 billion in assets under consulting.

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