Twenty years of Accounting for Pensions

£100bn

Government and regulatory event/change

SURPLUS/ (DEFICIT)

Corporate development

(£100bn)

- Majority of schemes in surplus
- Funding levels vary between 88% - 183%

Pensions disclosures remain inadequate

- Tony Blair becomes PM
- Gordon Brown abolishes tax credits on UK dividends for pension funds

20%

Dividend income reductions resulting in extra pensions costs and an impact on profits and cash flow

Pension Protection Fund The Pensions Regulator

Pensions Act 2004 creates new regulatory bodies

FRS17

New accounting standard introduced = significant volatility in disclosed pension costs

Interest rates continue to fall, making pensions expensive for schemes moving into bonds

- Gordon Brown becomes PM

New legislation constrains corporate activity and dividend distribution

57%

57% of FTSE 100 schemes invested in equities. Strong expectations for ongoing high returns

- Buy out market emerging slowly
- Pensions Act 2008 introduces a requirement for auto-enrolment

CPI

Change from RPI to CPI as pension indexation measure

- David Cameron becomes PM, forming a coalition government

42%

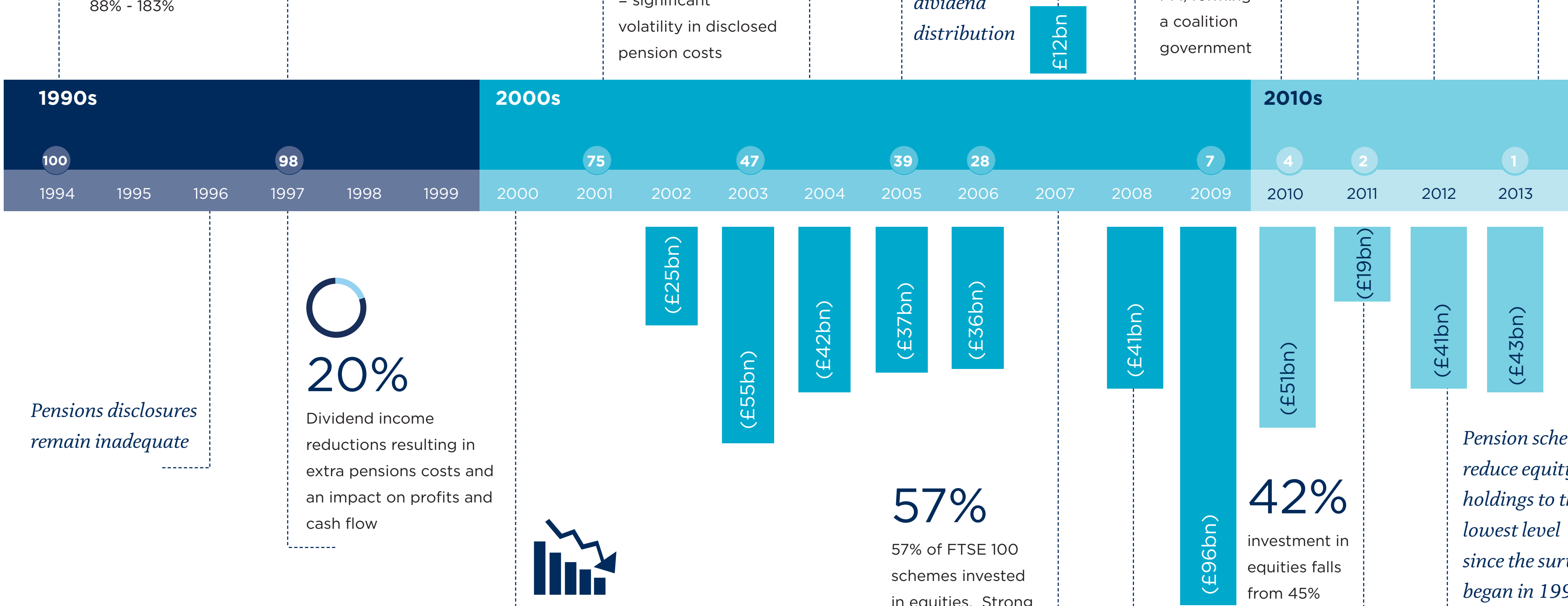
investment in equities falls from 45%

Collapse of Lehman Brothers - mass volatility in returns throughout the year. Equity markets suffer major falls and 'high quality' corporate bond yields peak at just under 8% pa.

- RPI v. CPI v. RPIJ
- Solvency II
- Contingent assets

Auto-enrolment begins

Pension schemes reduce equity holdings to their lowest level since the survey began in 1994



99 These figures indicate the number of FTSE 100 companies with a final salary pension scheme open to new employees.

LCP INSIGHT CLARITY ADVICE

Equity allocations are as reported in LCP's Accounting for Pensions surveys and represent the position at the end of the previous year.