

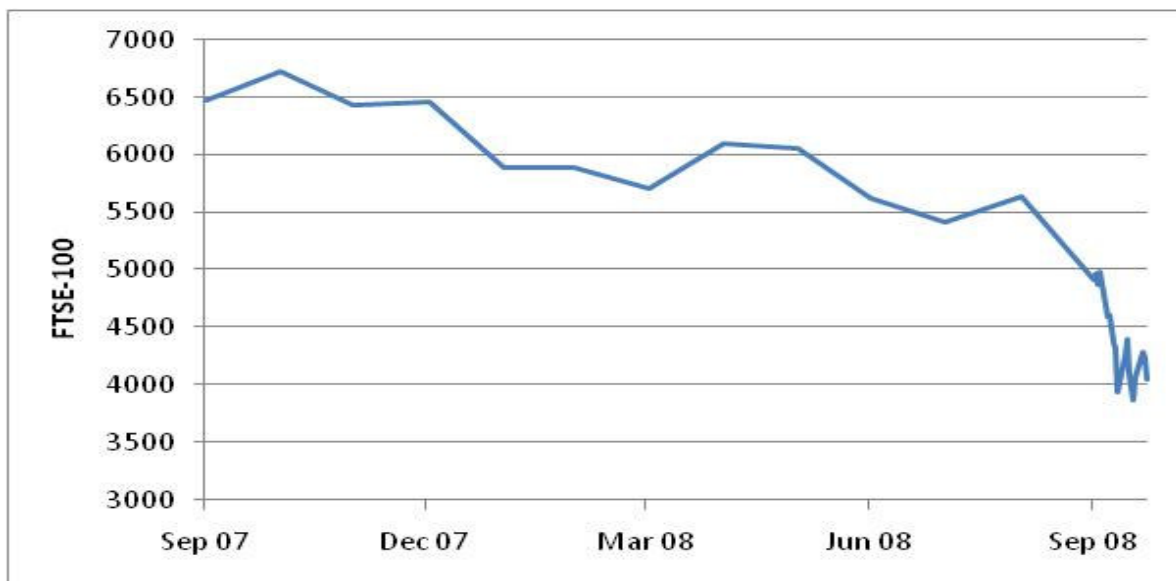
PREMIER PENSIONS MANAGEMENT

TECHNICAL UPDATE: 14/08

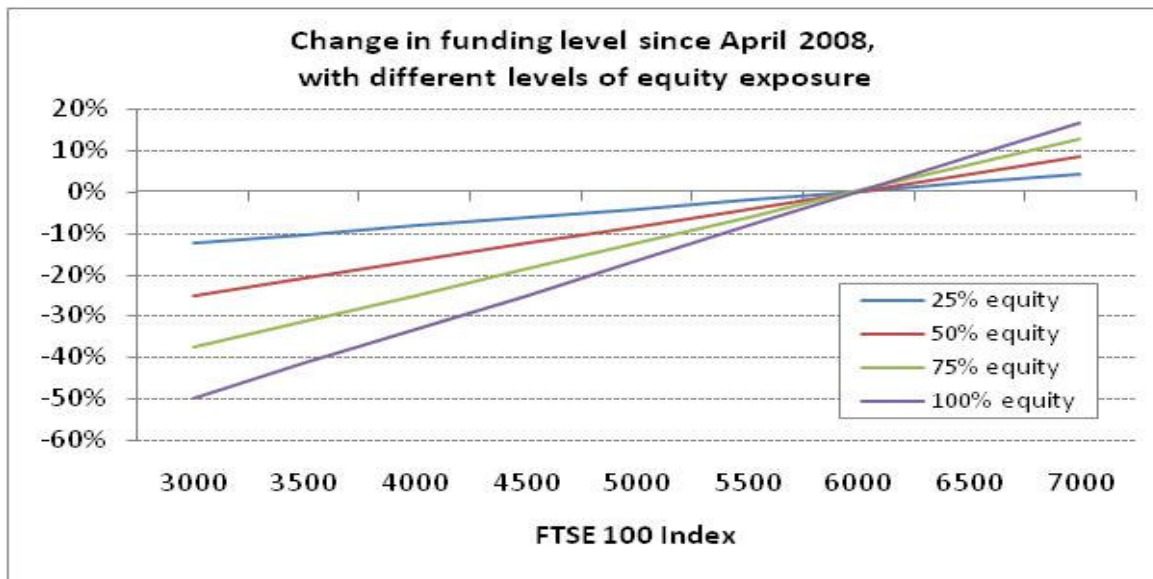
Funding Levels in Turbulent Stock Markets

The last month has seen a significant and material fall in worldwide stock markets by around 20%. This period has also seen a significant variability with very large daily falls in stock values but also some significant daily increases.

However, this has overshadowed a market decline in equity values over the last 12 months. The FTSE-100 Index has fallen from 6400 in September 2007 to around the 4000 level in October 2008 (ie by over 35%).



Many pension plans still retain a significant proportion of their investments in equities (or other real investments) and these are likely to have fallen significantly over the last few months. A valuation update now is likely to show a much worse funding position than one completed in April 2008 (FTSE-100 Index \approx 6000).



* Based on a fully funded Plan at April 2008

For example, a Plan with 50% of its assets in equities (FTSE-100 tracker) would see a 15% reduction to the funding level since April 2008 if the FTSE-100 remains at about the 4000 level.

A key question for Trustees and Sponsors is whether this is a temporary feature (and the stock market will revert to previous levels) or whether stock market levels are likely to remain at this level for some time and potentially up to the next formal valuation when the contribution levels will be re-assessed. This may lead to a significant increase in the contributions required under the revised Recovery Plan.

Perhaps of more immediate concern is whether a cash injection or other contingent security is needed now in order to protect the members' pensions in the current economic climate. Potentially a review of the investment strategy may also be required. In any event, alerting the Sponsoring Employer to the issues and risk may be needed.

It is also worthwhile referring back to the Regulator's Guidance on funding which requires Trustees to monitor the funding and consider whether an earlier (out of cycle) valuation is required. If there are concerns about security or concerns about whether the level of contributions remain adequate to restore the funding position then a further valuation should be given serious consideration.

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This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email:

*paul.couchman@premierpensions.co.uk,
if you require definitive advice*