

UK: Largest 200 pension schemes in deficit by £100 billion

Britain's largest private pension schemes are more than £100 billion in deficit for the first time, it was disclosed yesterday.

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The 200 schemes include the pensions of some of the country's best known companies, such as British Airways, Shell and BT.

Millions of people are members of the lucrative final salary schemes, which pay out an annual pension based on a member's final salary.

The schemes have been in deficit for the past year, but it is the first time that the deficit has split into triple figures.

Experts said the deficit would continue to grow and predicted a major company would go bankrupt because of its pension deficit in 2010.

Ros Altmann, a pension's expert, said: "Companies are being dwarfed by these deficits and yet the authorities are just burying their heads in the sand."

It is understood that the 200 schemes have between 10 and 15 million members, including current employees, those who used to work at the companies and those who have retired.

The deficit of the country's largest 200 pension schemes was £103 billion this month, rising from £88 billion the previous month, according to figures by Aon Consulting.

Marcus Hurd, head of corporate solutions at Aon Consulting, said: "This is an unwelcome Christmas present for all of those with an interest in UK final salary pensions. Despite rising equity markets, the costs of providing those final salary pensions already promised has risen incommensurately. The aggregate deficit continues to rise and the pensions black hole is deepening."

Companies are increasingly closing their generous final salary schemes in a bid to cut costs amid the recession.

Instead, they are offering defined contribution pension schemes, which are based on the performance of the stock market. These schemes are increasingly popular because they tend to be cheaper and less risky.

A spokesman for the DWP said: "Government is absolutely committed to supporting good quality pension provision. We reduced the burden of revaluation which could save employers around £250 million per year on average in the longer term. We are now looking at employer debt provisions, are working closely with stakeholders on the development of regulations to deliver pension reform, and have already made important changes that were well received."

<http://www.telegraph.co.uk/finance/personalfinance/6859275/Largest-200-pension-schemes-in-deficit-by-100-billion.html>