



PRESS RELEASE

MARATHON CLUB CALLS FOR INDUSTRY DIALOGUE TO RE-EVALUATE RELEVANCE OF ACCOUNTING STANDARDS FOR PENSION SCHEMES

London 27 July, 2008 - The Marathon Club ("the Club"), a collaboration of investment organisations representing combined fund assets in excess of £170bn, has today called for an industry dialogue to stem the increased and unnecessary threat of Defined Benefit scheme closure or disruption created by current accounting standards.

In a paper submitted to International Accounting Standards Board, entitled *Issues Requiring Changes in the Accounting of Pension Funds*, the Marathon Club asserts that two requirements under current UK and European accounting standards for pension schemes create unnecessary short-term behaviour of end-users. Currently:

- All assets must be marked to market value on the balance sheet date, unless they are intended to be held to maturity;
- The net present value of all future liabilities, actual and contingent, must be discounted at a single rate determined by the yield at the balance sheet date of AA corporate bonds with the same maturity as the duration of the pension fund's liabilities.

Roger Emerson, Current Chair of The Marathon Club, commented:

"In the Club's view, current accounting practice is unhelpful, potentially damaging and arguably incompatible with the requirement to prepare accounts of a business as a going concern. Prescribing a valuation approach for pension funds in company accounts on a basis more appropriate to termination is becoming self-fulfilling.

"We recognise that changing IAS19 will not be easy. However, if we are to stem the kind of short-termism which the current standard creates, significant change is necessary. We are, therefore, urging the accounting profession to enter into a constructive dialogue with the end-users of company accounts to produce accounting rules which are fit for purpose."

The Marathon Club maintains that appropriate accounting should result in:

- Assets being shown at fair long-term values, and
- Liabilities being calculated as the net present value of future benefit commitments and other outgoings, discounted at a rate consistent with the valuation of the assets.

The Marathon Club would welcome feedback on the issues highlighted by this paper which can be found at www.marathonclub.co.uk.

-Ends-

For further information, please contact:

Claire Maloney, Capital MS&L on behalf of the Marathon Club
+44 (0) 207 307 5341 or claire.maloney@capitalmsl.com

Notes to editors:

About the Marathon Club

The Marathon Club is comprised of institutional fund trustees, senior executives or senior specialists who have a proven track-record in playing a relevant leadership role in public and

private institutional funds and endowments. The members' represent schemes combined assets exceed £170 billion. Yusuf Samad CFA, FSIP is currently Secretary to the Club.

The overall goal of the Club is to stimulate pension funds, endowments and other institutional investors ("Institutional Funds") and their agents to be more long- term in their thinking and actions, and place more emphasis on being responsible and active owners with a view to increasing knowledge about how their investment strategy and process can improve the long term financial and qualitative buying power of fund beneficiaries.