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FTSE-100 board directors average final salary pension pots reach £2.8million

- **Value of cash-in-lieu supplements to FTSE-100 chief executives now
£160,817 per annum**

The value of FTSE-100 directors' final-salary pension pots now averages £2.8m, according to new research by Incomes Data Services (IDS).

Converted into an annual pension, a pot of £2.8m could buy an employee a pension annuity worth more than £170,000 a year.*

IDS found that around 46% of FTSE directors are either still members of 'open' DB schemes or retain benefits under 'closed' schemes.

FTSE-100 directors who are members of the alternative defined contribution (DC) pension schemes, companies contributed on average £159,762 a year, equivalent to 25% of their annual salary.

IDS point out that both DB and DC contributions to FTSE-100 directors are significantly higher than the new £50,000 annual limit on contributions to pensions that attract tax relief (Introduced for the tax year 2011-2012).

Steve Tatton, editor of IDS's *Executive Compensation Review*, comments: "Until recently, executive directors have been cushioned from the worst effects of the deteriorating pension provision faced by most employees, however both the last and new Governments promoted tax changes aimed at reducing the benefit from 'top hat' schemes."

"While pension provision for board directors have remained generous, much of the workforce over the last few years have been going through a process of having the value of the payments into their scheme reduced."

FTSE-100 Chief Executives receive annual cash-in-lieu payments equal to 25% of salary

IDS also reports that cash payments in-lieu of pension contributions are increasingly common.

The median value of cash-in lieu payments to FTSE-100 Chief Executives is £160,810 a year. The figure for all FTSE-100 board directors stands at £141,250 a year, equal to 25% of salary.

IDS explain that taxable cash payments of this kind are paid instead of a pension contribution when the total retirement pot has reached its tax beneficial limit.

The current lifetime allowance for a personal pension is £1.8million.

Steve Tatton says: "To ensure that senior executive compensation remains competitive, remuneration committees have had to review their boardroom pay plans in light of changing circumstances. Hence the new emphasis on cash payments."

"It will be interesting to see the long term effect that this £1.8million ceiling has on the value of future pension pots."

* Figure based on annuity for a 60 year old with no widow's pension and no annual increase. (Moneyfacts.co.uk)

Full results of IDS' latest boardroom pension research can be found in the monthly *Executive Compensation Review* 364, June 2011. As well as looking at FTSE-100 pension arrangements, the survey covered FTSE-250, SmallCap, Fledgling and Alternative Investment Market (AIM) directors.

ENDS

Note to editors:

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