JLT EMPLOYEE BENEFITS

The FTSE 100 and their pension disclosures

A QUARTERLY REPORT FROM JLT EMPLOYEE BENEFITS AS AT 31 DECEMBER 2013

In association with
J.P.Morgan CAZENOVE

Executive Summary

- The total deficit in FTSE 100 pension schemes at 31 December 2013 is estimated to be £57 billion. This is a deterioration of £8 billion from the position 12 months ago.

- The entry of Royal Mail Group into the FTSE 100 has had a marked impact on the results. The Royal Mail Pension Plan is now the best funded FTSE 100 company pension scheme by some margin. It also has the 5th largest spend on ongoing defined benefit provision. The impact of the transfer of the majority of the Plan's assets and liabilities to the Government provided the Royal Mail Group with an unanticipated balance sheet gain of over £3bn.

- Only 64 FTSE 100 companies are still providing more than a handful of current employees with DB benefits (i.e. ignoring companies who are incurring ongoing DB service costs of less than 1% of total payroll). Of these, only 23 companies (i.e. less than a quarter of the FTSE 100) are still providing DB benefits to a significant number of employees (defined as incurring ongoing DB service cost of more than 5% of total payroll).

- The average pension scheme asset allocation to bonds remains unchanged at 56%. Six years ago, the average bond allocation was only 35%.

- There continues to be significant funding of pension deficits – and this at a time when most companies have precious little spare cash. Last year saw total deficit funding of £9.3 billion, down from £12.6 billion the previous year. BAE Systems led the way with a massive deficit contribution of £0.9 billion (net of ongoing costs), but 63 other FTSE 100 companies also reported significant deficit funding contributions in their most recent annual report and accounts.

- The decline in ongoing DB pensions continues. We estimate that after allowing for the impact of changes in assumptions and market conditions, the underlying reduction in ongoing DB pension provision is approximately 10% in the last 12 months.

- There are a number of companies reporting very significant individual changes to investment strategies. Nine FTSE 100 companies changed their bond allocations by more than 10%.

- There are a significant number of FTSE 100 companies where the pension scheme represents a material risk to the business. Five FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For International Airlines Group, total disclosed pension liabilities are almost three times their equity market value, and RSA, BAE Systems and BT have disclosed pension liabilities that are approximately double their equity market value.

- Only 18 companies disclosed a pension surplus in their most recent annual report and accounts; 70 companies disclosed pension deficits.

- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £475 billion to £534 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, the largest of which is Royal Dutch Shell with disclosed pension liabilities of £51 billion. A total of 18 companies have disclosed pension liabilities of less than £100 million, of which 11 companies have no defined benefit pension liabilities.

- If pension liabilities were measured on a "risk-free" basis rather than using a AA bond discount rate, the total disclosed pension liabilities of the FTSE 100 would increase from £534 billion to £695 billion, and the total deficit at 31 December 2013 would be around £155 billion.

The appendix at the end of this report contains a full list of all the FTSE 100 companies analysed and their relevant pension disclosures.

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Funding Position

The overall funding position of pension schemes of FTSE 100 companies has slightly worsened over the year covered by their latest annual report and accounts.

Including all pension arrangements, both UK and overseas, whether funded or unfunded, the FTSE 100 companies with the best-funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus / (Deficit) £m	Funding Level
Royal Mail Group	1	3,343	2,513	830	133%
Prudential	2	7,197	6,059	1,138	119%
Standard Life	3	2,891	2,500	391	116%
Next	4	609	543	66	112%
Schroders	5	777	710	67	109%
Old Mutual	6	606	567	39	107%
Rolls-Royce	7	10,328	9,765	563	106%
Aviva	8	12,281	11,675	606	105%
Resolution	9	1,344	1,282	62	105%
Experian	10	654	631	23	104%

The FTSE 100 companies with the worst funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus / (Deficit) £m	Funding Level
Whitbread	91	1,480	2,022	(542)	73%
Meggitt	92	635	876	(241)	72%
Sports Direct International	93	47	67	(20)	70%
WPP	94	710	1,044	(334)	68%
TUI Travel	95	1,322	1,983	(661)	67%
Fresnillo	96	13	20	(7)	66%
Hammerson	97	55	86	(31)	64%
Sage Group	98	17	30	(13)	57%
Mondi	99	96	221	(125)	43%
Coca-Cola HBC	100	1	4	(3)	14%

In 2007, IFRIC14* provided new guidance on the recognition of surpluses and the impact of minimum funding requirements. Within the FTSE 100, 17 companies have reported that the restrictions imposed by IFRIC14 have had an impact on their pension disclosures. The total reported impact for FTSE 100 companies is now £2.7 billion. The largest reported adjustments for IFRIC14 in the FTSE 100 were as follows:

Name	Rank	Adjustment for IFRIC14 £m
Rolls-Royce	1	1,026
Prudential	2	1,010
SSE	3	189
Standard Life	4	182
Anglo American	5	73
SABMiller	6	57
BHP Billiton	7	34
Resolution	8	29
British American Tobacco	9	15
Associated British Foods	10	12

* For more information on IFRIC14, see JLT publication – IAS19: A Quarterly Guide for Finance Directors, at 30 June 2013.

Commentary

Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 31 December 2013 was £57 billion. This is a deterioration of £8 billion from the position 12 months ago.

The entry of Royal Mail Group into the FTSE 100 has had a marked impact on the results. The Royal Mail Pension Plan is now the best funded FTSE 100 company pension scheme by some margin.

* For more information on IFRIC14, see JLT publication – IAS19: A Quarterly Guide for Finance Directors, at 31 December 2013.

Investment Mismatching

Legislation over a number of years has clarified that pension liabilities are a form of corporate debt. Despite the fact that there is an increasing weight of opinion from academics and analysts that mismatched investment strategies in pension schemes reduce shareholder value, many companies are still running very large mismatched equity positions in their pension schemes. This has the impact of creating balance sheet volatility which some academic evidence might suggest flows through to share price volatility. Inevitably, analysis of mismatching is limited to the information disclosed in the annual report and accounts. Given the bond-like nature of pension liabilities, the allocation of pension assets to bonds gives an indication of the level of investment mismatching that exists. This report refers to investment mismatching in terms of the IAS19 accounting position, where liabilities are being valued using AA corporate bonds; therefore assets other than these bonds will lead to a mismatch.

The FTSE 100 companies with the highest allocation to bonds were:

Name	Rank	Assets £m	% of Assets in Bonds
Coca-Cola HBC	1	1	100%
London Stock Exchange	2	274	92%
Prudential	3	7,197	90%
Rolls-Royce	4	10,328	88%
Fresnillo	5	13	86%
BHP Billiton	6	1,248	85%
Resolution	7	1,344	85%
Aviva	8	12,281	84%
G4S	9	1,589	82%
InterContinental Hotels	10	523	80%

The FTSE 100 companies with the lowest allocation to bonds were:

Name	Rank	Assets £m	% of Assets in Bonds
Whitbread	91	1,480	37%
Unilever	92	14,456	35%
Ashtead	93	78	33%
Wolseley	94	1,306	32%
BP	95	23,937	28%
Tesco	96	7,206	22%
Capita	97	675	20%
BG	98	983	17%
British Land	99	120	2%
Hammerson	100	55	0%

The FTSE 100 companies with the greatest change in bond allocation were:

Name	Rank	Current Bond Allocation	Previous Bond Allocation	Switch to Bonds
Fresnillo	1	86%	61%	+25%
Babcock International	2	74%	53%	+21%
Vodafone	3	56%	40%	+16%
London Stock Exchange	4	92%	76%	+16%
Mondi	5	64%	80%	-16%
William Hill	6	64%	50%	+14%
InterContinental Hotels	7	80%	68%	+13%
Meggitt	8	54%	42%	+12%
Persimmon	9	38%	50%	-12%
Pearson	10	41%	51%	-10%

Commentary

Several companies and trustees are continuing to switch pension assets out of equities into bonds. Fresnillo is the latest company to report a big switch, with bond allocations increasing by 25%. A total of 60 FTSE 100 companies have more than 50% of pension scheme assets in bonds. Moreover, company disclosures reveal little of the extensive activity there has been by a number of companies to use LDI (liability-driven investment) strategies, which frequently make use of derivatives and other financial instruments. Recent changes to IAS19 require companies to disclose more detailed information on pension assets which will help investors to understand the risks which employers are exposed to. Overall though, the average pension scheme asset allocation to bonds is now 56%, which is unchanged from the year before. This compares to 35% six years ago.

We can also expect IFRIC14 to impact on pension scheme investment strategies. If shareholders see none of the upside of pension scheme investment in equities and all of the downside, there will inevitably be further pressure on company management to encourage moves towards lower volatility investments in pension schemes. In addition, a further cause of movement towards bond-based assets could be the recent change to IAS19. In the P&L the expected return on assets will be replaced by the discount rate applied to the assets, so there will be no P&L benefit from holding outperforming assets.

Size of Pension Scheme

In recent years, pension schemes have grown significantly. Attempts by many companies to stem the growth of their pension liabilities by closing defined benefit pension schemes to new entrants have had little impact. Changes in economic conditions and increasing life expectancy have contributed to the spiralling growth in pension liabilities. Bond yields increased in 2013 but any reductions in liabilities because of this have been cancelled out by a sharp increase in inflation expectations earlier in the year.

The FTSE 100 companies with the largest pension scheme liabilities (all those over £10 billion) are as follows:

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
Royal Dutch Shell	1	50,546	143,506
BT	2	47,422	29,229
Lloyds Banking Group	3	31,324	57,174
BP	4	30,557	91,390
Royal Bank of Scotland	5	30,110	20,787
Barclays	6	25,242	33,309
BAE Systems	7	25,157	13,930
National Grid	8	23,676	29,346
HSBC	9	23,571	123,697
International Airlines Group	10	18,645	7,411
Unilever	11	16,917	73,770
GlaxoSmithKline	12	15,191	76,697
Rio Tinto	13	11,973	48,108
Aviva	14	11,675	13,122

* as at 31 December 2013

The FTSE 100 companies with the smallest pension liabilities (all those under £100 million) are as follows:

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
Hammerson	83	86	3,578
Ashtead	84	77	3,825
Aggreko	85	74	4,584
Sports Direct International	86	67	4,279
Sage Group	87	30	4,622
Fresnillo	88	20	5,641
Coca-Cola HBC	89	4	6,458

* as at 31 December 2013

In addition, Admiral, Antofagasta, ARM Holdings, BSkyB, Burberry, Easyjet, Hargreaves Lansdown, Petrofac, Randgold Resources, Shire and Tullow Oil all reported no defined benefit pension liabilities.

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £475 billion to £534 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, whilst 18 companies have disclosed pension liabilities of less than £100 million.

The possibility of measuring pension liabilities on a “risk-free” basis (i.e. using gilt-based discount rates rather than AA bond discount rates) has been debated at length, including in a detailed discussion paper from the Accounting Standards Board. In the UK, a company can no longer default on its promises to pension scheme members unless it goes into liquidation; however, last year the government changed the index linkage for many inflation-linked benefits which has had the effect of reducing the expected benefit outgo. If pension liabilities were to be measured on a “risk-free” basis, with no allowance for default or further reduction in benefits, we estimate that it would add approximately 30% to the total pension liabilities, increasing the total disclosed pension liabilities from £534 billion to £695 billion. The total deficit at 31 December 2013 on a “risk-free” basis would be around £155 billion.

Significance of the Pension Scheme in the Boardroom

The impact of the pension liabilities on corporate decision-making and its importance in the boardroom depends on the relative size of the pension scheme. In the analysis below, the pension scheme deficit and liabilities are expressed as a percentage of the equity market value of the company.

The FTSE 100 companies with the most significant pension scheme liabilities are as follows:

Name	Rank	Equity Market Value* £m	Surplus / (Deficit) as a % of Equity Market Value	Liabilities as a % of Equity Market Value	
International Airlines Group	1	7,411	-13%	252%	*199%***
RSA	2	3,347	-6%	192%	*146%***
BAE Systems	3	13,930	-41%	181%	
BT	4	29,229	-20%	162%	
Royal Bank of Scotland	5	20,787	-18%	145%	
Marks & Spencer	6	6,951	3%	97%	
Sainsbury	7	6,884	-11%	96%	
Aviva	8	13,122	5%	89%	
National Grid	9	29,346	-6%	81%	
Rexam	10	4,205	-9%	79%	
Barclays	11	33,309	-3%	76%	
Babcock International	12	4,978	-5%	70%	
Smiths Group	13	5,811	-3%	66%	*55%***
GKN	14	6,065	-16%	62%	
Lloyds Banking Group	15	57,174	-2%	55%	

* as at 31 December 2013

** These companies' pension schemes have purchased contracts, which insure part of their liabilities; the figures in italics represent the impact of the liabilities without these insured sections.

A further sign of the significance of pensions in the boardroom is the extent of continuing DB provision to employees. This can be measured by looking at the ongoing spend on DB pensions (the service cost) before any allowance for deficit spending. The FTSE 100 companies with the highest ongoing spending is shown in the table below, together with the previous year's spend for comparison.

Name	Rank	Current DB Service Cost £m	Previous DB Service Cost £m
Royal Dutch Shell	1	843	787
BP	2	603	496
Tesco	3	482	495
Royal Bank of Scotland	4	426	440
Royal Mail Group	5	412	384
Lloyds Banking Group	6	360	380
Barclays	7	357	348
HSBC	8	345	343
BAE Systems	9	321	313
GlaxoSmithKline	10	271	262

Fifteen FTSE 100 companies showed zero (or negative) cost of current DB service costs, compared with thirteen in the previous year.

Commentary

Five FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For International Airlines Group, total disclosed pension liabilities are almost three times their equity market value, and RSA, BAE Systems and BT have disclosed pension liabilities that are nearly double their equity market value. BAE Systems have a disclosed pension deficit of more than a third of their equity market value. A further 8 companies have disclosed pension deficits bigger than 10% of their equity market value.

Increasingly companies are reacting to the combination of difficult economic conditions, rising pension costs and increasingly aggressive pension regulations by closing pension schemes to future and even current employees. This decline in total DB pension provision is now apparent in the accounts of FTSE 100 companies, with several companies closing their scheme to future accrual or freezing pensionable salaries. The total current DB service cost of FTSE 100 companies amounts to £7.2 billion compared to £7.0 billion in the previous year. However, we estimate that after allowing for the impact of changes in assumptions and market conditions, the underlying reduction in ongoing DB pension provision is approximately 10% in the last 12 months alone. We believe that the majority of FTSE 100 companies will cease DB pension provision to all employees within two years.

Impact of the Pension Scheme on the Company's Share Price

As already mentioned, there is some evidence that balance sheet volatility caused by pension schemes flows through to share price volatility. Changes in the balance sheet position resulting from pensions can be separated into expected changes and unexpected changes. Expected balance sheet changes arise largely from the contributions paid by the company and the costs shown in the company's income statement. Unexpected balance sheet changes arise largely from actuarial gains and losses (due to stock market volatility) and changes to actuarial assumptions.

In the analysis below, the unexpected change in balance sheet position (net of change in adjustment for IFRC 14) is expressed as a percentage of the equity market value of the company. We are not suggesting that the balance sheet impact will translate into a £ for £ impact on a company's share price (not least because of the impact of deferred tax), but this analysis gives a good indication of those companies most positively (and negatively) affected by their pension schemes in their last financial year.

The FTSE 100 companies most positively affected by their pension schemes were:

Name	Rank	Equity Market Value* £m	Unanticipated Balance Sheet Gain £m	Impact as a % of Equity Market Value
Royal Mail Group	1	5,700	3,489	61%
Smiths Group	2	5,811	283	5%
Marks & Spencer	3	6,951	90	1%
AMEC	4	3,275	31	1%
United Utilities	5	4,578	41	1%
Prudential	6	34,193	294	1%
Wolseley	7	9,136	74	1%
Whitbread	8	6,744	29	0%
Coca-Cola HBC	9	6,458	18	0%
Compass	10	17,256	39	0%

* as at 31 December 2013

The FTSE 100 companies most negatively affected by their pension schemes were:

Name	Rank	Equity Market Value* £m	Unanticipated Balance Sheet Gain £m	Impact as a % of Equity Market Value
Mondi	91	3,841	(184)	-5%
Barclays	92	33,309	(1,634)	-5%
Sainsbury	93	6,884	(363)	-5%
Tate & Lyle	94	3,729	(199)	-5%
RSA	95	3,347	(198)	-6%
Aviva	96	13,122	(807)	-6%
BAE Systems	97	13,930	(970)	-7%
Royal Bank of Scotland	98	20,787	(2,220)	-11%
International Airlines Group	99	7,411	(897)	-12%
BT	100	29,229	(3,756)	-13%

* as at 31 December 2013

Commentary

Over the year covered by their latest report and accounts, 23 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 66 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes.

The impact of the transfer of the majority of the Royal Mail Pension Plan's assets and liabilities to the Government provided the Royal Mail Group with an unanticipated balance sheet gain of over £3bn.

Contributions paid into Pension Schemes

This analysis compares the pension scheme contributions actually paid by companies with the cost of pension benefits accrued during the year. Surplus pension contributions paid in excess of the cost of benefits will reduce pension scheme deficits. However, where the contributions paid are less than the cost of benefits, this will increase pension scheme deficits (or reduce pension scheme surpluses).

The large increases in the contributions seen in the last couple of years have ended, with the amount contributed in the most recent accounting year being £2.3 billion lower than the amount contributed the previous year.

Only contributions actually paid in the relevant accounting year are included in the analysis below.

The FTSE 100 companies who have made the largest surplus contributions to their pension schemes were as follows:

Name	Rank	Pension Contributions £m	Cost of Benefits £m	Surplus Contributions £m
BAE Systems	1	1,256	348	908
GlaxoSmithKline	2	635	(124)	759
Royal Dutch Shell	3	1,454	843	611
Barclays	4	840	348	492
Diageo	5	593	103	490
Royal Bank of Scotland	6	977	506	471
AstraZeneca	7	534	164	370
BT	8	542	225	317
International Airlines Group	9	449	147	303
Lloyds Banking Group	10	667	376	291
Unilever	11	491	204	287
Rio Tinto	12	422	162	259
National Grid	13	425	177	248
Aviva	14	250	19	231
Tesco	15	666	482	184

Commentary

In total, the amount contributed to FTSE 100 company pension schemes was £16.3 billion, down from £18.5 billion in the previous accounting year. This is more than the £7.0 billion cost of benefits accrued during the year. It therefore represents £9.3 billion of funding towards reducing pension scheme deficits. This is a decrease on the previous year's deficit funding of £12.6 billion.

BAE Systems injected an additional £0.9 billion into its pension schemes in 2013, on top of its regular contributions, which totalled £0.3 billion. The decision was in response to the deficit of £5.2 billion at 31 December 2011 – the second highest deficit in the FTSE 100 at the time.

The huge cash contributions paid by BAE Systems came at a time when most companies have precious little spare cash. Widening deficits, and perhaps weaker perceived sponsor covenants, will inevitably lead to trustees requesting larger deficit-correcting contributions from sponsoring employers. This year we expect to see a trend towards companies looking at alternative sources to fund their pension schemes. We have already seen some companies make use of property partnership deals to help tackle their pension deficits. For example, Marks & Spencer, Sainsbury and Whitbread have used a total of £2.5 billion worth of property assets in such deals.

Appendix

Name	Year End	Equity Market Value* £m	Pension Assets £m	Pension Liabilities £m	Surplus / (Deficit) £m	Funding Level	% Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	Unanticipated Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus / (Deficit) Funding £m
Aberdeen Asset Management	30/09/2013	5,862	176	178	(2)	99%	64%	0%	3%	(12)	0%	22	10	22
Admiral	31/12/2012	3,554	-	-	-	-	-	-	-	-	-	-	-	-
Aggreko	31/12/2012	4,584	70	74	(4)	95%	57%	0%	2%	(2)	0%	6	4	4
AMEC	31/12/2012	3,275	1,645	1,652	(7)	100%	52%	0%	50%	31	1%	30	28	2
Anglo American	31/12/2012	18,552	3,303	3,634	(332)	91%	66%	-2%	20%	(268)	-1%	57	50	45
Antofagasta	31/12/2012	8,123	-	-	-	-	-	-	-	-	-	-	-	-
ARM Holdings	31/12/2012	15,133	-	-	-	-	-	-	-	-	-	-	-	-
Ashtead	30/04/2013	3,825	78	77	0	101%	33%	0%	2%	(5)	0%	2	3	1
Associated British Foods	14/09/2013	19,364	3,233	3,265	(32)	99%	56%	0%	17%	23	0%	69	71	27
AstraZeneca	31/12/2012	43,886	5,993	7,359	(1,366)	81%	59%	-3%	17%	(13)	0%	534	458	370
Aviva	31/12/2012	13,122	12,281	11,675	606	105%	84%	5%	89%	(807)	-6%	250	452	231
Babcock International	31/03/2013	4,978	3,205	3,466	(261)	92%	74%	-5%	70%	(68)	-1%	78	84	33
BAE Systems	31/12/2012	13,930	19,454	25,157	(5,703)	77%	41%	-41%	181%	(970)	-7%	1,256	688	908
Barclays	31/12/2012	33,309	24,096	25,242	(1,146)	95%	59%	-3%	76%	(1,634)	-5%	840	2,220	492
BG	31/12/2012	44,074	983	1,160	(177)	85%	17%	0%	3%	81	0%	65	71	22
BHP Billiton	30/06/2013	39,475	1,248	1,288	(40)	97%	85%	0%	3%	55	0%	122	108	81
BP	31/12/2012	91,390	23,937	30,557	(6,620)	78%	28%	-7%	33%	(1,225)	-1%	805	891	182
British American Tobacco	31/12/2012	61,010	5,547	6,420	(873)	86%	50%	-1%	11%	(335)	-1%	270	242	176
British Land	31/03/2013	7,980	120	119	1	101%	2%	0%	1%	(4)	0%	4	3	2
BSkyB	30/06/2013	13,468	-	-	-	-	-	-	-	-	-	-	-	-
BT	31/03/2013	29,229	41,566	47,422	(5,856)	88%	43%	-20%	162%	(3,756)	-13%	542	2,179	317
Bunzl	31/12/2012	4,803	304	379	(76)	80%	45%	-2%	8%	(11)	0%	13	17	8
Burberry	31/03/2013	6,660	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31/12/2012	6,792	675	783	(108)	86%	20%	-2%	12%	(29)	0%	24	34	5
Carnival	30/11/2012	5,388	283	304	(21)	93%	53%	0%	6%	(22)	0%	5	4	-
Centrica	31/12/2012	17,569	5,133	5,045	88	102%	59%	1%	29%	(387)	-2%	187	130	100
Coca-Cola HBC	31/12/2012	6,458	1	4	(3)	14%	100%	0%	0%	18	0%	-	0	(0)
Compass	30/09/2013	17,256	2,149	2,358	(209)	91%	59%	-1%	14%	39	0%	146	72	125
CRH	31/12/2012	11,064	1,753	2,291	(538)	77%	45%	-5%	21%	(99)	-1%	135	103	99
Diageo	30/06/2013	49,758	7,120	7,436	(316)	96%	55%	-1%	15%	56	0%	593	190	490
Easyjet	30/09/2013	6,074	-	-	-	-	-	-	-	-	-	-	-	-
Experian	31/03/2013	11,131	654	631	23	104%	45%	0%	6%	(40)	0%	7	7	2
Fresnillo	31/12/2012	5,641	13	20	(7)	66%	86%	0%	0%	0	0%	-	0	(1)
G4S	31/12/2012	4,073	1,589	2,060	(471)	77%	82%	-12%	51%	(159)	-4%	47	48	40
GKN	31/12/2012	6,065	2,759	3,737	(978)	74%	51%	-16%	62%	(144)	-2%	97	45	54
GlaxoSmithKline	31/12/2012	76,697	13,879	15,191	(1,312)	91%	50%	-2%	20%	(622)	-1%	635	784	759
Glencore Xstrata	31/12/2012	60,749	1,821	2,420	(599)	75%	64%	-1%	4%	(70)	0%	119	105	72
Hammerson	31/12/2012	3,578	55	86	(31)	64%	0%	-1%	2%	0	0%	2	2	0
Hargreaves Lansdown	30/06/2013	6,422	-	-	-	-	-	-	-	-	-	-	-	-
HSBC	31/12/2012	123,697	23,591	23,571	20	100%	78%	0%	19%	(15)	0%	450	726	77
IMI	31/12/2012	4,725	1,211	1,430	(219)	85%	64%	-5%	30%	(70)	-1%	22	59	30
Imperial Tobacco	30/09/2013	22,468	3,349	4,403	(1,054)	76%	46%	-5%	20%	(53)	0%	98	101	45
InterContinental Hotels	31/12/2012	5,351	523	505	17	103%	80%	0%	9%	(0)	0%	68	32	64
International Airlines Group	31/12/2012	7,411	17,653	18,645	(992)	95%	64%	-13%	252%	(897)	-12%	449	502	303
Intertek	31/12/2012	5,061	105	122	(17)	86%	47%	0%	2%	(6)	0%	3	3	(0)
ITV	31/12/2012	7,575	2,693	3,244	(551)	83%	71%	-7%	43%	(227)	-3%	82	59	75
Johnson Matthey	31/03/2013	6,937	1,413	1,608	(195)	88%	57%	-3%	23%	(94)	-1%	66	55	27
Kingfisher	02/02/2013	9,115	2,087	2,087	-	100%	70%	0%	23%	(6)	0%	41	49	24
Land Securities	31/03/2013	7,619	193	187	6	103%	66%	0%	2%	4	0%	5	5	4
Legal & General	31/12/2012	13,081	1,557	1,890	(333)	82%	69%	-3%	14%	(61)	0%	61	60	49

Appendix (continued)

Name	Year End	Equity Market Value* £m	Pension Assets £m	Pension Liabilities £m	Surplus / (Deficit) £m	Funding Level	% Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	Unanticipated Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus / (Deficit) Funding £m
Lloyds Banking Group	31/12/2012	57,174	30,367	31,324	(957)	97%	54%	-2%	55%	(1,913)	-3%	667	833	291
London Stock Exchange	31/03/2013	4,721	274	291	(18)	94%	92%	0%	6%	(7)	0%	1	1	1
Marks & Spencer	31/03/2013	6,951	6,930	6,724	206	103%	77%	3%	97%	90	1%	71	132	4
Meggitt	31/12/2012	4,148	635	876	(241)	72%	54%	-6%	21%	5	0%	38	38	25
Melrose	31/12/2012	3,872	1,043	1,305	(261)	80%	61%	-7%	34%	(172)	-4%	32	29	32
Mondi	31/12/2012	3,841	96	221	(125)	43%	64%	-3%	6%	(184)	-5%	2	6	131
Morrison Supermarkets	03/02/2013	6,138	2,839	2,859	(20)	99%	57%	0%	47%	(6)	0%	33	31	1
National Grid	31/03/2013	29,346	21,770	23,676	(1,906)	92%	63%	-6%	81%	(835)	-3%	425	415	248
Next	26/01/2013	8,489	609	543	66	112%	48%	1%	6%	16	0%	19	9	11
Old Mutual	31/12/2012	10,527	606	567	39	107%	65%	0%	5%	(9)	0%	9	13	4
Pearson	31/12/2012	10,904	2,327	2,401	(74)	97%	41%	-1%	22%	(115)	-1%	74	89	48
Persimmon	31/12/2012	3,750	402	406	(4)	99%	38%	0%	11%	(12)	0%	67	36	67
Petrofac	31/12/2012	4,234	-	-	-	-	-	-	-	-	-	-	-	-
Prudential	31/12/2012	34,193	7,197	6,059	1,138	119%	90%	3%	18%	294	1%	72	93	(66)
Randgold Resources	31/12/2012	5,644	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31/12/2012	34,153	1,281	1,552	(271)	83%	49%	-1%	5%	(59)	0%	145	81	126
Reed Elsevier	31/12/2012	10,447	3,806	4,272	(466)	89%	53%	-4%	41%	(322)	-3%	116	66	73
Resolution	31/12/2012	5,020	1,344	1,282	62	105%	85%	1%	26%	(10)	0%	27	33	20
Rexam	31/12/2012	4,205	2,941	3,334	(393)	88%	71%	-9%	79%	(9)	0%	47	42	32
Rio Tinto	31/12/2012	48,108	9,012	11,973	(2,961)	75%	43%	-6%	25%	(120)	0%	422	390	259
Rolls-Royce	31/12/2012	23,865	10,328	9,765	563	106%	88%	2%	41%	(230)	-1%	297	304	134
Royal Bank of Scotland	31/12/2012	20,787	26,370	30,110	(3,740)	88%	62%	-18%	145%	(2,220)	-11%	977	1,059	471
Royal Dutch Shell	31/12/2012	143,506	45,153	50,546	(5,393)	89%	49%	-4%	35%	(2,287)	-2%	1,454	1,444	611
Royal Mail Group	31/03/2013	5,700	3,343	2,513	830	133%	77%	15%	44%	3,489	61%	435	429	23
RSA	31/12/2012	3,347	6,218	6,433	(215)	97%	66%	-6%	192%	(198)	-6%	128	100	98
SABMiller	31/03/2013	49,385	298	377	(78)	79%	63%	0%	1%	(13)	0%	12	3	7
Sage Group	30/09/2013	4,622	17	30	(13)	57%	72%	0%	1%	0	0%	1	1	1
Sainsbury	16/03/2013	6,884	5,841	6,594	(753)	89%	60%	-11%	96%	(363)	-5%	137	134	76
Schroders	31/12/2012	6,975	777	710	67	109%	53%	1%	10%	10	0%	-	3	-
Severn Trent	31/03/2013	4,061	1,724	2,108	(384)	82%	37%	-9%	52%	(54)	-1%	44	54	20
Shire	31/12/2012	17,008	-	-	-	-	-	-	-	-	-	-	-	-
Smith & Nephew	31/12/2012	7,573	753	885	(132)	85%	59%	-2%	12%	2	0%	46	48	28
Smiths Group	31/07/2013	5,811	3,696	3,843	(146)	96%	42%	-3%	66%	283	5%	71	115	67
Sports Direct International	28/04/2013	4,279	47	67	(20)	70%	50%	0%	2%	(3)	0%	3	3	3
SSE	31/03/2013	13,464	3,118	3,635	(517)	86%	64%	-4%	27%	(50)	0%	125	138	85
Standard Chartered	31/12/2012	32,614	1,465	1,746	(282)	84%	55%	-1%	5%	(37)	0%	129	47	62
Standard Life	31/12/2012	8,544	2,891	2,500	391	116%	70%	5%	29%	(62)	-1%	47	56	(5)
Tate & Lyle	31/03/2013	3,729	1,407	1,592	(185)	88%	39%	-5%	43%	(199)	-5%	48	82	44
Tesco	23/02/2013	26,882	7,206	9,584	(2,378)	75%	22%	-9%	36%	(742)	-3%	666	457	184
Travis Perkins	31/12/2012	4,566	910	967	(58)	94%	37%	-1%	21%	(46)	-1%	33	27	23
TUI Travel	30/09/2013	4,619	1,322	1,983	(661)	67%	54%	-14%	43%	(21)	0%	62	60	22
Tullow Oil	31/12/2012	7,750	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31/12/2012	73,770	14,456	16,917	(2,461)	85%	35%	-3%	23%	(603)	-1%	491	402	287
United Utilities	31/03/2013	4,578	2,442	2,427	15	101%	74%	0%	53%	41	1%	93	150	77
Vodafone	31/03/2013	113,771	3,723	4,300	(577)	87%	56%	-1%	4%	(353)	0%	103	34	75
Weir Group	28/12/2012	4,531	650	740	(90)	88%	75%	-2%	16%	(13)	0%	11	9	9
Whitbread	28/02/2013	6,744	1,480	2,022	(542)	73%	37%	-8%	30%	29	0%	46	95	46
William Hill	01/01/2013	2,849	296	317	(21)	93%	64%	-1%	11%	6	0%	10	10	9
Wolseley	31/07/2013	9,136	1,306	1,439	(133)	91%	32%	-1%	16%	74	1%	176	109	149
WPP	31/12/2012	17,452	710	1,044	(334)	68%	79%	-2%	6%	(75)	0%	57	67	33

*as at 31 December 2013

Notes

- All of the analysis contained in this report is based on the IAS19 numbers disclosed in a company's most recently published annual report and accounts.
- No adjustment is made for the fact that companies have applied different interpretations of IAS19 and have used different actuarial assumptions (for example, different mortality assumptions can make a significant difference to a company's pension liabilities).
- No adjustment is made in the individual analysis for the fact that companies have different year-ends. Inevitably, different market conditions applying at different year-ends will affect the comparisons.
- The assets and liabilities shown are the total global pension assets and liabilities, not just the UK figures.
- The figures shown in this report are before adjustment for IFRIC14 (and before adjustment for any other unrecognised pension surpluses), except for Unanticipated Balance Sheet Impact, which is shown net of the change in irrecoverable surplus.

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