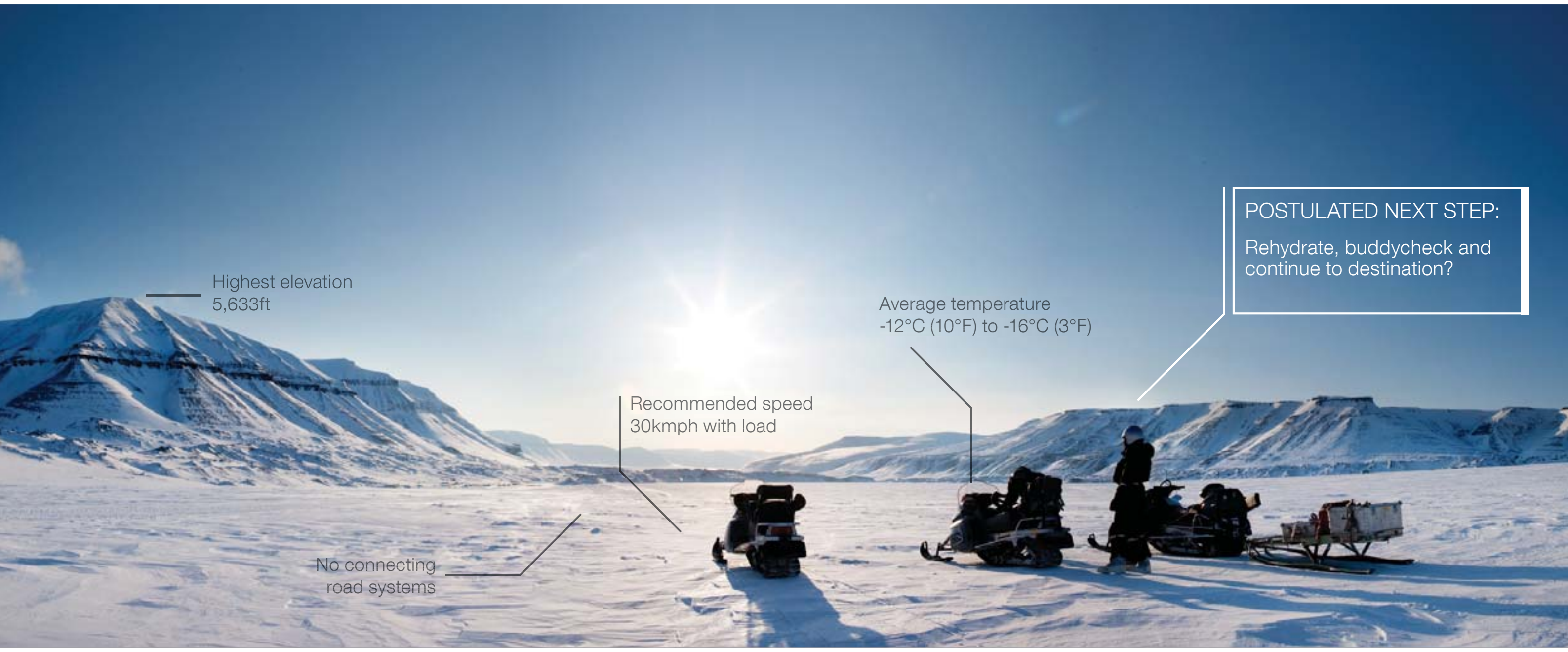
The FTSE 100 and their pension disclosures

A Quarterly Report from JLT Pension Capital Strategies
August 2011

Strategies to Solutions

JLT PENSION CAPITAL STRATEGIES

FTSE 100



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Executive Summary

- The total deficit in FTSE 100 pension schemes at 30 June 2011 is estimated to be £35 billion. This is an improvement of £39 billion from the position 12 months ago.
- 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 £10.8 billion, down from £11.9 billion the previous year but still significantly up on typical levels of deficit funding seen before that. HSBC led the way with a massive deficit contribution of £1.8 billion, but 62 other FTSE 100 companies also reported significant deficit funding contributions in their most recent annual report and accounts.
- The significant 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 15% in the last 12 months alone.
- The average pension scheme asset allocation to bonds is 50%, a slight increase on last year's figure of 49%. This follows a very significant shift, from 41% the previous year and 35% just three years ago.
- There are a number of companies reporting very significant individual changes to investment strategies. Six 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 British Airways and BT, total disclosed pension liabilities are more than double their equity market value.
- Only 18 companies disclosed a pension surplus in their most recent annual report and accounts; 66 companies disclosed pension deficits. However, we estimate that 20 companies would disclose a surplus if they had a year-end of 30 June 2011.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £434 billion to £441 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 £43 billion. A total of 25 companies have disclosed pension liabilities of less than £100 million, of which 16 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 £441 billion to around £540 billion, and the total deficit at 30 June 2011 would be around £135 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 improved 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
Investec	1	124	104	20	119%
Old Mutual	2	1,119	977	142	115%
Next	3	507	451	56	112%
British Land	4	110	99	11	111%
Standard Life	5	2,228	2,012	216	111%
Man Group	6	250	228	22	110%
Experian	7	571	529	42	108%
3i	8	670	626	44	107%
Resolution	9	1,113	1,047	66	106%
Land Securities	10	151	142	9	106%

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
AstraZeneca	91	4,860	6,442	(1,582)	75%
SABMiller	92	239	327	(89)	73%
WPP	93	631	871	(240)	72%
Whitbread	94	1,257	1,745	(488)	72%
Hammerson	95	51	77	(26)	66%
Glencore	96	173	273	(100)	63%
Wolseley	97	724	1,156	(432)	63%
Sage Group	98	15	26	(11)	57%
Vedanta Resources	99	25	60	(35)	41%
Eurasian Natural Resources	100	0	26	(26)	0%

In 2007, IFRIC14* provided new guidance on irrecoverable surpluses. Within the FTSE 100, 20 companies have reported an irrecoverable surplus. The total reported irrecoverable surplus for FTSE 100 companies is now £1.9 billion. The largest reported irrecoverable surpluses in the FTSE 100 were as follows:

Name	Rank	Irrecoverable Surplus £m
Rolls-Royce	1	635
Prudential	2	532
Scottish & Southern Energy	3	374
British Airways	4	123
British American Tobacco	5	51
BHP Billiton	6	46
Anglo American	7	38
SABMiller	8	33
HSBC	9	30
Associated British Foods	10	13

Commentary

Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 30 June 2011 was £35 billion. This is an improvement of £39 billion from the position 12 months ago.

** For more information on IFRIC14, see PCS publication – IAS19: A Quarterly Guide for Finance Directors, at 30 June 2011.*

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
Resolution	1	1,113	83%
Rolls-Royce	2	8,217	82%
Prudential	3	6,004	82%
G4S	4	1,400	81%
Sage Group	5	15	76%
HSBC	6	19,188	75%
Weir Group	7	595	75%
BHP Billiton	8	1,021	72%
ICAP	9	7	71%
Aviva	10	11,416	70%

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

Name	Rank	Assets £m	% of Assets in Bonds
Man Group	91	250	33%
Unilever	92	13,764	31%
Tesco	93	5,608	27%
Capita	94	648	23%
BP	95	22,234	23%
Inmarsat	96	42	18%
Wood Group (John)	97	99	16%
BG	98	824	14%
International Power	99	336	13%
Hammerson	100	51	0%

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

Name	Rank	Current Bond Allocation	Previous Bond Allocation	Switch to Bonds
G4S	1	81%	42%	+39%
Fresnillo	2	62%	88%	-26%
Standard Life	3	69%	51%	+19%
Centrica	4	53%	36%	+17%
United Utilities	5	66%	51%	+15%
Marks & Spencer	6	67%	53%	+14%
Investec	7	70%	60%	+10%
InterContinental Hotels	8	55%	65%	-9%
Tate & Lyle	9	43%	34%	+9%
Inmarsat	10	18%	10%	+8%

Commentary

Some companies and trustees are continuing to switch pension assets out of equities into bonds, which could indicate some "profit taking" as a result of the recent massive rally in equity markets. G4S is the latest company to report a big switch, increasing their bond allocations by 39%. A total of 42 FTSE 100 companies now 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. Overall though, the average pension scheme asset allocation to bonds is now 50%, a slight increase on last year's figure of 49%. This follows a very significant shift, from 41% the previous year and from 35% just three 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 one of the recently announced changes to IAS19 due to be implemented from 1 January 2013, subject to EU endorsement. In the P&L the expected return on assets will effectively be replaced by the discount rate applied to the assets, so there will be no benefit in the P&L of 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. Following the credit crunch, high spreads on corporate bonds prevailed over 2009, which countered the effects of rising inflation and increasing life expectancy, stifling the growth of pension liabilities. Over 2010, spreads on corporate bonds returned closer to historically normal levels and this significantly inflated pension liabilities reported in 2010 year-end accounts.

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	42,781	139,634
BT	2	39,052	15,582
Lloyds Banking Group	3	26,862	33,356
BP	4	25,179	86,756
Royal Bank of Scotland	5	24,999	22,294
Barclays	6	21,643	31,236
BAE Systems	7	21,158	10,853
HSBC	8	21,022	110,182
National Grid	9	19,480	21,487
British Airways	10	16,142	4,706
Unilever	11	14,983	60,492
GlaxoSmithKline	12	13,379	68,872
Aviva	13	11,419	12,316
Rio Tinto	14	10,575	68,216

** as at 30 June 2011*

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
British Land	76	99	5,388
Hammerson	77	77	3,406
Vedanta Resources	78	60	5,549
Aggreko	79	56	5,281
Inmarsat	80	48	2,539
Eurasian Natural Resources	81	26	10,064
Sage Group	82	26	3,781
Fresnillo	83	25	10,055
ICAP	84	8	3,140

** as at 30 June 2011*

In addition, Admiral, Antofagasta, ARM Holdings, Autonomy Corporation, BSkyB, Burberry, Cairn Energy, Capital Shopping Centres, Essar Energy, Hargreaves Lansdown, Kazakhmys, Lonmin, Petrofac, Randgold Resources, Shire and Tullow Oil all reported no defined benefit pension liabilities. Capital Shopping Centres' liabilities were transferred to Pension Insurance Corporation during the year.

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £434 billion to £441 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, whilst 25 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 most of the inflation-linked benefits which has had the effect of reducing the expected benefit outgo (but note this is being contested in the courts). Therefore it is difficult to say whether or not a discount rate should be increased to allow for a reduction of non-payment of benefits. 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 almost 20% to the total pension liabilities, increasing the total disclosed pension liabilities from £441 billion to around £540 billion. The total deficit at 30 June 2011 on a "risk-free" basis would be around £135 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	
British Airways	1	4,706	(18%)	343%	*320%***
BT	2	15,582	(12%)	251%	
BAE Systems	3	10,853	(35%)	195%	
RSA	4	4,724	(3%)	115%	*84%***
Royal Bank of Scotland	5	22,294	(10%)	112%	
ITV	6	2,781	(11%)	99%	
Aviva	7	12,316	(0%)	93%	
Marks & Spencer	8	5,734	3%	91%	
GKN	9	3,592	(17%)	91%	
National Grid	10	21,487	(3%)	91%	
Rexam	11	3,351	(10%)	89%	
Sainsbury	12	6,146	(6%)	81%	
Lloyds Banking Group	13	33,356	(1%)	81%	
Smiths Group	14	4,708	(6%)	71%	*60%***
Barclays	15	31,236	(9%)	69%	

** as at 30 June 2011*
*** 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	738	619
Royal Bank of Scotland	2	499	583
Tesco	2	499	391
BP	4	488	430
Lloyds Banking Group	5	384	395
HSBC	6	358	381
Barclays	7	343	281
BT	8	297	206
GlaxoSmithKline	9	268	251
Unilever	10	224	203

Commentary

Five FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For British Airways and BT, total disclosed pension liabilities are more than double their equity market value. In addition, seven 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. 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 15% 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 irrecoverable surplus) 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 Value
BT	1	15,582	5,097	33%
British Airways	2	4,706	1,030	22%
Aviva	3	12,316	1,425	12%
BAE Systems	4	10,853	1,088	10%
Lloyds Banking Group	5	33,356	2,824	8%
Marks & Spencer	6	5,734	294	5%
Standard Life	7	4,806	184	4%
ITV	8	2,781	94	3%
National Grid	9	21,487	491	2%
Tate & Lyle	10	2,870	65	2%

** as at 30 June 2011*

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 Value
Xstrata	91	40,661	-186	0%
Compass	92	11,296	-59	-1%
Resolution	93	4,225	-26	-1%
InterContinental Hotels	94	3,697	-24	-1%
Reed Elsevier	95	6,862	-50	-1%
United Utilities	96	4,043	-38	-1%
Rolls-Royce	97	12,073	-148	-1%
Wolseley	98	5,736	-93	-2%
Whitbread	99	2,838	-51	-2%
Rexam	100	3,351	-68	-2%

** as at 30 June 2011*

Commentary

Over the year covered by their latest report and accounts, 52 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 32 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes.

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 £0.8 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
HSBC	1	2,146	378	1,768
BT	2	1,313	297	1,016
Barclays	3	721	105	616
Royal Dutch Shell	4	1,334	738	596
GlaxoSmithKline	5	814	268	546
BAE Systems	6	791	251	540
Rio Tinto	7	670	156	514
Aviva	8	579	170	409
Unilever	9	574	172	402
GKN	10	388	35	353
BP	11	835	489	346
Centrica	12	441	115	326
Royal Bank of Scotland	13	832	566	266
National Grid	14	408	165	243
Lloyds Banking Group	15	648	430	218

Commentary

In total, the amount contributed to FTSE 100 company pension schemes was £17.2 billion, down from £18.0 billion in the previous accounting year. This is more than the £6.4 billion cost of benefits accrued during the year. It therefore represents £10.8 billion of funding towards reducing pension scheme deficits. This is a decrease on the previous year's deficit funding of £11.9 billion.

HSBC injected an additional £1.8 billion into its pension schemes in 2010, on top of its regular contributions, which totalled £0.4 billion. The decision was in response to the deficit of £3.8 billion at 31 December 2009 – the fourth highest deficit in the FTSE 100 at the time.

The huge cash contributions paid by HSBC 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 are starting to see some companies make use of property partnership deals to help tackle their pension deficits. For example, Marks & Spencer, Sainsbury and Whitbread are involved with a combined total of £2.5 billion worth of such property assets.

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
3i	31-Mar-2011	2,709	670	626	44	107%	47%	2%	23%	19	1%	54	*67*	48
Admiral	31-Dec-2010	4,456	-	-	-	-	-	-	-	-	-	-	-	-
Aggreko	31-Dec-2010	5,281	53	56	(3)	94%	44%	(0%)	1%	(1)	(0%)	5	*6*	4
AMEC	31-Dec-2010	3,607	1,435	1,407	27	102%	54%	1%	39%	21	1%	22	*18*	5
Anglo American	31-Dec-2010	40,939	1,749	1,818	(69)	96%	56%	(0%)	4%	93	0%	35	*40*	10
Antofagasta	31-Dec-2010	13,743	-	-	-	-	-	-	-	-	-	-	-	-
ARM Holdings	31-Dec-2010	7,907	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	18-Sep-2010	8,577	2,690	2,776	(86)	97%	61%	(1%)	32%	(19)	(0%)	66	*76*	31
AstraZeneca	31-Dec-2010	42,891	4,860	6,442	(1,582)	75%	50%	(4%)	15%	287	1%	296	*365*	216
Autonomy Corporation	31-Dec-2010	4,141	-	-	-	-	-	-	-	-	-	-	-	-
Aviva	31-Dec-2010	12,316	11,416	11,419	(3)	100%	70%	(0%)	93%	1,425	12%	579	*294*	409
BAE Systems	31-Dec-2010	10,853	17,337	21,158	(3,821)	82%	34%	(35%)	195%	1,088	10%	791	*864*	540
Barclays	31-Dec-2010	31,236	18,905	21,643	(2,738)	87%	57%	(9%)	69%	447	1%	721	*601*	616
BG	31-Dec-2010	47,641	824	1,044	(220)	79%	14%	(0%)	2%	138	0%	72	*68*	15
BHP Billiton	30-Jun-2010	53,011	1,021	1,163	(142)	88%	72%	(0%)	2%	(34)	(0%)	102	*70*	68
BP	31-Dec-2010	86,756	22,234	25,179	(2,944)	88%	23%	(3%)	29%	110	0%	835	*646*	346
British Airways	31-Dec-2010	4,706	15,316	16,142	(826)	95%	45%	(18%)	343%	1,030	22%	268	*364*	131
British American Tobacco	31-Dec-2010	54,423	5,114	5,512	(398)	93%	46%	(1%)	10%	215	0%	218	*214*	142
British Land	31-Mar-2011	5,388	110	99	11	111%	37%	0%	2%	(2)	(0%)	4	*3*	0
BSkyB	30-Jun-2010	14,838	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2011	15,582	37,222	39,052	(1,830)	95%	39%	(12%)	251%	5,097	33%	1,313	*916*	1,016
Burberry	31-Mar-2011	6,273	-	-	-	-	-	-	-	-	-	-	-	-
Cairn Energy	31-Dec-2010	5,797	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2010	4,387	648	673	(25)	96%	23%	(1%)	15%	(14)	(0%)	29	*72*	16
Capital Shopping Centres	31-Dec-2010	3,432	-	-	-	-	-	-	-	-	-	-	-	-
Carnival	30-Nov-2010	5,129	203	196	7	104%	64%	0%	4%	10	0%	19	*4*	15
Centrica	31-Dec-2010	16,657	4,335	4,574	(239)	95%	53%	(1%)	27%	(26)	(0%)	441	*403*	326
Compass	30-Sep-2010	11,296	1,639	2,029	(390)	81%	59%	(3%)	18%	(59)	(1%)	43	*57*	21
Diageo	30-Jun-2010	32,063	5,367	6,359	(992)	84%	46%	(3%)	20%	138	0%	195	*128*	109
Essar Energy	31-Dec-2010	5,331	-	-	-	-	-	-	-	-	-	-	-	-
Eurasian Natural Resources	31-Dec-2010	10,064	0	26	(26)	0%	-	(0%)	0%	4	0%	0	*0*	(1)
Experian	31-Mar-2011	7,935	571	529	42	108%	39%	1%	7%	68	1%	6	*8*	19
Fresnillo	31-Dec-2010	10,055	21	25	(4)	84%	62%	(0%)	0%	0	0%	0	*0*	(1)
G4S	31-Dec-2010	3,940	1,400	1,702	(302)	82%	81%	(8%)	43%	24	1%	59	*51*	44
GKN	31-Dec-2010	3,592	2,660	3,260	(600)	82%	49%	(17%)	91%	74	2%	388	*51*	353
GlaxoSmithKline	31-Dec-2010	68,872	12,156	13,379	(1,223)	91%	47%	(2%)	19%	3	0%	814	*894*	546
Glencore	31-Mar-2010	33,991	173	273	(100)	63%	64%	(0%)	1%	(24)	(0%)	17	*15*	8
Hammerson	31-Dec-2010	3,406	51	77	(26)	66%	0%	(1%)	2%	(4)	(0%)	1	*1*	(1)
Hargreaves Lansdown	30-Jun-2010	2,881	-	-	-	-	-	-	-	-	-	-	-	-
HSBC	31-Dec-2010	110,182	19,188	21,022	(1,834)	91%	75%	(2%)	19%	196	0%	2,146	*617*	1,768
ICAP	31-Mar-2011	3,140	7	8	(1)	88%	71%	(0%)	0%	0	0%	0	*0*	0
IMI	31-Dec-2010	3,370	1,116	1,300	(184)	86%	36%	(5%)	39%	(3)	(0%)	75	*27*	67
Imperial Tobacco	30-Sep-2010	21,028	2,960	3,802	(842)	78%	38%	(4%)	18%	(75)	(0%)	70	*53*	32
Inmarsat	31-Dec-2010	2,539	42	48	(6)	88%	18%	(0%)	2%	4	0%	4	*4*	2
InterContinental Hotels	31-Dec-2010	3,697	387	461	(74)	84%	55%	(2%)	12%	(24)	(1%)	23	*13*	18
International Power	31-Dec-2010	16,286	336	444	(108)	76%	13%	(1%)	3%	(15)	(0%)	19	*13*	3
Intertek	31-Dec-2010	3,131	96	102	(6)	95%	37%	(0%)	3%	13	0%	3	*4*	1
Investec	31-Mar-2011	2,736	124	104	20	119%	70%	1%	4%	14	1%	4	*4*	4
ITV	31-Dec-2010	2,781	2,433	2,746	(313)	89%	63%	(11%)	99%	94	3%	47	*44*	42
Johnson Matthey	31-Mar-2011	4,221	1,137	1,229	(93)	92%	49%	(2%)	29%	86	2%	54	*52*	20

** as at 30 June 2011*

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
Kazakhmys	31-Dec-2010	7,386	-	-	-	-	-	-	-	-	-	-	-	-
Kingfisher	29-Jan-2011	6,259	1,645	1,703	(58)	97%	65%	(1%)	27%	128	2%	46	*66*	19
Land Securities	31-Mar-2011	6,512	151	142	9	106%	58%	0%	2%	11	0%	5	*7*	4
Legal & General	31-Dec-2010	6,928	1,293	1,527	(234)	85%	68%	(3%)	22%	37	1%	60	*62*	48
Lloyds Banking Group	31-Dec-2010	33,356	26,382	26,862	(480)	98%	49%	(1%)	81%	2,824	8%	648	*1,859*	218
Lonmin	30-Sep-2010	2,938	-	-	-	-	-	-	-	-	-	-	-	-
Man Group	31-Mar-2011	4,446	250	228	22	110%	33%	0%	5%	(3)	(0%)	21	*59*	16
Marks & Spencer	02-Apr-2011	5,734	5,398	5,216	182	103%	67%	3%	91%	294	5%	260	*83*	201
Morrison Supermarkets	31-Jan-2011	7,878	2,304	2,266	38	102%	56%	0%	29%	34	0%	41	*42*	15
National Grid	31-Mar-2011	21,487	18,903	19,480	(577)	97%	60%	(3%)	91%	491	2%	408	*572*	243
Next	29-Jan-2011	4,183	507	451	56	112%	48%	1%	11%	64	2%	50	*43*	40
Old Mutual	31-Dec-2010	7,239	1,119	977	142	115%	55%	2%	13%	(12)	(0%)	12	*14*	7
Pearson	31-Dec-2010	9,562	1,982	2,030	(48)	98%	52%	(1%)	21%	79	1%	145	*90*	122
Petrofac	31-Dec-2010	5,226	-	-	-	-	-	-	-	-	-	-	-	-
Prudential	31-Dec-2010	18,182	6,004	5,692	312	105%	82%	2%	31%	(53)	(0%)	90	*85*	52
Randgold Resources	31-Dec-2010	5,804	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31-Dec-2010	24,935	1,054	1,386	(332)	76%	41%	(1%)	6%	(82)	(0%)	33	*27*	16
Reed Elsevier	31-Dec-2010	6,862	3,507	3,677	(170)	95%	44%	(2%)	54%	(50)	(1%)	154	*101*	89
Resolution	31-Dec-2010	4,225	1,113	1,047	66	106%	83%	2%	25%	(26)	(1%)	41	*10*	28
Rexam	31-Dec-2010	3,351	2,637	2,971	(334)	89%	62%	(10%)	89%	(68)	(2%)	23	*17*	8
Rio Tinto	31-Dec-2010	68,216	8,480	10,575	(2,095)	80%	39%	(3%)	16%	(183)	(0%)	670	*370*	514
Rolls-Royce	31-Dec-2010	12,073	8,217	8,102	115	101%	82%	1%	67%	(148)	(1%)	282	*288*	129
Royal Bank of Scotland	31-Dec-2010	22,294	22,816	24,999	(2,183)	91%	59%	(10%)	112%	430	2%	832	*1,153*	266
Royal Dutch Shell	31-Dec-2010	139,634	41,101	42,781	(1,680)	96%	44%	(1%)	31%	(479)	(0%)	1,334	*3,345*	596
RSA	31-Dec-2010	4,724	5,264	5,419	(155)	97%	68%	(3%)	115%	87	2%	125	*130*	86
SABMiller	31-Mar-2011	36,036	239	327	(89)	73%	66%	(0%)	1%	46	0%	4	*1*	(1)
Sage Group	30-Sep-2010	3,781	15	26	(11)	57%	76%	(0%)	1%	1	0%	1	*1*	(1)
Sainsbury	19-Mar-2011	6,146	4,614	4,954	(340)	93%	58%	(6%)	81%	29	0%	105	*134*	49
Schroders	31-Dec-2010	4,238	693	659	34	105%	49%	1%	16%	8	0%	62	*9*	58
Scottish & Southern Energy	31-Mar-2011	12,977	2,464	2,758	(294)	89%	58%	(2%)	21%	(9)	(0%)	107	*110*	69
Serco	31-Dec-2010	2,702	1,533	1,840	(307)	83%	69%	(11%)	68%	51	2%	81	*62*	41
Severn Trent	31-Mar-2011	3,467	1,473	1,766	(292)	83%	39%	(8%)	51%	51	1%	40	*40*	17
Shire	31-Dec-2010	10,879	-	-	-	-	-	-	-	-	-	-	-	-
Smith & Nephew	31-Dec-2010	5,903	616	761	(145)	81%	43%	(2%)	13%	18	0%	42	*26*	25
Smiths Group	31-Jul-2010	4,708	3,043	3,325	(281)	92%	42%	(6%)	71%	(21)	(0%)	51	*53*	46
Standard Chartered	31-Dec-2010	38,204	1,396	1,576	(179)	89%	49%	(0%)	4%	51	0%	96	*85*	74
Standard Life	31-Dec-2010	4,806	2,228	2,012	216	111%	69%	4%	42%	184	4%	107	*62*	111
Tate & Lyle	31-Mar-2011	2,870	1,245	1,286	(41)	97%	43%	(1%)	45%	65	2%	57	*32*	48
Tesco	26-Feb-2011	31,850	5,608	6,964	(1,356)	81%	27%	(4%)	22%	597	2%	433	*415*	(95)
Tullow Oil	31-Dec-2010	10,971	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2010	60,492	13,764	14,983	(1,219)	92%	31%	(2%)	25%	85	0%	574	*1,071*	402
United Utilities	31-Mar-2011	4,043	1,718	1,913	(195)	90%	66%	(5%)	47%	(38)	(1%)	133	*44*	118
Vedanta Resources	31-Mar-2011	5,549	25	60	(35)	41%	50%	(1%)	1%	(13)	(0%)	7	*10*	4
Vodafone	31-Mar-2011	85,511	1,558	1,548	10	101%	38%	0%	2%	193	0%	24	*133*	12
Weir Group	31-Dec-2010	4,467	595	660	(65)	90%	75%	(1%)	15%	(4)	(0%)	12	*15*	11
Whitbread	03-Mar-2011	2,838	1,257	1,745	(488)	72%	41%	(17%)	61%	(51)	(2%)	9	*5*	9
Wolseley	31-Jul-2010	5,736	724	1,156	(432)	63%	34%	(8%)	20%	(93)	(2%)	42	*47*	15
Wood Group (John)	31-Dec-2010	3,418	99	120	(21)	82%	16%	(1%)	4%	0	0%	4	*3*	(0)
WPP	31-Dec-2010	9,816	631	871	(240)	72%	69%	(2%)	9%	(4)	(0%)	53	*48*	30
Xstrata	31-Dec-2010	40,661	1,407	1,807	(400)	78%	57%	(1%)	4%	(186)	(0%)	70	*70*	53

** as at 30 June 2011*

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.

International Airlines Group was formed by the January 2011 merger between British Airways and Iberia. In this report, we have used the pension details disclosed by British Airways in their 31 December 2010 accounts. The equity market value used is for International Airlines Group as at 30 June 2011.

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