

The FTSE 100 and their pension disclosures

A Quarterly Report from JLT Pension Capital Strategies
May 2012

Strategies to Solutions



JLT PENSION CAPITAL STRATEGIES

FTSE 100



In association with **J.P.Morgan CAZENOVE**

Executive Summary

- The total deficit in FTSE 100 pension schemes at 31 December 2011 is estimated to be £56 billion. This is a deterioration of £20 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 £11.0 billion, down from £12.0 billion the previous year. HSBC led the way with a massive deficit contribution of £1.8 billion, but 64 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 compares to 33% five 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. Eleven FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For British Airways, BT, BAE Systems and Royal Bank of Scotland, total disclosed pension liabilities are more than double their equity market value.
- Only 16 companies disclosed a pension surplus in their most recent annual report and accounts; 68 companies disclosed pension deficits. However, we estimate that only 11 companies would disclose a surplus if they had a year-end of 31 December 2011.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen slightly from £439 billion to £444 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 24 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 £444 billion to around £640 billion, and the total deficit at 31 December 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
Old Mutual	1	1,119	977	142	115%
Next	2	507	451	56	112%
British Land	3	110	99	11	111%
Standard Life	4	2,228	2,012	216	111%
Man Group	5	250	228	22	110%
Experian	6	571	529	42	108%
Resolution	7	1,113	1,047	66	106%
Land Securities	8	151	142	9	106%
Prudential	9	6,004	5,692	312	105%
Schroders	10	693	659	34	105%

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
SABMiller	91	239	327	(89)	73%
WPP	92	631	871	(240)	72%
Whitbread	93	1,257	1,745	(488)	72%
Wolseley	94	889	1,249	(360)	71%
Hammerson	95	51	77	(26)	66%
Glencore	96	173	273	(100)	63%
Sage Group	97	18	30	(12)	60%
Evrax	98	300	596	(296)	50%
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
SSE	3	374
British Airways	4	123
British American Tobacco	5	51
BHP Billiton	6	50
Anglo American	7	38
SABMiller	8	33
HSBC	9	30
British Land	10	11

Commentary
Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 31 December 2011 was £56 billion. This is a deterioration of £20 billion from the position 12 months ago.

* For more information on IFRIC14, see PCS publication – IAS19: A Quarterly Guide for Finance Directors, at 31 December 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%
BHP Billiton	5	1,157	77%
Sage Group	6	18	75%
HSBC	7	19,188	75%
Weir Group	8	595	75%
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
BAE Systems	91	17,337	34%
Man Group	92	250	33%
Unilever	93	13,764	31%
Tesco	94	5,608	27%
Capita	95	648	23%
BP	96	22,234	23%
BG	97	824	14%
Evrax	98	300	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%
InterContinental Hotels	7	55%	65%	-9%
Tate & Lyle	8	43%	34%	+9%
Prudential	9	82%	75%	+8%
Imperial Tobacco	10	46%	38%	+7%

Commentary

Several companies and trustees are continuing to switch pension assets out of equities into bonds. G4S is the latest company to report a big switch, with bond allocations increasing by 39%. A total of 41 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. Overall though, the average pension scheme asset allocation to bonds is now 50%, a slight increase on last year's figure of 49%. This compares to 33% five 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 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. 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	151,796
BT	2	39,052	14,762
Lloyds Banking Group	3	26,862	17,635
BP	4	25,179	86,823
Royal Bank of Scotland	5	24,999	11,952
Barclays	6	21,643	21,443
BAE Systems	7	21,158	9,602
HSBC	8	21,022	87,492
National Grid	9	19,480	22,245
British Airways	10	16,142	2,734
Unilever	11	14,983	65,933
GlaxoSmithKline	12	13,379	74,778
Aviva	13	11,419	8,612
Rio Tinto	14	10,575	46,018

* as at 31 December 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	77	99	4,092
Hammerson	78	77	2,547
Vedanta Resources	79	60	3,014
Aggreko	80	56	5,349
Sage Group	81	30	3,892
Eurasian Natural Resources	82	26	8,184
Fresnillo	83	25	10,951
ICAP	84	8	2,254

* as at 31 December 2011

In addition, Admiral, Antofagasta, ARM Holdings, Ashmore, BSKyB, Burberry, Cairn Energy, Capital Shopping Centres, Essar Energy, Hargreaves Lansdown, Kazakhmys, Petrofac, Polymetal International, 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 slightly from £439 billion to £444 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, whilst 24 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 more than 40% to the total pension liabilities, increasing the total disclosed pension liabilities from £444 billion to around £640 billion. The total deficit at 31 December 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	Less matched assets
British Airways	1	2,734	(30%)	590%	551%**
BT	2	14,762	(12%)	265%	
BAE Systems	3	9,602	(40%)	220%	
Royal Bank of Scotland	4	11,952	(18%)	209%	
Lloyds Banking Group	5	17,635	(3%)	152%	
RSA	6	3,708	(4%)	146%	108%**
Aviva	7	8,612	(0%)	133%	
GKN	8	2,836	(21%)	115%	
Marks & Spencer	9	4,934	4%	106%	
ITV	10	2,650	(12%)	104%	
Barclays	11	21,443	(13%)	101%	
Rexam	12	3,088	(11%)	96%	
Smiths Group	13	3,587	(5%)	96%	82%**
Sainsbury	14	5,651	(6%)	88%	
National Grid	15	22,245	(3%)	88%	

* as at 31 December 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

Eleven FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For British Airways, BT, BAE Systems and Royal Bank of Scotland, total disclosed pension liabilities are more than double their equity market value. In addition, 10 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
British Airways	1	2,734	1,030	38%
BT	2	14,762	5,097	35%
Aviva	3	8,612	1,425	17%
Lloyds Banking Group	4	17,635	2,824	16%
BAE Systems	5	9,602	1,088	11%
Marks & Spencer	6	4,934	294	6%
Standard Life	7	4,803	184	4%
Royal Bank of Scotland	8	11,952	430	4%
ITV	9	2,650	94	4%
GKN	10	2,836	74	3%

* as at 31 December 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
Meggitt	91	2,738	-12	0%
Xstrata	92	28,995	-186	-1%
Evrax	93	5,012	-33	-1%
InterContinental Hotels	94	3,355	-24	-1%
Resolution	95	3,489	-26	-1%
Reed Elsevier	96	6,311	-50	-1%
United Utilities	97	4,091	-38	-1%
Rolls-Royce	98	13,973	-148	-1%
Whitbread	99	2,748	-51	-2%
Rexam	100	3,088	-68	-2%

* as at 31 December 2011

Commentary

Over the year covered by their latest report and accounts, 53 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 31 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 £0.7 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	Cost of Benefits	Surplus Contributions
		£m	£m	£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 £17.5 billion, down from £18.2 billion in the previous accounting year. This is more than the £6.5 billion cost of benefits accrued during the year. It therefore represents £11.0 billion of funding towards reducing pension scheme deficits. This is a decrease on the previous year's deficit funding of £12.0 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 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
Admiral	31-Dec-2010	2,286	-	-	-	-	-	-	-	-	-	-	-	-
Aggreko	31-Dec-2010	5,349	53	56	(3)	94%	44%	(0%)	1%	(1)	(0%)	5	6	4
AMEC	31-Dec-2010	3,009	1,435	1,407	27	102%	54%	1%	47%	21	1%	22	18	5
Anglo American	31-Dec-2010	31,544	1,749	1,818	(69)	96%	56%	(0%)	6%	93	0%	35	40	10
Antofagasta	31-Dec-2010	11,978	-	-	-	-	-	-	-	-	-	-	-	-
ARM Holdings	31-Dec-2010	7,961	-	-	-	-	-	-	-	-	-	-	-	-
Ashmore	30-Jun-2011	2,368	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	17-Sep-2011	8,767	2,788	2,824	(36)	99%	62%	(0%)	32%	17	(0%)	70	66	31
Astrazeneca	31-Dec-2010	40,021	4,860	6,442	(1,582)	75%	50%	(4%)	16%	287	1%	296	365	216
Aviva	31-Dec-2010	8,612	11,416	11,419	(3)	100%	70%	(0%)	(0%)	1,425	17%	579	294	409
BAE Systems	31-Dec-2010	9,602	17,337	21,158	(3,821)	82%	34%	(40%)	22.0%	1,088	11%	791	864	540
Barclays	31-Dec-2010	21,443	18,905	21,643	(2,738)	87%	57%	(13%)	101%	447	2%	721	601	616
BG	31-Dec-2010	46,377	824	1,044	(220)	79%	14%	(0%)	2%	138	0%	72	68	15
BHP Billiton	30-Jun-2011	39,654	1,157	1,267	(110)	91%	77%	(0%)	3%	(32)	(0%)	100	102	60
BP	31-Dec-2010	86,823	22,234	25,179	(2,944)	88%	23%	(3%)	29%	109	0%	835	646	346
British Airways	31-Dec-2010	2,734	15,316	16,142	(826)	95%	45%	(30%)	59.0%	1,030	38%	268	364	131
British American Tobacco	31-Dec-2010	61,004	5,114	5,512	(398)	93%	46%	(1%)	9%	215	0%	218	214	142
British Land	31-Mar-2011	4,092	110	99	11	111%	37%	0%	2%	(2)	(0%)	4	3	0
BSkyB	30-Jun-2011	12,840	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2011	14,762	37,222	39,052	(1,830)	95%	39%	(12%)	26.5%	5,097	35%	1,313	916	1,016
Bunzl	31-Dec-2010	2,901	258	311	(53)	83%	37%	(2%)	11%	(3)	(0%)	15	11	10
Burberry	31-Mar-2011	5,194	-	-	-	-	-	-	-	-	-	-	-	-
Cairn Energy	31-Dec-2010	3,707	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2010	3,854	648	673	(25)	96%	23%	(1%)	17%	(14)	(0%)	29	72	16
Capital Shopping Centres	31-Dec-2010	2,683	-	-	-	-	-	-	-	-	-	-	-	-
Carnival	30-Nov-2010	4,564	203	196	7	104%	64%	0%	4%	10	0%	19	4	15
Centrica	31-Dec-2010	14,905	4,335	4,574	(239)	95%	53%	(2%)	31%	(26)	(0%)	441	403	326
Compass	30-Sep-2011	11,484	1,773	2,066	(293)	86%	60%	(3%)	18%	9	0%	123	43	102
CRH	31-Dec-2010	10,702	1,562	1,946	(384)	80%	43%	(4%)	18%	(24)	(0%)	67	62	27
Diageo	30-Jun-2011	35,426	6,035	6,661	(626)	91%	49%	(2%)	19%	260	1%	214	195	109
Essar Energy	31-Dec-2010	2,233	-	-	-	-	-	-	-	-	-	-	-	-
Eurasian Natural Resources	31-Dec-2010	8,184	0	26	(26)	0%	-	(0%)	0%	4	0%	0	0	(1)
Evraz	31-Dec-2010	5,012	300	596	(296)	50%	14%	(6%)	12%	(33)	(1%)	37	27	23
Experian	31-Mar-2011	8,755	571	529	42	108%	39%	0%	6%	68	1%	6	8	19
Fresnillo	31-Dec-2010	10,951	21	25	(4)	84%	62%	(0%)	0%	0	0%	0	0	(1)
GAS	31-Dec-2010	3,827	1,400	1,702	(302)	82%	81%	(8%)	44%	24	1%	59	51	44
GKN	31-Dec-2010	2,836	2,660	3,260	(600)	82%	49%	(21%)	115%	74	3%	388	57	353
GlaxoSmithKline	31-Dec-2010	74,778	12,156	13,379	(1,223)	91%	47%	(2%)	18%	3	0%	814	894	546
Glencore	31-Dec-2010	27,137	173	273	(100)	63%	64%	(0%)	1%	(24)	(0%)	17	15	8
Hammerston	31-Dec-2010	2,547	51	77	(26)	66%	0%	(1%)	3%	(4)	(0%)	1	1	(1)
Hargreaves Lansdown	30-Jun-2011	2,042	-	-	-	-	-	-	-	-	-	-	-	-
HSBC	31-Dec-2010	87,492	19,188	21,022	(1,834)	91%	75%	(2%)	24%	196	0%	2,146	617	1,768
ICAP	31-Mar-2011	2,254	7	8	(1)	88%	71%	(0%)	0%	0	0%	0	0	0
IMI	31-Dec-2010	2,433	1,116	1,300	(184)	86%	36%	(8%)	53%	(3)	(0%)	75	27	67
Imperial Tobacco	30-Sep-2011	24,756	2,876	3,630	(754)	79%	46%	(3%)	15%	42	0%	94	70	48
InterContinental Hotels	31-Dec-2010	3,355	387	461	(74)	84%	55%	(2%)	14%	(24)	(1%)	23	13	18
International Power	31-Dec-2010	17,070	336	444	(108)	76%	13%	(1%)	3%	(15)	(0%)	19	13	3
Intertek	31-Dec-2010	3,230	96	102	(6)	95%	37%	(0%)	3%	13	0%	3	4	1
ITV	31-Dec-2010	2,650	2,433	2,746	(313)	89%	63%	(12%)	10.4%	94	4%	47	44	42
Johnson Matthey	31-Mar-2011	3,941	1,137	1,229	(93)	92%	49%	(2%)	31%	86	2%	54	52	20

* as at 31 December 2011

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
Kazakhmys	31-Dec-2010	4,956	-	-	-	-	-	-	-	-	-	-	-	-
Kingfisher	29-Jan-2011	5,872	1,645	1,703	(58)	97%	65%	(1%)	29%	128	2%	46	66	19
Land Securities	31-Mar-2011	4,948	151	142	9	106%	58%	(0%)	3%	11	0%	5	7	4
Legal & General	31-Dec-2010	6,026	1,293	1,527	(234)	85%	68%	(4%)	25%	37	1%	60	62	48
Lloyds Banking Group	31-Dec-2010	17,635	26,382	26,862	(480)	98%	49%	(3%)	152%	2,824	16%	648	1,859	218
Man Group	31-Mar-2011	2,346	250	228	22	110%	33%	1%	10%	(3)	(0%)	21	59	16
Marks & Spencer	02-Apr-2011	4,934	5,398	5,216	182	103%	67%	4%	106%	294	6%	260	83	201
Meggitt	31-Dec-2010	2,738	778	778	(211)	73%	38%	(8%)	28%	(12)	(0%)	35	32	31
Morrison Supermarkets	30-Jan-2011	8,403	2,304	2,266	38	102%	56%	0%	27%	34	0%	41	42	15
National Grid	31-Mar-2011	22,245	18,903	19,480	(577)	97%	60%	(3%)	88%	491	2%	408	572	243
Next	29-Jan-2011	4,744	507	451	56	112%	48%	1%	10%	64	1%	50	43	40
Old Mutual	31-Dec-2010	7,490	1,119	977	142	115%	55%	2%	13%	(12)	(0%)	12	14	7
Pearson	31-Dec-2010	9,839	1,982	2,030	(48)	98%	52%	(0%)	21%	79	1%	145	90	122
Petrofac	31-Dec-2010	4,974	-	-	-	-	-	-	-	-	-	-	-	-
Polymetal International	31-Dec-2010	4,187	-	-	-	-	-	-	-	-	-	-	-	-
Prudential	31-Dec-2010	16,114	6,004	5,692	312	105%	82%	2%	35%	(53)	(0%)	90	85	52
Randgold Resources	31-Dec-2010	7,046	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31-Dec-2010	23,050	1,054	1,386	(332)	76%	41%	(1%)	6%	(82)	(0%)	33	27	16
Reed Elsevier	31-Dec-2010	6,311	3,507	3,677	(170)	95%	44%	(3%)	58%	(50)	(1%)	154	101	89
Resolution	31-Dec-2010	3,489	1,113	1,047	66	106%	83%	2%	30%	(26)	(1%)	41	70	28
Rexam	31-Dec-2010	3,088	2,637	2,971	(334)	89%	62%	(11%)	96%	(68)	(2%)	23	17	8
Rio Tinto	31-Dec-2010	46,018	8,480	10,575	(2,095)	80%	39%	(5%)	23%	(183)	(0%)	670	370	514
Rolls-Royce	31-Dec-2010	13,973	8,217	8,102	115	101%	82%	1%	58%	(148)	(1%)	282	288	129
Royal Bank of Scotland	31-Dec-2010	11,952	22,816	24,999	(2,183)	91%	59%	(18%)	209%	430	4%	832	1,153	266
Royal Dutch Shell	31-Dec-2010	151,796	41,101	42,781	(1,680)	96%	44%	(1%)	28%	(479)	(0%)	1,334	3,345	596
RSA	31-Dec-2010	3,708	5,264	5,419	(155)	97%	68%	(4%)	146%	87	2%	125	130	86
SABMiller	31-Mar-2011	35,957	239	327	(89)	73%	66%	(0%)	1%	10	0%	4	1	(1)
Sage Group	30-Sep-2011	3,892	18	30	(12)	60%	75%	(0%)	1%	1	0%	1	1	(1)
Sainsbury	19-Mar-2011	5,651	4,614	4,954	(340)	93%	58%	(6%)	88%	29	1%	105	134	49
Schroders	31-Dec-2010	3,557	693	659	34	105%	49%	1%	19%	8	0%	62	9	58
Serco	31-Dec-2010	2,318	1,533	1,840	(307)	83%	69%	(13%)	79%	51	2%	81	62	41
Severn Trent	31-Mar-2011	3,524	1,473	1,766	(292)	83%	39%	(8%)	50%	51	1%	40	40	17
Shire	31-Dec-2010	12,546	-	-	-	-	-	-	-	-	-	-	-	-
Smith & Nephew	31-Dec-2010	5,552	616	761	(145)	81%	43%	(3%)	14%	18	0%	42	26	25
Smiths Group	31-Jul-2011	3,587	3,273	3,448	(175)	95%	46%	(5%)	96%	7	0%	64	51	71
SSE	31-Mar-2011	12,027	2,464	2,758	(294)	89%	58%	(2%)	23%	(9)	(0%)	107	110	69
Standard Chartered	31-Dec-2010	33,498	1,396	1,576	(179)	89%	49%	(1%)	5%	51	0%	96	85	74
Standard Life	31-Dec-2010	4,803	2,228	2,012	216	111%	69%	(4%)	42%	184	4%	107	62	111
Tate & Lyle	31-Mar-2011	3,283	1,245	1,286	(41)	97%	43%	(1%)	39%	65	2%	57	32	48
Tesco	26-Feb-2011	32,083	5,608	6,964	(1,356)	81%	27%	(4%)	22%	597	2%	433	415	(95)
Tullow Oil	31-Dec-2010	12,672	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2010	65,933	13,764	14,983	(1,219)	92%	31%	(2%)	23%	85	0%	574	1,071	402
United Utilities	31-Mar-2011	4,091	1,718	1,913	(195)	90%	66%	(5%)	47%	(38)	(1%)	133	44	118
Vedanta Resources	31-Mar-2011	3,014	25	60	(35)	101%	50%	(1%)	2%	13	(0%)	7	70	4
Vodafone	31-Mar-2011	90,251	1,558	1,548	10	101%	38%	0%	2%	193	0%	24	133	12
Weir Group	31-Dec-2010	4,267	595	660	(65)	90%	75%	(2%)	15%	(3)	(0%)	12	15	11
Whitbread	03-Jul-2011	2,748	1,257	1,745	(488)	72%	41%	(18%)	63%	(51)	(2%)	9	5	9
Wolseley	31-Jul-2011	6,019	889	1,249	(360)	71%	36%	(6%)	21%	27	0%	90	42	60
WPP	31-Dec-2010	8,501	631	871	(240)	72%	69%	(3%)	10%	(4)	(0%)	53	48	30
Xstrata	31-Dec-2010	28,995	1,407	1,807	(400)	78%	57%	(1%)	6%	(186)	(1%)	70	70	53

* as at 31 December 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 31 December 2011.

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