

# The FTSE 100 and their pension disclosures

A Quarterly Report from JLT Pension Capital Strategies  
September 2012

Strategies to Solutions



JLT PENSION CAPITAL STRATEGIES

FTSE 100



Highest elevation  
5,633ft

Average temperature  
-12°C (10°F) to -16°C (3°F)

Recommended speed  
30kmph with load

No connecting  
road systems

POSTULATED NEXT STEP:  
Rehydrate, buddycheck and  
continue to destination?

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

## Executive Summary

- The total deficit in FTSE 100 pension schemes at 30 June 2012 is estimated to be £55 billion. This is a deterioration of £22 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 £12.6 billion, up from £11.1 billion the previous year. BT led the way with a massive deficit contribution of £1.9 billion, but 61 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 56%, a large increase on last year's figure of 50%. This compares to 33% six years ago.
- There are a number of companies reporting very significant individual changes to investment strategies. Eight 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 International Airlines Group, total disclosed pension liabilities are more than five times their equity market value and BAE Systems, BT and Royal Bank of Scotland have disclosed pension liabilities that are more than double their equity market value.
- Only 16 companies disclosed a pension surplus in their most recent annual report and accounts; 69 companies disclosed pension deficits. However, we estimate that only 12 companies would disclose a surplus if they had a year-end of 30 June 2012.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £441 billion to £471 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 £45 billion. A total of 21 companies have disclosed pension liabilities of less than £100 million, of which 15 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 £471 billion to over £625 billion, and the total deficit at 30 June 2012 would be around £190 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.*

Published in association with

## J.P.Morgan CAZENOVE

J.P. Morgan Cazenove is a marketing name for the UK investment banking businesses [and EMEA cash equities and equity research businesses] of JPMorgan Chase & Co. and its subsidiaries. J.P. Morgan provides corporate and institutional clients with a wide range of services from sales and research to corporate broking and financial advice.

In the UK, J.P. Morgan Cazenove is corporate broker to more companies in the FTSE 100 and FTSE 250 than any other bank.

J.P. Morgan's global research is #1 overall in combined major Institutional Investor (II) surveys and #1 in combined major equity surveys. In the most recent II poll, J.P. Morgan Cazenove ranked #1 for UK research.

J.P. Morgan Cazenove equity research covers approximately 950 stocks across 40 sectors in Europe. Our stock coverage is complemented by a diverse set of strategy teams, including equity, derivatives, small and mid-caps, quant, accounting and valuation, investment companies, and pensions.

[www.cazenove.com](http://www.cazenove.com)



Charles Cowling  
JLT Pension Capital Strategies  
0161 242 5388  
[charles\\_cowling@jltpcs.com](mailto:charles_cowling@jltpcs.com)



David Bor  
JLT Pension Capital Strategies  
0161 242 5329  
[david\\_bor@jltpcs.com](mailto:david_bor@jltpcs.com)

## Funding Position

The overall funding position of pension schemes of FTSE 100 companies has 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
Prudential	1	7,163	5,620	1,543	127%
Standard Life	2	2,756	2,315	441	119%
Rolls-Royce	3	10,016	8,765	1,251	114%
Aviva	4	11,791	10,527	1,264	112%
Experian	5	598	543	56	110%
Kingfisher	6	2,149	1,962	187	110%
Old Mutual	7	594	546	48	109%
Schroders	8	764	708	56	108%
Centrica	9	4,670	4,340	330	108%
HSBC	10	17,911	16,711	1,200	107%

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
Wolseley	91	889	1,249	(360)	71%
WPP	92	654	935	(281)	70%
Whitbread	93	1,341	1,940	(599)	69%
Meggitt	94	585	850	(265)	69%
Hammerson	95	52	82	(31)	63%
Sage Group	96	18	30	(12)	60%
Glencore	97	184	332	(148)	55%
Evrax	98	305	640	(335)	48%
Vedanta Resources	99	25	60	(35)	41%
Eurasian Natural Resources	100	0	34	(34)	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 £3.5 billion. The largest reported irrecoverable surpluses in the FTSE 100 were as follows:

Name	Rank	Irrecoverable Surplus £m
Prudential	1	1,607
Rolls-Royce	2	1,318
SSE	3	302
British American Tobacco	4	75
BHP Billiton	5	50
Anglo American	6	47
SABMiller	7	25
G4S	8	9
Rio Tinto	9	8
Associated British Foods	10	8

**Commentary**  
Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 30 June 2012 was £55 billion. This is a deterioration of £22 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 2012.

## 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
Prudential	1	7,163	89%
Rolls-Royce	2	10,016	89%
G4S	3	1,539	88%
Aviva	4	11,791	87%
Resolution	5	1,294	86%
HSBC	6	17,911	82%
BHP Billiton	7	1,157	77%
Serco	8	1,747	76%
Standard Life	9	2,756	76%
United Utilities	10	2,113	75%

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

Name	Rank	Assets £m	% of Assets in Bonds
Wolseley	91	889	36%
Bunzl	92	272	35%
BP	93	22,052	27%
Rexam	94	2,811	26%
Tesco	95	6,169	24%
Capita	96	578	22%
BG	97	829	17%
Evrax	98	305	16%
British Land	99	109	2%
Hammerson	100	52	0%

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

Name	Rank	Current Bond Allocation	Previous Bond Allocation	Switch to Bonds
Rexam	1	26%	62%	-36%
British Land	2	2%	37%	-35%
IMI	3	70%	36%	+34%
Aviva	4	87%	70%	+17%
Aberdeen Asset Management	5	70%	53%	+17%
GKN	6	64%	49%	+15%
Smith & Nephew	7	58%	43%	+15%
Intertek	8	48%	37%	+11%
United Utilities	9	75%	66%	+10%
Aggreko	10	54%	44%	+9%

### Commentary

Several companies and trustees are continuing to switch pension assets out of equities into bonds. Rexam is the latest company to report a big switch, with bond allocations decreasing by 36%. A total of 53 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 56%, a large increase on last year's figure of 50%. This compares to 33% 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 one of the recently announced changes to IAS19 due to be implemented from 1 January 2013. 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. Over 2011, the Euro crisis has depressed bond yields, but this has been countered to some extent by falling inflation expectations, so the net effect being that pension liabilities have risen.

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	45,274	137,726
BT	2	40,989	16,417
Lloyds Banking Group	3	28,236	21,877
BP	4	27,840	80,312
Royal Bank of Scotland	5	27,137	13,136
BAE Systems	6	23,146	9,374
Barclays	7	22,823	19,922
National Grid	8	21,386	24,120
HSBC	9	16,711	101,905
International Airlines Group	10	16,623	2,959
Unilever	11	15,579	65,192
GlaxoSmithKline	12	14,334	71,512
Rio Tinto	13	11,513	61,083
Aviva	14	10,527	7,954

\* as at 30 June 2012

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	80	82	3,157
Aggreko	81	65	5,557
Vedanta Resources	82	60	2,708
Eurasian Natural Resources	83	34	5,349
Sage Group	84	30	3,395
Fresnillo	85	25	10,449

\* as at 30 June 2012

In addition, Admiral, Antofagasta, ARM Holdings, Ashmore, BSKyB, Burberry, Capital Shopping Centres, Hargreaves Lansdown, ICAP, Kazakhmys, Petrofac, Polymetal International, 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 £441 billion to £471 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, whilst 22 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 30% to the total pension liabilities, increasing the total disclosed pension liabilities from £471 billion to over £625 billion. The total deficit at 30 June 2012 on a "risk-free" basis would be around £190 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	2,959	(12%)	562%	<i>524%**</i>
BT	2	16,417	(15%)	250%	
BAE Systems	3	9,374	(55%)	247%	
Royal Bank of Scotland	4	13,136	(16%)	207%	
RSA	5	3,839	(4%)	155%	<i>116%**</i>
Aviva	6	7,954	16%	132%	
Lloyds Banking Group	7	21,877	3%	129%	
GKN	8	2,808	(31%)	127%	
Marks & Spencer	9	5,222	2%	117%	
Barclays	10	19,922	(0%)	115%	
ITV	11	2,992	(13%)	101%	
Sainsbury	12	5,684	(8%)	100%	
Babcock International	13	3,065	(8%)	99%	
National Grid	14	24,120	(6%)	89%	
Rexam	15	3,685	(11%)	87%	

\* as at 30 June 2012

\*\* 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	787	738
BP	2	496	488
Tesco	3	495	499
Royal Bank of Scotland	4	440	499
Lloyds Banking Group	5	380	384
Barclays	6	348	343
BT	7	267	297
Unilever	8	219	224
GlaxoSmithKline	9	214	268
BAE Systems	10	210	212

### Commentary

Eleven FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For International Airlines Group, total disclosed pension liabilities are more than five times their equity market value, and BAE Systems, BT and Royal Bank of Scotland have disclosed pension liabilities that are more than double their equity market value. BAE Systems have a disclosed pension deficit more than half their equity market value. A further eight 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
Aviva	1	7,954	986	12%
International Airlines Group	2	2,959	309	10%
Barclays	3	19,922	792	4%
Centrica	4	16,486	530	3%
Standard Life	5	5,503	123	2%
Lloyds Banking Group	6	21,877	435	2%
HSBC	7	101,905	1,151	1%
Diageo	8	41,137	260	1%
Wolseley	9	6,802	27	0%
Kingfisher	10	6,810	21	0%

\* as at 30 June 2012

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
Marks & Spencer	91	5,222	-192	-4%
Sainsbury	92	5,684	-222	-4%
ITV	93	2,992	-124	-4%
BP	94	80,312	-3,399	-4%
Royal Bank of Scotland	95	13,136	-578	-4%
National Grid	96	24,120	-1,234	-5%
Whitbread	97	3,609	-192	-5%
GKN	98	2,808	-259	-9%
BT	99	16,417	-2,727	-17%
BAE Systems	100	9,374	-1,837	-20%

\* as at 30 June 2012

### Commentary

Over the year covered by their latest report and accounts, 21 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 64 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 £0.6 billion higher 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
BT	1	2,179	267	1,912
Barclays	2	2,220	371	1,849
Royal Dutch Shell	3	1,444	787	657
Royal Bank of Scotland	4	1,059	483	576
GlaxoSmithKline	5	784	214	570
HSBC	6	397	-162	559
BAE Systems	7	727	257	470
Rolls-Royce	8	304	-135	439
Lloyds Banking Group	9	833	400	433
Aviva	10	452	58	394
International Airlines Group	11	503	150	353
Unilever	12	402	50	353
Prudential	13	93	-247	340
AstraZeneca	14	458	135	323
BP	15	891	615	276

### Commentary

*In total, the amount contributed to FTSE 100 company pension schemes was £18.0 billion, up from £17.4 billion in the previous accounting year. This is more than the £5.4 billion cost of benefits accrued during the year. It therefore represents £12.6 billion of funding towards reducing pension scheme deficits. This is an increase on the previous year's deficit funding of £11.1 billion.*

*BT injected an additional £1.9 billion into its pension schemes in 2011, on top of its regular contributions, which totalled £0.3 billion. The decision was in response to the deficit of £1.8 billion at 31 March 2011 – the seventh highest deficit in the FTSE 100 at the time.*

*The huge cash contributions paid by BT 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-Sep-2011	2,483	130	154	(24)	84%	70%	(1%)	6%	3	0%	9	7	9
Admiral	31-Dec-2011	3,234	-	-	-	-	-	-	-	-	-	-	-	-
Aggreko	31-Dec-2011	5,557	59	65	(6)	91%	54%	(0%)	1%	(5)	(0%)	4	5	3
AMEC	31-Dec-2011	3,075	1,569	1,618	(49)	97%	55%	(2%)	53%	(92)	(3%)	28	22	8
Anglo American	31-Dec-2011	29,033	1,679	1,815	(136)	93%	60%	(0%)	6%	(125)	(0%)	50	34	39
Antofagasta	31-Dec-2011	10,726	-	-	-	-	-	-	-	-	-	-	-	-
ARM Holdings	31-Dec-2011	6,961	-	-	-	-	-	-	-	-	-	-	-	-
Ashmore	30-Jun-2011	2,467	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	17-Sep-2011	10,153	2,788	2,824	(36)	99%	62%	(0%)	28%	17	0%	70	66	31
Astrazeneca	31-Dec-2011	35,543	5,329	7,038	(1,710)	76%	60%	(5%)	20%	(427)	(1%)	458	304	323
Aviva	31-Dec-2011	7,954	11,791	10,527	1,264	112%	87%	16%	132%	986	12%	452	579	394
Babcock International	31-Mar-2012	3,065	2,783	3,040	(257)	92%	53%	(8%)	99%	(109)	(4%)	84	83	40
BAE Systems	31-Dec-2011	9,374	17,980	23,146	(5,166)	78%	43%	(65%)	247%	(1,837)	(20%)	727	800	470
Barclays	31-Dec-2011	19,922	22,748	22,823	(75)	100%	64%	(0%)	115%	792	4%	2,220	721	1,849
BG	31-Dec-2011	44,159	829	1,110	(281)	75%	17%	(1%)	3%	(84)	(0%)	71	72	22
BHP Billiton	30-Jun-2011	38,144	1,157	1,267	(110)	91%	77%	(0%)	3%	(32)	(0%)	100	102	60
BP	31-Dec-2011	80,312	22,052	27,840	(5,788)	79%	27%	(7%)	35%	(3,399)	(4%)	891	836	276
British American Tobacco	31-Dec-2011	62,981	5,184	5,849	(665)	89%	50%	(1%)	9%	(483)	(1%)	242	218	162
British Land	31-Mar-2012	4,538	109	107	2	102%	2%	0%	2%	7	0%	(7)	4	(10)
BSkyB	30-Jun-2011	11,679	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2012	16,417	38,541	40,989	(2,448)	94%	47%	(15%)	250%	(2,727)	(17%)	2,179	1,313	1,912
Bunzl	31-Dec-2011	3,455	272	347	(74)	79%	35%	(2%)	10%	(36)	(1%)	17	15	12
Burberry	31-Mar-2012	5,821	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2011	4,291	578	664	(86)	87%	22%	(2%)	15%	(104)	(2%)	34	29	36
Capital Shopping Centres	31-Dec-2011	2,766	-	-	-	-	-	-	-	-	-	-	-	-
Carnival	30-Nov-2011	3,978	218	214	4	102%	54%	0%	5%	(4)	(0%)	4	19	(1)
Centrica	31-Dec-2011	16,486	4,670	4,340	330	108%	59%	2%	26%	530	3%	130	441	12
Compass	30-Sep-2011	12,457	1,773	2,066	(293)	86%	60%	(2%)	17%	9	0%	123	43	102
CRH	31-Dec-2011	8,858	1,569	2,102	(533)	75%	44%	(6%)	24%	(206)	(2%)	103	67	63
Croda International	31-Dec-2011	3,051	648	846	(199)	77%	42%	(7%)	28%	(77)	(3%)	27	28	18
Diageo	30-Jun-2011	41,137	6,035	6,661	(626)	91%	49%	(2%)	16%	260	1%	214	195	109
Eurasian Natural Resources	31-Dec-2011	5,349	0	34	(34)	0%	-	(1%)	1%	(5)	(0%)	0	0	(1)
Evraz	31-Dec-2011	3,493	305	640	(335)	48%	16%	(10%)	18%	(63)	(2%)	47	37	41
Experian	31-Mar-2012	9,088	598	543	56	110%	46%	1%	6%	6	0%	7	6	1
Fresnillo	31-Dec-2011	10,449	19	25	(6)	76%	61%	(0%)	0%	(1)	(0%)	0	0	(0)
G4S	31-Dec-2011	3,937	1,539	1,874	(335)	82%	88%	(9%)	48%	(80)	(2%)	48	59	39
GKN	31-Dec-2011	2,808	2,693	3,561	(868)	76%	64%	(31%)	127%	(259)	(9%)	45	388	8
GlaxoSmithKline	31-Dec-2011	71,512	12,858	14,334	(1,476)	90%	54%	(2%)	20%	(841)	(1%)	784	814	570
Glencore	31-Dec-2011	20,460	184	332	(148)	55%	58%	(1%)	2%	(49)	(0%)	16	17	3
Hamerson	31-Dec-2011	3,157	52	82	(31)	63%	0%	(1%)	3%	(5)	(0%)	2	1	0
Hargreaves Lansdown	30-Jun-2011	2,512	-	-	-	-	-	-	-	-	-	-	-	-
HSE	31-Dec-2011	101,905	17,911	16,711	1,200	107%	82%	1%	16%	1,151	1%	397	1,985	559
ICAP	31-Mar-2012	2,180	-	-	-	-	-	-	-	-	-	-	-	-
IMI	31-Dec-2011	2,670	1,196	1,384	(189)	86%	70%	(7%)	52%	(67)	(3%)	59	75	55
Imperial Tobacco	30-Sep-2011	24,279	2,876	3,630	(754)	79%	46%	(3%)	15%	42	0%	94	70	48
InterContinental Hotels	31-Dec-2011	4,471	443	491	(48)	90%	68%	(1%)	11%	(0)	(0%)	32	23	27
International Airlines Group	31-Dec-2011	2,959	16,263	16,623	(360)	98%	54%	(12%)	562%	309	10%	503	268	353
Intertek	31-Dec-2011	4,297	97	108	(11)	90%	48%	(0%)	3%	(8)	(0%)	3	3	1
ITV	31-Dec-2011	2,992	2,646	3,036	(390)	87%	72%	(13%)	101%	(124)	(4%)	59	47	52
Johnson Matthey	31-Mar-2012	4,740	1,226	1,356	(129)	90%	54%	(3%)	29%	(69)	(1%)	55	53	23

\* as at 30 June 2012

# 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-2011	3,779	-	-	-	-	-	-	-	-	-	-	-	-
Kingfisher	28-Jan-2012	6,810	2,149	1,962	187	110%	64%	3%	29%	21	0%	168	129	139
Land Securities	31-Mar-2012	5,768	162	165	(2)	99%	63%	(0%)	3%	(16)	(0%)	5	5	4
Legal & General	31-Dec-2011	7,477	1,407	1,695	(288)	83%	69%	(4%)	23%	(67)	(1%)	60	60	49
Lloyds Banking Group	31-Dec-2011	21,877	28,828	28,236	592	102%	57%	3%	129%	435	2%	833	648	433
Marks & Spencer	31-Mar-2012	5,222	6,186	6,096	91	101%	73%	2%	117%	(192)	(4%)	132	260	75
Meggitt	31-Dec-2011	3,014	585	850	(265)	69%	42%	(9%)	28%	(80)	(3%)	38	35	29
Morrison Supermarkets	29-Jan-2012	6,262	2,589	2,600	(11)	100%	100%	(0%)	42%	(65)	(1%)	31	41	3
National Grid	31-Mar-2012	24,120	19,957	21,386	(1,429)	93%	60%	(6%)	89%	(1,234)	(5%)	415	408	256
Next	28-Jan-2012	5,283	540	505	35	107%	55%	1%	107%	(27)	(1%)	9	50	(0)
Old Mutual	31-Dec-2011	8,428	594	546	48	109%	64%	1%	6%	(91)	(1%)	13	12	6
Pearson	31-Dec-2011	10,294	2,157	2,180	(23)	99%	48%	(0%)	21%	(46)	(0%)	89	145	65
Penron	31-Mar-2012	2,748	517	616	(99)	84%	41%	(4%)	22%	(52)	(2%)	49	36	35
Petrofac	31-Dec-2011	4,801	-	-	-	-	-	-	-	-	-	-	-	-
Polymetal International	31-Dec-2011	3,479	-	-	-	-	-	-	-	-	-	-	-	-
Prudential	31-Dec-2011	18,832	7,163	5,620	1,543	127%	89%	8%	30%	(168)	(1%)	93	90	340
Randgold Resources	31-Dec-2011	6,321	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31-Dec-2011	24,383	1,112	1,449	(337)	77%	46%	(1%)	6%	(70)	(0%)	81	33	64
Reed Elsevier	31-Dec-2011	6,228	3,634	3,876	(242)	94%	53%	(4%)	62%	(115)	(2%)	66	154	9
Resolution	31-Dec-2011	2,726	1,294	1,242	52	104%	86%	2%	46%	(46)	(2%)	33	41	26
Rexam	31-Dec-2011	3,685	2,811	3,218	(407)	87%	26%	(11%)	87%	(96)	(3%)	42	23	29
Rio Tinto	31-Dec-2011	61,083	8,490	11,513	(3,023)	74%	44%	(5%)	19%	(1,130)	(2%)	390	670	238
Rolls-Royce	31-Dec-2011	16,060	10,016	8,765	1,251	114%	89%	8%	55%	26	0%	304	282	439
Royal Bank of Scotland	31-Dec-2011	13,136	25,086	27,137	(2,051)	92%	63%	(16%)	207%	(578)	(4%)	1,059	832	576
Royal Dutch Shell	31-Dec-2011	18,726	41,181	45,274	(4,093)	91%	49%	(3%)	33%	(3,456)	(3%)	1,444	1,335	657
RSA	31-Dec-2011	3,839	5,813	5,948	(135)	98%	98%	(4%)	155%	(67)	(2%)	100	125	71
SABMiller	31-Mar-2012	40,689	273	371	(98)	74%	64%	(0%)	1%	5	0%	3	4	(1)
Sage Group	30-Sep-2011	3,395	18	30	(12)	60%	75%	(0%)	1%	1	0%	1	1	(1)
Sainsbury	17-Mar-2012	5,684	5,192	5,663	(471)	92%	60%	(8%)	100%	(222)	(4%)	134	105	74
Schroders	31-Dec-2011	3,626	764	708	56	108%	55%	2%	20%	10	0%	3	62	0
Sercro	31-Dec-2011	2,663	1,747	2,038	(290)	86%	76%	(11%)	77%	(49)	(2%)	105	81	57
Severn Trent	31-Mar-2012	3,937	1,557	1,903	(346)	82%	39%	(9%)	48%	(88)	(2%)	54	40	31
Shire	31-Dec-2011	10,306	-	-	-	-	-	-	-	-	-	-	-	-
Smith & Nephew	31-Dec-2011	5,718	686	846	(161)	81%	58%	(3%)	15%	(43)	(1%)	48	42	30
Smiths Group	31-Jul-2011	3,965	3,273	3,448	(175)	95%	46%	(4%)	87%	7	0%	64	51	71
SSE	31-Mar-2012	13,141	2,695	3,125	(430)	86%	61%	(3%)	24%	(161)	(1%)	138	107	100
Standard Chartered	31-Dec-2011	37,167	1,371	1,675	(305)	82%	52%	(1%)	5%	(110)	(0%)	47	96	(17)
Standard Life	31-Dec-2011	5,503	2,756	2,315	441	119%	76%	8%	42%	123	2%	56	107	73
Tate & Lyle	31-Mar-2012	3,017	1,362	1,398	(36)	97%	48%	(1%)	46%	(82)	(3%)	82	52	78
Tesco	25-Feb-2012	24,928	6,169	8,041	(1,872)	77%	24%	(8%)	32%	(499)	(2%)	457	433	(35)
Tullow Oil	31-Dec-2011	13,324	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2011	65,192	13,439	15,579	(2,139)	86%	38%	(3%)	24%	(1,335)	(2%)	402	574	353
United Utilities	31-Mar-2012	4,602	2,113	2,205	(92)	96%	75%	(2%)	48%	(30)	(1%)	150	133	136
Vedanta Resources	31-Mar-2012	2,708	25	60	(35)	41%	50%	(1%)	2%	(13)	(0%)	7	10	4
Vodafone	31-Mar-2012	87,649	1,604	1,910	(306)	84%	40%	(0%)	2%	(353)	(0%)	34	24	23
Weir Group	30-Dec-2011	3,251	606	691	(85)	88%	74%	(3%)	21%	(45)	(1%)	9	12	27
Whitbread	01-Mar-2012	3,609	1,341	1,940	(599)	69%	42%	(17%)	54%	(192)	(5%)	95	9	95
Wolseley	31-Jul-2011	6,802	889	1,249	(360)	71%	36%	(5%)	18%	27	0%	90	42	60
WPP	31-Dec-2011	9,743	654	935	(281)	70%	73%	(3%)	10%	(73)	(1%)	67	53	43
Xstrata	31-Dec-2011	28,080	1,529	1,974	(445)	77%	66%	(2%)	7%	(105)	(0%)	89	70	65

\* as at 30 June 2012

## 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.

Whilst all reasonable care has been taken in the preparation of this publication, no liability is accepted under any circumstances by Jardine Lloyd Thompson for any loss or damage occurring as a result of reliance on any statement, opinion, or any error or omission contained herein. Any statement or opinion reflects our understanding of current or proposed legislation and regulation, which may change without notice. The content of this document should not be regarded as specific advice in relation to the matters addressed.

J.P. Morgan Cazenove is a marketing name for the UK investment banking businesses [and EMEA cash equities and equity research businesses] of JPMorgan Chase & Co. and its subsidiaries (collectively JPMorgan). This publication has been prepared for information purposes only and is not a solicitation, or an offer, to buy or sell any security or to participate in any trading strategy, and should not be regarded as specific or investment advice in relation to the matters addressed. It has been prepared without regard to the individual financial objectives and circumstances of the recipients. It does not purport to be a complete description of the securities, markets or developments referred to in it. The information on which this publication is based has been obtained from sources which we believe to be reliable, but we have not independently verified such information and we do not warrant that it is accurate or complete. All expressions of opinion are subject to change without notice. Third party data providers make no warranty relating to the accuracy, completeness or timeliness of their data and shall have no liability whatsoever for losses that may arise from reliance upon such data. Jardine Lloyd Thompson and JPMorgan shall have no responsibility or liability whatsoever for loss or damage that may arise from reliance upon any statement or opinion in, or any error or omission from, this publication (including, without limitation, such third party data). Each of Jardine Lloyd Thompson, JPMorgan, and their respective connected companies, and the directors, officers and employees of each of them, may from time to time have a long or short position, or other interest, in the securities of the companies referred to and may sell or buy such securities and interests and may trade them in ways that may be inconsistent with any discussion in this publication.

**JLT Pension Capital Strategies**

6 Crutched Friars

London EC3N 2PH

Tel 020 7528 4892

Fax 020 7309 8330

Email [solutions@jltpcs.com](mailto:solutions@jltpcs.com)

Web [www.jltpcs.com](http://www.jltpcs.com)

JLT Pension Capital Strategies. A trading name of JLT Benefit Solutions Limited. Authorised and regulated by the Financial Services Authority. A member of the Jardine Lloyd Thompson Group. Registered Office: 6 Crutched Friars, London EC3N 2PH. Registered in England No 02240496. VAT No. 244 2321 96