



The FTSE 100 and their pension disclosures
A Quarterly Report from Pension Capital Strategies
November 2010

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



PENSION CAPITAL STRATEGIES
Innovative Alternatives

Executive Summary

- The total deficit in FTSE 100 pension schemes at 30 September 2010 is estimated to be £66 billion. This is an improvement of £8 billion from the position 12 months ago.
- There has been a very significant increase in the funding of pension deficits – and this at a time when most companies have precious little spare cash. Last year saw total deficit funding of £12.1 billion, up from £4.1 billion the previous year (an increase of almost 200%). Royal Dutch Shell led the way with a massive deficit contribution of over £2.7 billion, but 58 other FTSE 100 companies also reported significant deficit funding contributions in their most recent annual report and accounts
- Pension schemes' flight out of equities into bonds seems to have halted. The average pension scheme asset allocation to bonds is 49%, the same as last year. This comes on top of a very significant shift, from 41% the previous year and 35% just three years ago.
- Within the overall general shift from equities into bonds, there are a large number of companies reporting very significant individual changes to investment strategies. Six FTSE 100 companies increased their bond allocations by more than 10%.
- Whilst there has been a significant increase in deficit funding contributions, there has been a marked decline in the provision of ongoing DB pension provision. The reduction in total service cost from £7.0 billion in the previous year to £6.0 billion in the current year represents a 15% decline in employee pension provision.
- There has been a noticeable growth in the number of FTSE 100 companies where the pension scheme now represents a material risk to the business. Ten FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For British Airways, BT and Invensys, total disclosed pension liabilities are more than double their equity market value.
- Only six companies disclosed a pension surplus in their most recent annual report and accounts; 79 companies disclosed pension deficits. We estimate that seven companies would disclose a surplus if they had a year-end of 30 September 2010.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £376 billion to £437 billion. 14 companies have disclosed pension liabilities of more than £10 billion, the largest of which is BT with disclosed pension liabilities of £43 billion. 27 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 £437 billion to around £530 billion, and the total deficit at 30 September 2010 would be around £160 billion.

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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	953	815	138	117%
Prudential	2	5,512	5,174	338	107%
Resolution	3	1,012	953	59	106%
British Land	4	98	95	3	103%
Man Group	5	258	253	5	102%
Investec	6	116	115	1	101%
AMEC	7	1,324	1,328	(4)	100%
Morrison Supermarkets	8	2,111	2,128	(17)	99%
Rolls-Royce	9	7,402	7,537	(135)	98%
Associated British Foods	10	2,373	2,452	(79)	97%

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
Hammerson	91	47	69	(21)	69%
GKN	92	2,190	3,186	(996)	69%
TUI Travel	93	1,079	1,580	(501)	68%
AstraZeneca	94	4,337	6,364	(2,027)	68%
SABMiller	95	227	336	(109)	68%
Wolseley	96	640	981	(341)	65%
BG	97	665	1,031	(366)	65%
Sage Group	98	20	32	(12)	63%
Vedanta Resources	99	22	46	(24)	47%
Eurasian Natural Resources	100	0	29	(29)	0%

In 2007, IFRIC14* provided new guidance on irrecoverable surpluses. 16 FTSE 100 companies have reported an irrecoverable surplus. The total reported irrecoverable surplus for FTSE 100 companies is now £1.4 billion. The largest reported irrecoverable surpluses in the FTSE 100 were as follows:

Name	Rank	Irrecoverable Surplus £m
Prudential	1	588
Rolls-Royce	2	335
Scottish & Southern Energy	3	256
Anglo American	4	66
British American Tobacco	5	52
BHP Billiton	6	46
Invensys	7	30
HSBC	8	29
Associated British Foods	9	26
WPP	10	3

Commentary

Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 30 September 2010 was £66 billion. This is an improvement of £8 billion from the position 12 months ago.

* For more information on IFRIC14, see PCS publication – IAS19: A Quarterly Guide for Finance Directors, at 30 September 2010.

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.

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

Name	Rank	Assets £m	% of Assets in Bonds
Fresnillo	1	18	88%
Capital Shopping Centres	2	60	87%
Resolution	3	1,012	83%
Rolls-Royce	4	7,402	82%
Sage Group	5	20	78%
ICAP	6	8	75%
Prudential	7	5,512	75%
Weir Group	8	552	74%
HSBC	9	15,106	73%
BHP Billiton	10	1,021	72%

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

Name	Rank	Assets £m	% of Assets in Bonds
Capita	91	579	30%
BAE Systems	92	15,142	30%
Intertek	93	73	30%
Tesco	94	4,696	29%
Unilever	95	12,793	28%
BP	96	19,742	25%
BG	97	665	16%
International Power	98	277	13%
Inmarsat	99	33	10%
Hammerson	100	47	0%

The FTSE 100 companies with the greatest change in equity-to-bonds allocation were:

Name	Rank	Current Bond Allocation	Previous Bond Allocation	Switch to Bonds
Capital Shopping Centres	1	87%	42%	+45%
Barclays	2	63%	47%	+16%
Serco	3	66%	52%	+14%
ICAP	4	75%	88%	-13%
Aviva	5	69%	56%	+12%
BG	6	16%	27%	-11%
Vedanta Resources	7	50%	40%	+10%
Rexam	8	61%	71%	-10%
Cobham	9	44%	53%	-9%
Centrica	10	36%	27%	+9%

Commentary

Some companies and trustees are continuing to switch pension assets out of equities into bonds despite the recent massive rally in equity markets. Capital Shopping Centres is the latest company to report a big switch, increasing their bond allocations by 45%. 41 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 reduce mismatching risk by 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 49%, unchanged from the previous year's accounts. This comes on top of 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 risk investments in pension schemes.

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. So far in 2010, spreads on corporate bonds have returned closer to historically normal levels and this will significantly inflate 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
BT	1	43,293	10,826
Royal Dutch Shell	2	39,381	118,420
Royal Bank of Scotland	3	30,830	27,367
Lloyds Banking Group	4	27,073	49,598
BP	5	23,281	80,609
BAE Systems	6	20,488	11,801
Barclays	7	20,486	36,071
National Grid	8	19,598	18,696
HSBC	9	18,869	112,258
British Airways	10	16,826	2,792
Unilever	11	14,515	55,917
GlaxoSmithKline	12	12,438	65,741
Aviva	13	11,812	11,191
Rio Tinto	14	10,006	56,830

* as at 30 September 2010

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	74	95	4,062
Intertek	75	93	2,904
Hammerson	76	69	2,790
Capital Shopping Centres	77	63	2,286
Aggreko	78	49	4,298
Vedanta Resources	79	46	5,907
Inmarsat	80	45	3,030
Sage Group	81	32	3,616
Eurasian Natural Resources	82	29	11,828
Alliance Trust	83	28	2,186
Fresnillo	84	21	8,907
ICAP	85	9	2,821

* as at 30 September 2010

In addition, Admiral, Antofagasta, ARM Holdings, Autonomy Corporation, BSKyB, Burberry, Cairn Energy, Kazakhmys, Lonmin, Petrofac, Randgold Resources, Shire and Tullow Oil all reported no defined benefit pension liabilities. We have also assumed that African Barrick Gold and Essar Energy have no DB pension liabilities since no accounts have yet been produced for these companies

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £376 billion to £437 billion. 14 companies have disclosed pension liabilities of more than £10 billion, whilst 27 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 the recent 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 (in which case it is likely there is no value left for shareholders). It is therefore difficult to see that shareholders get any value out of their (very limited) ability to default on pension promises, and so applying a discount rate which allows for a probability of default is illogical. If pension liabilities were to be measured on a "risk-free" basis, we estimate that it would add around 20% to the total pension liabilities, i.e. increasing the total disclosed pension liabilities from £437 billion to around £530 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	2,792	(74%)	603%	
BT	2	10,826	(73%)	400%	
Invensys	3	2,408	(22%)	226%	
BAE Systems	4	11,801	(45%)	174%	
GKN	5	2,625	(38%)	121%	
RSA	6	4,460	(7%)	115%	83% **
Royal Bank of Scotland	7	27,367	(11%)	113%	
Aviva	8	11,191	(15%)	106%	
National Grid	9	18,696	(8%)	105%	
Rexam	10	2,687	(10%)	102%	
Marks & Spencer	11	6,157	(6%)	86%	
Rolls-Royce	12	11,176	(1%)	67%	
TUI Travel	13	2,397	(21%)	66%	
Smiths Group	14	4,727	(7%)	65%	55% **
Sainsbury	15	7,217	(6%)	65%	

* as at 30 September 2010

** 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	Previous DB Service Cost
Royal Dutch Shell	1	619	655
Royal Bank of Scotland	2	583	705
BP	3	430	442
Lloyds Banking Group	4	395	469
Tesco	5	391	428
HSBC	6	381	405
Barclays	7	281	299
GlaxoSmithKline	8	251	246
BT	9	206	459
Unilever	10	203	214

Commentary

Ten FTSE 100 companies have disclosed pension liabilities greater than the total equity value of the company, and three FTSE 100 companies now have disclosed pension liabilities valued at over double the company equity value. In addition, British Airways and BT have disclosed pension deficits bigger than 70% of the equity value of the company, with a further 11 companies with disclosed pension deficits bigger than 10% of the equity value of the company.

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, which show a 15% decline in ongoing DB pension provision in just one year (total service cost in the latest accounts of £6.0 billion compares to £7.0 billion in the previous year). PCS believes 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
Resolution	1	3,555	73	2%
Reed Elsevier	2	6,523	94	1%
Old Mutual	3	7,532	71	1%
Royal Dutch Shell	4	118,420	962	1%
Smith & Nephew	5	5,153	40	1%
Diageo	6	27,559	138	1%
Morrison Supermarkets	7	7,776	20	0%
BP	8	80,609	193	0%
Unilever	9	55,917	101	0%
WPP	10	8,866	12	0%

* as at 30 September 2010

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
Barclays	91	36,071	-2,929	-8%
Serco	92	3,007	-255	-8%
Smiths Group	93	4,727	-409	-9%
Aviva	94	11,191	-1,107	-10%
Invensys	95	2,408	-294	-12%
TUI Travel	96	2,397	-295	-12%
BAE Systems	97	11,801	-1,727	-15%
RSA	98	4,460	-932	-21%
BT	99	10,826	-4,322	-40%
British Airways	100	2,792	-1,546	-55%

* as at 30 September 2010

Commentary

Over the year covered by their latest report and accounts, 11 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 74 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 levelling out of pension scheme contributions seen in recent years seems to have ended, with the amount contributed in the most recent accounting year being £6.9 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
Royal Dutch Shell	1	3,345	619	2,726
Lloyds Banking Group	2	1,859	462	1,397
Unilever	3	1,071	159	912
BT	4	916	206	710
BAE Systems	5	864	183	681
GlaxoSmithKline	6	894	245	649
Royal Bank of Scotland	7	1,153	598	555
National Grid	8	572	112	460
Centrica	9	403	70	333
Barclays	10	601	282	319
British Airways	11	364	123	241
Rio Tinto	12	370	130	240
HSBC	13	617	394	224
BP	14	646	431	216
AstraZeneca	15	365	181	185

Commentary

In total, the amount contributed to FTSE 100 company pension schemes was £18.2 billion, up from £11.3 billion in the previous accounting year. This is more than the £6.1 billion cost of benefits accrued during the year. It therefore represents £12.1 billion of funding towards reducing pension scheme deficits. This is nearly a 200% increase on the previous year's deficit funding of £4.1 billion.

Royal Dutch Shell injected an additional £2.7 billion into its pension schemes in 2009, on top of its regular contributions, which totalled £0.6 billion. The decision was in response to the deficit of £5.8 billion at 31 December 2008 – the highest deficit in the FTSE 100 at the time. We believe that this will be the largest ever pension deficit contribution in the UK.

The huge cash contributions paid by Royal Dutch Shell come 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. Most recently, Sainsbury and Marks & Spencer have announced plans to use property partnership deals – worth £750 million and £300 million respectively – to help tackle their pension deficits.

Appendix

Name	Year End	Equity	Pension	Pension	Surplus /	Funding	%	Surplus /	Liabilities	Unanticipated	Balance Sheet	Current	Previous	Surplus /
		Market Value £m	Assets £m	Liabilities £m	(Deficit) £m	Level	Bonds	(Deficit) as % of Market Value	as % of Market Value	Balance Sheet Impact £m	Impact as % of Market Value	Funding £m	Funding £m	Funding £m
3i	31-Mar-2010	2,761	587	615	(28)	95%	44%	(1%)	22%	(71)	(3%)	67	37	62
Admiral	31-Dec-2009	4,407	-	-	-	-	-	-	-	-	-	-	-	-
African Barrick Gold	31-Dec-2009	2,420	-	-	-	-	-	-	-	-	-	-	-	-
Aggreko	31-Dec-2009	4,298	43	49	(6)	88%	50%	(0%)	1%	(2)	(0%)	6	6	5
Alliance Trust	31-Jan-2010	2,186	23	28	(5)	82%	51%	(0%)	1%	(3)	(0%)	1	1	0
AMEC	31-Dec-2009	3,269	1,324	1,328	(4)	100%	57%	(0%)	41%	(172)	(5%)	18	26	6
Anglo American	31-Dec-2009	33,487	1,693	1,845	(151)	92%	55%	(0%)	6%	(136)	(0%)	40	27	19
Antofagasta	31-Dec-2009	12,185	-	-	-	-	-	-	-	-	-	-	-	-
ARM Holdings	31-Dec-2009	5,137	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	12-Sep-2009	8,308	2,373	2,452	(79)	97%	64%	(1%)	30%	(217)	(3%)	76	54	39
AstraZeneca	31-Dec-2009	46,298	4,337	6,364	(2,027)	68%	46%	(4%)	14%	(384)	(1%)	365	207	185
Autonomy Corporation	31-Dec-2009	4,352	-	-	-	-	-	-	-	-	-	-	-	-
Aviva	31-Dec-2009	11,191	10,105	11,812	(1,707)	86%	69%	(15%)	106%	(1,107)	(10%)	294	620	138
BAE Systems	31-Dec-2009	11,801	15,142	20,488	(5,346)	74%	30%	(45%)	174%	(1,727)	(15%)	864	486	681
Barclays	31-Dec-2009	36,071	16,700	20,486	(3,786)	82%	63%	(10%)	57%	(2,929)	(8%)	601	407	319
BG	31-Dec-2009	37,685	665	1,031	(366)	65%	16%	(1%)	3%	(153)	(0%)	68	45	27
BHP Billiton	30-Jun-2010	44,692	1,021	1,163	(142)	88%	72%	(0%)	3%	(34)	(0%)	102	70	68
BP	31-Dec-2009	80,609	19,742	23,281	(3,539)	85%	25%	(4%)	29%	193	0%	646	271	216
British Airways	31-Mar-2010	2,792	14,756	16,826	(2,070)	89%	45%	(74%)	603%	(1,546)	(55%)	364	331	241
British American Tobacco	31-Dec-2009	47,408	4,618	5,370	(752)	86%	43%	(2%)	11%	(280)	(1%)	214	145	132
British Land	31-Mar-2010	4,062	98	95	3	103%	38%	0%	2%	(2)	(0%)	3	4	1
BSkyB	30-Jun-2010	12,366	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2010	10,826	35,429	43,293	(7,864)	82%	41%	(73%)	400%	(4,322)	(40%)	916	441	710
Bunzl	31-Dec-2009	2,490	223	283	(60)	79%	38%	(2%)	11%	(15)	(1%)	11	9	6
Burberry	31-Mar-2010	4,499	-	-	-	-	-	-	-	-	-	-	-	-
Cairn Energy	31-Dec-2009	6,339	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2009	4,892	579	611	(32)	95%	30%	(1%)	12%	(58)	(1%)	72	39	48
Capital Shopping Centres	31-Dec-2009	2,286	60	63	(3)	95%	87%	(0%)	3%	(13)	(1%)	17	3	16
Carnival	30-Nov-2009	5,318	162	186	(24)	87%	65%	(0%)	4%	(30)	(1%)	4	4	1
Centrica	31-Dec-2009	16,493	3,533	4,098	(565)	86%	36%	(3%)	25%	(809)	(5%)	403	240	333
Cobham	31-Dec-2009	2,649	446	561	(115)	79%	44%	(4%)	21%	(72)	(3%)	17	18	13
Compass	30-Sep-2009	9,971	1,525	1,861	(336)	82%	59%	(3%)	19%	(226)	(2%)	57	56	33
Diageo	30-Jun-2010	27,559	5,367	6,359	(992)	84%	46%	(4%)	23%	138	1%	195	128	109
Essar Energy	31-Dec-2009	6,028	-	-	-	-	-	-	-	-	-	-	-	-
Eurasian Natural Resources	31-Dec-2009	11,828	0	29	(29)	0%	-	(0%)	0%	(0)	(0%)	0	0	(1)
Experian	31-Mar-2010	7,050	541	590	(49)	92%	39%	(1%)	8%	(18)	(0%)	8	8	1
Fresnillo	31-Dec-2009	8,907	18	21	(4)	83%	88%	(0%)	0%	(1)	(0%)	0	0	(0)
G4S	31-Dec-2009	3,585	1,335	1,703	(368)	78%	42%	(10%)	47%	(59)	(2%)	51	53	38
GKN	31-Dec-2009	2,625	2,190	3,186	(996)	69%	55%	(38%)	121%	(134)	(5%)	51	37	21
GlaxoSmithKline	31-Dec-2009	65,741	10,694	12,438	(1,744)	86%	46%	(3%)	19%	(621)	(1%)	894	443	649
Hammerston	31-Dec-2009	2,790	47	69	(21)	69%	0%	(1%)	2%	(13)	(0%)	1	1	(0)
HSBC	31-Dec-2009	112,258	15,106	18,869	(3,763)	80%	73%	(3%)	17%	(1,797)	(2%)	617	381	224
ICAP	31-Mar-2010	2,821	8	9	(1)	89%	75%	(0%)	0%	1	0%	0	1	0
Imperial Tobacco	30-Sep-2009	19,287	2,798	3,592	(794)	78%	36%	(4%)	19%	(691)	(4%)	53	42	20
Inmarsat	31-Dec-2009	3,030	33	45	(12)	74%	10%	(0%)	1%	(7)	(0%)	4	3	3
InterContinental Hotels	31-Dec-2009	3,250	342	408	(66)	84%	65%	(2%)	13%	(25)	(1%)	13	18	8
International Power	31-Dec-2009	5,893	277	374	(97)	74%	13%	(2%)	6%	(16)	(0%)	13	7	0
Intertek	31-Dec-2009	2,904	73	93	(20)	79%	30%	(1%)	3%	(3)	(0%)	4	5	2

Appendix (continued)

Name	Year End	Equity Market Value £m	Pension Assets £m	Pension Liabilities £m	Surplus / (Deficit) £m	Funding Level £m	% 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
Invensys	31-Mar-2010	2,408	4,919	5,441	(522)	90%	60%	(22%)	226%	(294)	(12%)	68	64	50
Investec	31-Mar-2010	2,732	116	115	1	101%	60%	0%	4%	(11)	(0%)	4	4	4
Johnson Matthey	31-Mar-2010	3,783	1,045	1,247	(202)	84%	46%	(5%)	33%	(117)	(3%)	51	28	27
Kazakhmys	31-Dec-2009	7,772	-	-	-	-	-	-	-	-	-	-	-	-
Kingfisher	30-Jan-2010	5,486	1,518	1,716	(198)	88%	62%	(4%)	31%	(164)	(3%)	66	48	44
Land Securities	31-Mar-2010	4,842	142	148	(7)	96%	56%	(0%)	3%	(11)	(0%)	7	4	6
Legal & General	31-Dec-2009	6,067	1,193	1,474	(281)	81%	67%	(5%)	24%	(159)	(3%)	62	58	51
Lloyds Banking Group	31-Dec-2009	49,598	23,518	27,073	(3,555)	87%	47%	(7%)	55%	(3,497)	(7%)	1,859	762	1,397
Lonmin	30-Sep-2009	3,375	-	-	-	-	-	-	-	-	-	-	-	-
Man Group	31-Mar-2010	3,750	258	253	5	102%	38%	0%	7%	(17)	(0%)	59	8	56
Marks & Spencer	03-Apr-2010	6,157	4,949	5,300	(351)	93%	53%	(6%)	86%	(252)	(4%)	83	92	26
Morrison Supermarkets	31-Jan-2010	7,776	2,111	2,128	(17)	99%	60%	(0%)	27%	20	0%	42	141	16
National Grid	31-Mar-2010	18,696	18,186	19,598	(1,412)	93%	57%	(8%)	105%	(550)	(3%)	572	799	460
Next	30-Jan-2010	4,086	433	482	(50)	90%	47%	(1%)	12%	(13)	(0%)	43	22	34
Old Mutual	31-Dec-2009	7,532	953	815	138	117%	56%	2%	11%	71	1%	14	13	6
Pearson	31-Dec-2009	7,928	1,727	1,967	(240)	88%	49%	(3%)	25%	(287)	(4%)	90	57	72
Petrofac	31-Dec-2009	4,739	-	-	-	-	-	-	-	-	-	-	-	-
Prudential	31-Dec-2009	16,104	5,512	5,174	338	107%	75%	2%	32%	(115)	(1%)	85	95	51
Randgold Resources	31-Dec-2009	6,781	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31-Dec-2009	25,377	801	1,064	(263)	75%	38%	(1%)	4%	(99)	(0%)	27	20	11
Reed Elsevier	31-Dec-2009	6,523	3,067	3,302	(235)	93%	40%	(4%)	51%	94	1%	101	79	34
Resolution	31-Dec-2009	3,555	1,012	953	59	106%	83%	2%	27%	73	2%	10	7	7
Rexam	31-Dec-2009	2,687	2,480	2,746	(266)	90%	61%	(10%)	102%	(168)	(6%)	17	50	6
Rio Tinto	31-Dec-2009	56,830	7,658	10,006	(2,348)	77%	40%	(4%)	18%	(641)	(1%)	370	231	240
Rolls-Royce	31-Dec-2009	11,176	7,402	7,537	(135)	98%	82%	(1%)	67%	(390)	(3%)	288	279	159
Royal Bank of Scotland	31-Dec-2009	27,367	27,925	30,830	(2,905)	91%	55%	(11%)	113%	(1,403)	(5%)	1,153	870	555
Royal Dutch Shell	31-Dec-2009	118,420	37,313	39,381	(2,068)	95%	45%	(2%)	33%	962	1%	3,345	891	2,726
RSA	31-Dec-2009	4,460	4,810	5,140	(330)	94%	66%	(7%)	115%	(932)	(21%)	130	123	77
SABMiller	31-Mar-2010	31,947	227	336	(109)	68%	68%	(0%)	1%	(1)	(0%)	1	5	(4)
Sage Group	30-Sep-2009	3,616	20	32	(12)	63%	78%	(0%)	1%	(7)	(0%)	1	1	(0)
Sainsbury	20-Mar-2010	7,217	4,237	4,658	(421)	91%	55%	(6%)	65%	(173)	(2%)	134	128	85
Schroders	31-Dec-2009	3,972	573	614	(41)	93%	47%	(1%)	15%	(70)	(2%)	9	12	1
Scottish & Southern Energy	31-Mar-2010	10,290	2,298	2,762	(464)	83%	54%	(5%)	27%	(509)	(5%)	110	71	89
Serco	31-Dec-2009	3,007	1,357	1,744	(388)	78%	66%	(13%)	58%	(255)	(8%)	62	61	28
Severn Trent	31-Mar-2010	3,088	1,393	1,748	(355)	80%	42%	(11%)	57%	(132)	(4%)	40	42	25
Shire	31-Dec-2009	8,021	-	-	-	-	-	-	-	-	-	-	-	-
Smith & Nephew	31-Dec-2009	5,153	531	713	(182)	74%	39%	(4%)	14%	40	1%	26	23	10
Smiths Group	31-Jul-2009	4,727	2,775	3,087	(312)	90%	47%	(7%)	65%	(409)	(9%)	53	56	35
Standard Chartered	31-Dec-2009	37,390	1,245	1,541	(296)	81%	53%	(1%)	4%	(66)	(0%)	85	81	65
Standard Life	31-Dec-2009	5,225	1,836	1,924	(88)	95%	51%	(2%)	37%	(69)	(1%)	62	60	20
Tesco	27-Feb-2010	33,717	4,696	6,536	(1,840)	72%	29%	(5%)	19%	(322)	(1%)	415	376	24
TUI Travel	30-Sep-2009	2,397	1,079	1,580	(501)	68%	44%	(21%)	66%	(295)	(12%)	92	71	65
Tullow Oil	31-Dec-2009	11,272	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2009	55,917	12,793	14,515	(1,723)	88%	28%	(3%)	26%	101	0%	1,071	594	912
United Utilities	31-Mar-2010	3,868	1,911	2,182	(271)	88%	51%	(7%)	56%	(50)	(1%)	44	45	15
Vedanta Resources	31-Mar-2010	5,907	22	46	(24)	47%	50%	(0%)	1%	(8)	(0%)	10	7	7
Vodafone	31-Mar-2010	82,499	1,487	1,690	(203)	88%	40%	(0%)	2%	(74)	(0%)	133	98	104
Weir Group	01-Jan-2010	2,988	552	623	(71)	89%	74%	(2%)	21%	(53)	(2%)	15	10	13
Whitbread	04-Mar-2010	2,854	1,281	1,715	(434)	75%	45%	(15%)	60%	(186)	(7%)	5	55	0
Wolseley	31-Jul-2009	4,514	640	981	(341)	65%	35%	(8%)	22%	(103)	(2%)	47	34	13
WPP	31-Dec-2009	8,866	588	836	(248)	70%	70%	(3%)	9%	12	0%	48	44	26
Xstrata	31-Dec-2009	35,505	1,326	1,580	(254)	84%	59%	(1%)	4%	(64)	(0%)	70	41	47

* There are currently no accounts available for African Barrick Gold and Essar Energy. Therefore, for the purposes of this report, we have assumed that these companies have no defined benefit pension liabilities.

Notes

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

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