



The FTSE 100 and their pension disclosures
A Quarterly Report from Pension Capital Strategies
April 2009

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PENSION CAPITAL STRATEGIES
Innovative Alternatives

Executive Summary

- The total deficit in FTSE 100 pension schemes at 31 March 2009 is estimated to be £50 billion. This is a deterioration of £86 billion on the position 12 months ago.
- Through a quirk in accounting rules, pension liabilities are linked to the value of AA bonds. The economic crisis has sent values of AA bonds into free-fall but it does not logically follow that that pension liabilities are also correspondingly lower. Either a change in the accounting standards or a correction in AA bond markets could see the impact of this "quirk" reversed. If pension liabilities had been valued on more "normal" levels of credit spreads, with AA bond discount rates at 80 to 100bps above gilt yields, then on average companies would see a 30% increase in their pension liabilities. For the FTSE 100 this could translate to additional liabilities of £100 billion.
- Pension schemes' flight out of equities into bonds continues and may be accelerating. The average pension scheme asset allocation to bonds has increased to 47% from 40%. This represents the largest 12-month shift in investment strategy for more than 20 years, and it comes on top of a very significant shift, from 34%, the previous year. Over just two years, therefore, bond holdings of FTSE 100 pension schemes have increased by more than a third.
- Within the overall general shift from equities into bonds, there are a large number of companies reporting very significant individual changes to investment strategies. 21 FTSE 100 companies increased their bond allocations by more than 10%.
- 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. 15 FTSE 100 companies have total pension liabilities greater than their equity market value. For British Airways, BT, Invensys and Royal Bank of Scotland, total pension liabilities are more than double their equity market value.
- 22 companies disclosed a pension surplus in their most recent annual report and accounts; 66 companies disclosed pension deficits. However, we estimate that only around 15 companies would disclose a surplus if they had a year-end of 31 March 2009.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have fallen slightly from £389 billion to £382 billion. 12 companies have pension liabilities of more than £10 billion, the largest of which is Royal Dutch Shell with pension liabilities of £36 billion. 22 companies have pension liabilities of less than £100 million, of which 11 companies have no defined benefit pension liabilities.
- In total, the amount contributed to FTSE 100 company pension schemes in their last financial year was £12.1 billion, down from £12.9 billion in the previous year. This is still more than the £7.7 billion cost of benefits accrued during the year. It therefore represents £4.4 billion of funding towards reducing pension scheme deficits. Royal Dutch Shell has announced that it plans to inject an additional \$5 billion (£3.3 billion) into its pension schemes this year, on top of its regular contributions, which totalled £891 million in 2008. The announcement was in response to the deficit of £5.8 billion disclosed in its latest accounts – the highest deficit in the FTSE 100. This compares to a surplus of £6.8 billion just 12 months before. We believe that this will be the largest ever pension deficit contribution in the UK.

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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 deteriorated significantly 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
Cable & Wireless	1	2,342	1,951	391	120%
Experian	2	525	451	74	116%
Home Retail Group	3	647	563	84	115%
AMEC	4	1,221	1,065	156	115%
Prudential	5	5,317	4,673	644	114%
Rolls-Royce	6	7,446	6,546	900	114%
Sainsbury	7	4,171	3,676	495	113%
Land Securities	8	139	124	15	112%
RSA	9	5,042	4,536	506	111%
Marks & Spencer	10	5,046	4,544	502	111%

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
BAE Systems	91	12,978	17,133	(4,155)	76%
Thomas Cook	92	582	771	(190)	75%
Inmarsat	93	24	32	(8)	75%
International Power	94	219	301	(82)	73%
AstraZeneca	95	3,914	5,674	(1,760)	69%
BG	96	506	734	(228)	69%
Smith & Nephew	97	467	690	(224)	68%
WPP	98	550	819	(269)	67%
Vedanta Resources	99	13	35	(21)	39%
Eurasian Natural Resources	100	0	26	(26)	0%

In 2007, IFRIC14* provided new guidance on irrecoverable surpluses. 23 FTSE 100 companies have reported an irrecoverable surplus. The total reported irrecoverable surplus for FTSE 100 companies is now £4.1 billion. For British Airways, the irrecoverable pension surplus is equivalent to 72% of the market value of the company. The largest reported irrecoverable surpluses in the FTSE 100 were as follows:

Name	Rank	Irrecoverable surplus £m
British Airways	1	1,159
Rolls-Royce	2	1,042
Prudential	3	793
Cable & Wireless	4	405
Scottish & Southern Energy	5	211
Standard Life	6	153
Friends Provident	7	113
British American Tobacco	8	61
BHP Billiton	9	50
Anglo American	10	42

Commentary

Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 31 March 2009 was £50 billion. This is an estimated deterioration of £86 billion on the position 12 months ago.

Through a quirk in accounting rules, pension liabilities are linked to the value of AA bonds. The economic crisis has sent values of AA bonds into free-fall but it does not logically follow that that pension liabilities are also correspondingly lower. Either a change in the accounting standards or a correction in AA bond markets could see the impact of this "quirk" reversed. If pension liabilities had been valued on more "normal" levels of credit spreads, with AA bond discount rates at 80 to 100bps above gilt yields, then on average companies would see a 30% increase in their pension liabilities. For the FTSE 100 this could translate to additional liabilities of £100 billion.

* For more information on IFRIC14, see PCS publication – IAS19: A Quarterly Guide for Finance Directors, at 31 March 2009.

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	91%
Sage Group	2	16	84%
Rolls-Royce	3	7,446	83%
Friends Provident	4	1,171	77%
ICAP	5	6	76%
Prudential	6	5,317	75%
HSBC	7	14,330	74%
InterContinental Hotels	8	379	72%
Rexam	9	2,505	71%
RSA	10	5,042	70%

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

Name	Rank	Assets £m	% of Assets in Bonds
BAE Systems	91	12,978	30%
Thomas Cook	92	582	30%
Unilever	93	11,447	28%
BG	94	506	27%
Centrica	95	2,642	27%
BP	96	18,063	25%
Tesco	97	4,089	25%
International Power	98	219	16%
Inmarsat	99	24	12%
Hammerson	100	42	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
Kingfisher	1	63%	42%	+21%
Morrison Supermarkets	2	62%	41%	+21%
Friends Provident	3	77%	59%	+19%
Drax	4	52%	35%	+17%
InterContinental Hotels	5	72%	56%	+17%
Standard Life	6	49%	33%	+16%
Royal Bank of Scotland	7	54%	39%	+15%
Cobham	8	53%	39%	+15%
Aviva	9	56%	42%	+14%
Next	10	50%	36%	+14%

Commentary

The pace at which companies and trustees are switching pension assets out of equities into bonds is accelerating. Kingfisher and Morrisons are the latest companies to report a big switch, each increasing their bond allocations by 21%. Over the past two years, Morrisons has increased its bond allocation from 17% to 62%. 37 FTSE 100 companies now have more than 50% of 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, the average pension scheme asset allocation to bonds has increased to 47%, from 40% in the previous year's accounts. This represents the largest 12-month shift in investment strategy for more than 20 years, and it comes on top of a very significant shift, from 34%, the previous year.

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. More recently, persistent problems in the credit markets have maintained a high spread on corporate bonds. This has countered the effects of rising inflation and increasing life expectancy, stifling the growth in pension liabilities over the last year.

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

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
Royal Dutch Shell	1	36,374	97,324
BT	2	34,669	6,047
Royal Bank of Scotland	3	27,752	9,722
Lloyds Banking Group	4	22,326	11,550
BP	5	22,004	88,843
BAE Systems	6	17,133	11,795
HSBC	7	16,494	54,553
National Grid	8	16,391	13,107
Barclays	9	15,615	12,388
Unilever	10	14,038	40,593
British Airways	11	13,550	1,619
GlaxoSmithKline	12	10,980	56,990

* as at 31 March 2009

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	79	80	3,075
Intertek	80	77	1,391
Liberty International	81	56	1,412
Hammerson	82	51	1,774
Vedanta Resources	83	35	1,912
Inmarsat	84	32	2,234
Eurasian Natural Resources	85	26	5,811
Alliance Trust	86	21	1,787
Sage Group	87	20	2,214
Fresnillo	88	20	3,281
ICAP	89	7	1,959

* as at 31 March 2009

In addition, Admiral, Antofagasta, Autonomy Corporation, BSKyB, Cairn Energy, Kazakhmys, Lonmin, Petrofac, Randgold Resources, Shire and Tullow Oil all reported no defined benefit pension liabilities.

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have fallen slightly from £389 billion to £382 billion. 12 companies have pension liabilities of more than £10 billion, whilst 22 companies have pension liabilities of less than £100 million.

Significance of the Pension Scheme in the Board Room

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 MV	Liabilities as a % of Equity Market Value
British Airways	1	1,619	45%	837%
BT	2	6,047	46%	573%
Invensys	3	1,324	(14%)	371%
Royal Bank of Scotland	4	9,722	(21%)	285%
Lloyds Banking Group	5	11,550	(12%)	193%
Aviva	6	5,746	(11%)	173%
Rexam	7	1,733	(5%)	149%
BAE Systems	8	11,795	(35%)	145%
Balfour Beatty	9	1,563	(17%)	134%
Barclays	10	12,388	(9%)	126%
National Grid	11	13,107	1%	125%
Rolls-Royce	12	5,386	17%	122%
Smiths Group	13	2,594	2%	112%
RSA	14	4,307	12%	105%
Whitbread	15	1,385	(2%)	101%

* as at 31 March 2009

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

Name	Rank	Equity Market Value* £m	Surplus / (Deficit) as a % of MV	Liabilities as a % of Equity Market Value
British Land	80	3,075	0%	3%
BG	81	35,545	(1%)	2%
Vodafone	82	64,602	(0%)	2%
Vedanta Resources	83	1,912	(1%)	2%
Inmarsat	84	2,234	(0%)	1%
Alliance Trust	85	1,787	(0%)	1%
Sage Group	86	2,214	(0%)	1%
Fresnillo	87	3,281	(0%)	1%
Eurasian Natural Resources	88	5,811	(0%)	0%
ICAP	89	1,959	(0%)	0%

* as at 31 March 2009

In addition, Admiral, Antofagasta, Autonomy Corporation, BSKyB, Cairn Energy, Kazakhmys, Lonmin, Petrofac, Randgold Resources, Shire and Tullow Oil all reported no defined benefit pension liabilities.

Commentary

A year ago, only six FTSE 100 companies had pension liabilities greater than the total equity value of the company. An extra nine FTSE 100 companies have joined this exclusive group, and four FTSE 100 companies now have pension liabilities valued at over twice the company equity value. In addition, Aviva, BAE Systems, Balfour Beatty, G4S, Invensys, Lloyds Banking Group and Royal Bank of Scotland have pension deficits bigger than 10% of the equity value of the company.

We have highlighted on page 3 the 'quirk' in the accounting rules which has led to understated pension liabilities. There is a real risk that this quirk might reverse, either due to changing accounting standards or changing markets.

If AA spreads fall, pension liabilities would rise. For the 15 FTSE 100 companies with pension liabilities greater than the total equity value of the company, this could have a material impact on how they are affected by their pension schemes. For British Airways, BT and Invensys, a 30% increase in their pension liabilities exceeds the equity market value of the company. The importance of the problem was highlighted in January by a warning from Moody's on how significant pension liabilities can have a material impact on credit ratings and hence on companies' ability to borrow.

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	Unexpected Balance Sheet Gain (£m)	Impact as a % of Equity Value
BT	1	6,047	2,616	43%
British Airways	2	1,619	329	20%
Invensys	3	1,324	221	17%
Barclays	4	12,388	1,949	16%
Marks & Spencer	5	4,696	699	15%
Sainsbury	6	5,437	540	10%
Whitbread	7	1,385	96	7%
RSA	8	4,307	277	6%
Standard Life	9	3,615	156	4%
Home Retail Group	10	1,968	74	4%

* as at 31 March 2009

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

Name	Rank	Equity Market Value* £m	Unexpected Balance Sheet Gain (£m)	Impact as a % of Equity Value
AMEC	91	1,769	-113	-6%
Unilever	92	40,593	-2,878	-7%
G4S	93	2,730	-201	-7%
Lloyds Banking Group	94	11,550	-863	-7%
Reed Elsevier	95	5,524	-462	-8%
Smiths Group	96	2,594	-286	-11%
Royal Dutch Shell	97	97,324	-13,741	-14%
Aviva	98	5,746	-946	-16%
BAE Systems	99	11,795	-2,554	-22%
Royal Bank of Scotland	100	9,722	-2,431	-25%

* as at 31 March 2009

Commentary

Over the year covered by their latest report and accounts, 22 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 67 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes. This is in stark contrast to 12 months ago when 70 companies reported an unexpected gain and 20 reported an unexpected loss.

British Airways were ranked bottom in this analysis as at 31 March 2008, with an impact of -17% of equity value. The rise of British Airways to rank 2nd in this analysis further emphasises the volatility caused by 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. But where the contributions paid are less than the cost of benefits, this will increase pension scheme deficits (or reduce pension scheme surpluses).

The increases in pension scheme contributions seen in recent years seem to be slowing, with the amount contributed in the most recent accounting year being £0.8 billion lower than the amount contributed the previous year.

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

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

Name	Rank	Pension Contributions £m	Cost of Benefits £m	Surplus Contributions £m
British Airways	1	944	199	745
Aviva	2	620	166	454
Unilever	3	594	195	399
BAE Systems	4	486	139	347
National Grid	5	465	132	333
Lloyds Banking Group	6	762	504	258
Royal Dutch Shell	7	891	655	237
GlaxoSmithKline	8	443	258	185
Centrica	9	243	103	140
BT	10	708	576	132

The FTSE 100 companies who made the lowest surplus contributions were as follows:

Name	Rank	Pension Contributions £m	Cost of Benefits £m	Surplus Contributions £m
International Power	91	7	10	-3
SABMiller	92	12	16	-4
Johnson Matthey	93	26	31	-4
BG	94	45	51	-6
Home Retail Group	95	14	27	-13
Diageo	96	84	97	-13
HSBC	97	381	410	-29
United Utilities	98	16	56	-40
Tesco	99	340	461	-121
BP	100	271	487	-215

Commentary

In total, the amount contributed to FTSE 100 company pension schemes was £12.1 billion, down from £12.9 billion in the previous accounting year. This is still more than the £7.7 billion cost of benefits accrued during the year. It therefore represents £4.4 billion of funding towards reducing pension scheme deficits.

Royal Dutch Shell has announced that it plans to inject an additional \$5 billion (£3.3 billion) into its pension schemes this year, on top of its regular contributions, which totalled £891 million in 2008. The announcement was in response to the deficit of £5.8 billion disclosed in its latest accounts – the highest deficit in the FTSE 100. This compares to a surplus of £6.8 billion just 12 months before. We believe that this will be the largest ever pension deficit contribution in the UK.

The huge cash contributions announced 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, Tesco and Whitbread have utilised prime properties to create £500 million and £150 million worth of contingent assets respectively.

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	Unexpected Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus Funding £m
Admiral	31-Dec-2008	2,258	-	-	-	-	-	-	-	-	-	-	-	-
Alliance Trust	31-Jan-2009	1,787	19	21	(2)	93%	53%	(0%)	1%	(3)	(0%)	1	1	0
AMEC	31-Dec-2008	1,065	1,221	1,065	156	115%	61%	9%	60%	(113)	(6%)	26	36	14
Amlin	31-Dec-2008	1,609	266	260	(4)	98%	69%	(0%)	16%	(80)	(1%)	2	6	2
Anglo American	31-Dec-2008	15,726	1,430	1,488	(58)	96%	57%	(0%)	9%	(80)	(1%)	27	35	3
Antofagasta	31-Dec-2008	4,974	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	13-Sep-2008	5,073	2,424	2,328	96	104%	60%	2%	46%	(255)	(5%)	54	61	17
AstraZeneca	31-Dec-2008	35,769	3,914	5,674	(1,760)	69%	48%	(5%)	16%	(799)	(2%)	207	158	22
Autonomy Corporation	31-Dec-2008	3,100	-	-	-	-	-	-	-	-	-	-	-	-
Aviva	31-Dec-2008	5,746	9,338	9,951	(613)	94%	56%	(11%)	173%	(946)	(16%)	620	297	454
BAE Systems	31-Dec-2008	11,795	12,978	17,133	(4,155)	76%	30%	(35%)	145%	(2,554)	(22%)	486	487	347
Balfour Beatty	31-Dec-2008	1,563	1,841	2,102	(261)	88%	63%	(17%)	134%	(65)	(4%)	70	44	85
Barclays	31-Dec-2008	12,388	14,496	15,615	(1,119)	93%	47%	(9%)	126%	1,949	16%	407	389	95
BG	31-Dec-2008	35,545	506	734	(228)	69%	27%	(1%)	2%	(19)	(0%)	45	62	(6)
BHP Billiton	30-Jun-2008	30,567	884	945	(61)	94%	65%	(0%)	3%	(55)	(0%)	47	36	9
BP	31-Dec-2008	88,843	18,063	22,004	(3,941)	82%	25%	(4%)	25%	(5,584)	(6%)	271	583	(215)
British Airways	31-Mar-2008	1,619	14,272	13,550	722	105%	49%	45%	837%	329	20%	944	543	745
British American Tobacco	31-Dec-2008	32,204	4,169	4,752	(583)	88%	46%	(2%)	15%	(551)	(2%)	145	138	66
British Land	31-Mar-2008	3,075	80	80	0	100%	43%	0%	3%	(10)	(0%)	3	10	0
BSKYB	30-Jun-2008	7,599	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2008	6,047	37,448	34,669	2,779	108%	33%	46%	573%	2,616	43%	708	926	132
Bunzl	31-Dec-2008	1,793	202	253	(51)	80%	43%	(3%)	14%	(43)	(2%)	9	17	3
Cable & Wireless	31-Mar-2008	3,504	2,342	1,951	391	120%	49%	11%	56%	(95)	(3%)	35	18	19
Cadbury	31-Dec-2008	7,166	2,269	2,527	(258)	90%	50%	(4%)	35%	(423)	(6%)	84	120	22
Cairn Energy	31-Dec-2008	2,980	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2008	4,180	427	452	(25)	95%	30%	(1%)	11%	(48)	(1%)	39	21	13
Carnival	30-Nov-2008	3,366	123	119	4	104%	64%	0%	4%	(8)	(0%)	4	19	1
Centrica	31-Dec-2008	11,611	2,642	2,755	(113)	96%	27%	(1%)	24%	(409)	(4%)	243	218	140
Cobham	31-Dec-2008	1,948	407	458	(51)	89%	53%	(3%)	24%	(22)	(1%)	11	11	6
Compass	30-Sep-2008	5,931	1,419	1,552	(133)	91%	66%	(2%)	26%	(8)	(0%)	56	170	35
Diageo	30-Jun-2008	19,810	5,165	5,401	(236)	96%	34%	(1%)	27%	(24)	(0%)	84	95	(13)
Drax	31-Dec-2008	1,756	94	114	(21)	82%	52%	(1%)	7%	(13)	(1%)	10	5	6
Eurasian Natural Resources	31-Dec-2008	5,811	0	26	(26)	0%	-	(0%)	0%	5	0%	0	0	(2)
Experian	31-Mar-2008	4,456	525	451	74	116%	34%	2%	10%	10	0%	10	20	0
Foreign & Colonial	31-Dec-2008	1,509	146	168	(22)	87%	41%	(1%)	11%	1	0%	7	13	4
Fresnillo	31-Dec-2008	3,281	18	20	(2)	88%	91%	(0%)	1%	(1)	(0%)	0	1	(0)
Friends Provident	31-Dec-2008	1,610	1,171	1,080	91	108%	77%	6%	67%	(29)	(2%)	49	33	25
G4S	31-Dec-2008	2,730	1,121	1,448	(328)	77%	43%	(12%)	53%	(201)	(7%)	53	38	37
GlaxoSmithKline	31-Dec-2008	56,990	9,288	10,980	(1,692)	85%	46%	(3%)	19%	(1,809)	(3%)	443	504	185
Hammerston	31-Dec-2008	1,774	42	51	(8)	84%	0%	(0%)	3%	(1)	(0%)	1	1	(1)
Home Retail Group	01-Mar-2008	1,968	647	563	84	115%	32%	4%	29%	74	4%	14	13	(13)
HSBC	31-Dec-2008	54,553	14,330	16,494	(2,164)	87%	74%	(4%)	30%	(1,278)	(2%)	381	634	(29)
ICAP	31-Mar-2008	1,959	6	7	(1)	86%	76%	(0%)	0%	(0)	(0%)	1	1	1
Imperial Tobacco	30-Sep-2008	15,931	2,769	2,874	(105)	96%	41%	(1%)	18%	(357)	(2%)	42	46	2
Inmarsat	31-Dec-2008	2,234	24	32	(8)	75%	12%	(0%)	1%	(3)	(0%)	3	3	2
InterContinental Hotels	31-Dec-2008	1,519	379	411	(32)	92%	72%	(2%)	27%	(41)	(3%)	18	37	13
International Power	31-Dec-2008	3,197	219	301	(82)	73%	16%	(3%)	9%	(78)	(2%)	7	11	(3)
Intertek	31-Dec-2008	1,391	59	77	(19)	76%	34%	(1%)	6%	(14)	(1%)	5	4	3
Invensys	31-Mar-2008	1,324	4,722	4,913	(191)	96%	65%	(14%)	371%	221	17%	116	50	90

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	Unexpected Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus Funding £m
Johnston Matthey	31-Mar-2008	2,261	915	869	46	105%	44%	2%	38%	8	0%	26	28	(4)
Kazakhmys	31-Dec-2008	1,986	-	-	(74)	-	-	(2%)	-	(189)	-	-	-	-
Kingfisher	31-Jan-2009	3,507	1,363	1,437	15	95%	63%	(2%)	41%	-	-	48	103	25
Land Securities	31-Mar-2008	3,305	139	124	15	112%	49%	0%	4%	16	0%	2	4	(0)
Legal & General	31-Dec-2008	2,520	1,047	1,187	(140)	88%	68%	(6%)	47%	33	3%	58	39	35
Liberty International	31-Dec-2008	1,412	50	56	(6)	89%	42%	(8%)	4%	(863)	(7%)	3	2	1
Lloyds Banking Group	31-Dec-2008	11,550	20,934	22,326	(1,392)	94%	43%	(12%)	193%	-	-	762	738	258
Lomlin	30-Sep-2008	2,229	-	-	(5)	-	-	(0%)	-	20	1%	3	17	(1)
Man Group	31-Mar-2008	3,698	172	177	(5)	97%	46%	(0%)	5%	-	-	111	611	5
Marks & Spencer	31-Mar-2008	4,696	5,046	4,544	502	111%	52%	11%	97%	699	15%	141	193	103
Morrison Supermarkets	01-Feb-2009	6,719	1,758	1,807	(49)	97%	62%	(1%)	27%	(101)	(2%)	465	276	333
National Grid	31-Mar-2008	13,107	16,536	16,391	145	101%	55%	1%	125%	369	3%	13	14	4
Next	24-Jan-2009	2,616	326	395	(69)	83%	50%	(3%)	15%	(154)	(6%)	57	157	20
Old Mutual	31-Dec-2008	2,760	828	778	50	106%	55%	2%	28%	(89)	(2%)	21	11	7
Pearson	31-Dec-2008	5,644	1,578	1,594	(16)	99%	43%	(0%)	28%	5	0%	-	-	-
Pennon	31-Mar-2008	1,417	332	358	(26)	93%	37%	(2%)	25%	-	-	95	101	50
Petrofac	31-Dec-2008	1,847	-	-	644	114%	75%	8%	56%	(63)	(1%)	-	-	-
Prudential	31-Dec-2008	8,389	5,317	4,673	-	-	-	-	-	-	-	-	-	-
Randgold Resources	31-Dec-2008	3,958	-	-	(171)	81%	48%	(1%)	5%	(122)	(1%)	20	10	3
Reckitt Benckiser	31-Dec-2008	18,552	710	881	(369)	88%	48%	(7%)	55%	(462)	(8%)	79	83	4
Reed Elsevier	31-Dec-2008	5,524	2,682	3,051	(81)	97%	71%	(5%)	149%	(53)	(3%)	50	44	35
Rexam	31-Dec-2008	1,733	2,505	2,586	(81)	80%	40%	(8%)	39%	(643)	(3%)	279	707	117
Rio Tinto	31-Dec-2008	23,535	7,295	9,121	(1,826)	114%	83%	17%	122%	(114)	(2%)	810	599	77
Rolls-Royce	31-Dec-2008	5,386	7,446	6,546	900	93%	54%	(21%)	285%	(2,431)	(14%)	891	629	237
Royal Bank of Scotland	31-Dec-2008	9,722	25,756	27,752	(1,996)	84%	49%	(6%)	37%	(13,741)	6%	123	168	52
Royal Dutch Shell	31-Dec-2008	97,324	30,611	36,374	(5,763)	111%	70%	12%	105%	277	0%	12	14	(4)
RSA	31-Dec-2008	4,307	5,042	4,536	506	78%	41%	(1%)	5%	(9)	0%	1	1	(0)
SABMiller	31-Mar-2008	16,320	670	854	(184)	81%	84%	(0%)	1%	2	0%	82	362	4
Sege Group	30-Sep-2008	2,214	16	20	(4)	104%	51%	9%	68%	540	10%	12	19	4
Sainsbury	22-Mar-2008	5,437	4,171	3,676	495	108%	46%	1%	24%	(30)	(0%)	74	62	44
Schroders	31-Dec-2008	2,201	548	525	22	108%	40%	2%	18%	(26)	(0%)	61	105	13
Scottish & Southern Energy	31-Dec-2008	10,586	2,081	1,920	162	89%	58%	(8%)	76%	(4)	(1%)	56	97	24
Serco	31-Dec-2008	1,770	1,194	1,343	(149)	91%	37%	(5%)	63%	(28)	-	-	-	-
Seymour Trent	31-Mar-2008	2,332	1,332	1,458	(126)	68%	41%	(6%)	18%	(155)	(4%)	23	20	8
Shire	31-Dec-2008	4,827	-	-	(224)	102%	48%	2%	112%	(286)	(11%)	56	103	35
Smith & Nephew	31-Dec-2008	3,835	467	690	49	80%	55%	(2%)	9%	(166)	(1%)	81	54	31
Smiths Group	31-Jul-2008	2,594	2,960	2,911	(291)	108%	49%	3%	42%	156	4%	60	64	13
Standard Chartered	31-Dec-2008	16,364	1,188	1,478	116	108%	25%	(3%)	19%	186	1%	340	321	(121)
Standard Life	31-Dec-2008	3,615	1,629	1,513	(838)	75%	30%	(9%)	37%	(27)	(1%)	33	37	12
Tesco	23-Feb-2008	26,241	4,059	4,927	(190)	95%	61%	(1%)	18%	(174)	(1%)	67	50	26
Thomas Cook	30-Sep-2008	2,060	582	771	(133)	78%	48%	(10%)	46%	4	0%	70	33	39
Thomson Reuters	31-Dec-2008	14,603	2,517	2,651	(254)	82%	28%	(6%)	35%	(2,878)	(7%)	594	790	399
TUI Travel	30-Sep-2008	2,557	924	1,178	-	95%	34%	(3%)	60%	(152)	(5%)	16	8	(40)
Tullow Oil	31-Dec-2008	6,410	11,447	14,038	(2,591)	98%	36%	(2%)	101%	(154)	(3%)	41	58	12
Unilever	31-Dec-2008	40,593	1,447	14,038	(101)	95%	34%	(3%)	60%	(152)	(5%)	594	790	399
United Utilities	31-Mar-2008	3,264	1,863	1,964	(101)	39%	40%	(1%)	2%	(1)	(0%)	2	2	(1)
Vedanta Resources	31-Mar-2008	1,912	13	35	(39)	97%	31%	(0%)	2%	(51)	(0%)	86	55	33
Vodafone	31-Mar-2008	64,602	1,271	1,310	(39)	98%	36%	(2%)	17%	(154)	(3%)	56	110	60
Whitbread	28-Feb-2008	1,385	1,372	1,405	(33)	98%	68%	(5%)	17%	(154)	(3%)	44	47	25
WPP	31-Dec-2008	4,943	550	819	(259)	84%	62%	(2%)	10%	(122)	(1%)	41	58	12
Xstrata	31-Dec-2008	13,662	1,146	1,363	(217)	84%	62%	(2%)	10%	(122)	(1%)	41	58	12

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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