

The FTSE 100 and their pension disclosures

A Quarterly Report from JLT Pension Capital Strategies

May 2011

Strategies to Solutions



JLT PENSION CAPITAL STRATEGIES

FTSE 100



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

The PCS Quarterly Report

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Executive Summary

- The total deficit in FTSE 100 pension schemes at 31 March 2011 is estimated to be £32 billion. This is an improvement of £36 billion from the position 12 months ago.
- There continues to be significant funding of pension deficits – and this at a time when most companies have precious little spare cash. Last year saw total deficit funding of £11.0 billion, slightly down from £11.1 billion the previous year but still significantly up on typical levels of deficit funding seen before that. HSBC led the way with a massive deficit contribution of over £1.8 billion, but 63 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 20% in the last 12 months alone.
- The average pension scheme asset allocation to bonds is 50%, a slight increase on last year's figure of 49%. This follows a very significant shift, from 41% the previous year and 35% just three years ago.
- There are a number of companies reporting very significant individual changes to investment strategies. Six FTSE 100 companies changed their bond allocations by more than 10%.
- There are a significant number of FTSE 100 companies where the pension scheme represents a material risk to the business. Seven FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For International Airlines Group and BT, total disclosed pension liabilities are more than treble their equity market value.
- Only 12 companies disclosed a pension surplus in their most recent annual report and accounts; 72 companies disclosed pension deficits. However, taking account of asset appreciation during the second half of 2010, we estimate that 20 companies would disclose a surplus if they had a year-end of 31 March 2011.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £410 billion to £451 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, the largest of which is BT with disclosed pension liabilities of £43 billion. A total of 25 companies have disclosed pension liabilities of less than £100 million, of which 16 companies have no defined benefit pension liabilities.
- If pension liabilities were measured on a "risk-free" basis rather than using a AA bond discount rate, the total disclosed pension liabilities of the FTSE 100 would increase from £451 billion to around £550 billion, and the total deficit at 31 March 2011 would be around £130 billion.

The appendix at the end of this report contains a full list of all the FTSE 100 companies analysed and their relevant pension disclosures.

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Funding Position

The overall funding position of pension schemes of FTSE 100 companies has improved over the year covered by their latest annual report and accounts.

Including all pension arrangements, both UK and overseas, whether funded or unfunded, the FTSE 100 companies with the best-funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus / (Deficit) £m	Funding Level
Old Mutual	1	1,119	977	142	115%
Next	2	507	451	56	112%
Standard Life	3	2,228	2,012	216	111%
Resolution	4	1,113	1,047	66	106%
Prudential	5	6,004	5,692	312	105%
Schroders	6	693	659	34	105%
Carnival	7	203	196	7	104%
British Land	8	98	95	3	103%
AMEC	9	1,435	1,407	27	102%
Man Group	10	258	253	5	102%

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
Tesco	91	4,696	6,536	(1,840)	72%
TUI Travel	92	1,215	1,709	(494)	71%
WPP	93	588	836	(248)	70%
SABMiller	94	227	336	(109)	68%
Hammerson	95	51	77	(26)	66%
BG	96	665	1,031	(366)	65%
Wolseley	97	724	1,156	(432)	63%
Sage Group	98	15	26	(11)	57%
Vedanta Resources	99	22	46	(24)	47%
Eurasian Natural Resources	100	0	29	(29)	0%

In 2007, IFRIC14* provided new guidance on irrecoverable surpluses. Within the FTSE 100, 17 companies have reported an irrecoverable surplus. The total reported irrecoverable surplus for FTSE 100 companies is now £1.7 billion. The largest reported irrecoverable surpluses in the FTSE 100 were as follows:

Name	Rank	Irrecoverable surplus £m
Rolls-Royce	1	635
Prudential	2	532
Scottish & Southern Energy	3	256
British American Tobacco	4	51
BHP Billiton	5	46
Anglo American	6	38
HSBC	7	30
Invensys	8	30
Associated British Foods	9	13
Carnival	10	6

Commentary

Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 31 March 2011 was £32 billion. This is an improvement of £36 billion from the position 12 months ago.

* For more information on IFRIC14, see PCS publication – IAS19: A Quarterly Guide for Finance Directors, at 31 March 2011.

Investment Mismatching

Legislation over a number of years has clarified that pension liabilities are a form of corporate debt. Despite the fact that there is an increasing weight of opinion from academics and analysts that mismatched investment strategies in pension schemes reduce shareholder value, many companies are still running very large mismatched equity positions in their pension schemes. This has the impact of creating balance sheet volatility which some academic evidence might suggest flows through to share price volatility. Inevitably, analysis of mismatching is limited to the information disclosed in the annual report and accounts. Given the bond-like nature of pension liabilities, the allocation of pension assets to bonds gives an indication of the level of investment mismatching that exists.

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

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

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

Name	Rank	Assets £m	% of Assets in Bonds
Wolseley	91	724	34%
Unilever	92	13,764	31%
Tesco	93	4,696	29%
Capita	94	648	23%
BP	95	22,234	23%
Inmarsat	96	42	18%
BG	97	665	16%
Wood Group (John)	98	99	16%
International Power	99	336	13%
Hammerson	100	51	0%

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

Name	Rank	Current Bond Allocation	Previous Bond Allocation	Switch to Bonds
G4S	1	81%	42%	+39%
Fresnillo	2	62%	88%	-26%
Standard Life	3	69%	51%	+19%
Centrica	4	53%	36%	+17%
ICAP	5	75%	88%	-13%
BG	6	16%	27%	-11%
Vedanta Resources	7	50%	40%	+10%
InterContinental Hotels	8	55%	65%	-9%
Scottish & Southern Energy	9	54%	63%	-9%
Inmarsat	10	18%	10%	+8%

Commentary

Some companies and trustees are continuing to switch pension assets out of equities into bonds, which could indicate some "profit taking" as a result of the recent massive rally in equity markets. G4S is the latest company to report a big switch, increasing their bond allocations by 39%. A total of 42 FTSE 100 companies now have more than 50% of pension scheme assets in bonds. Moreover, company disclosures reveal little of the extensive activity there has been by a number of companies to use LDI (liability-driven investment) strategies, which frequently make use of derivatives and other financial instruments. Overall though, the average pension scheme asset allocation to bonds is now 50%, a slight increase on last year's figure of 49%. This follows a very significant shift, from 41% the previous year and from 35% just three years ago.

We can also expect IFRIC14 to impact on pension scheme investment strategies. If shareholders see none of the upside of pension scheme investment in equities and all of the downside, there will inevitably be further pressure on company management to encourage moves towards lower volatility investments in pension schemes.

Size of Pension Scheme

In recent years, pension schemes have grown significantly. Attempts by many companies to stem the growth of their pension liabilities by closing defined benefit pension schemes to new entrants have had little impact. Changes in economic conditions and increasing life expectancy have contributed to the spiralling growth in pension liabilities. Following the credit crunch, high spreads on corporate bonds prevailed over 2009, which countered the effects of rising inflation and increasing life expectancy, stifling the growth of pension liabilities. Over 2010, spreads on corporate bonds returned closer to historically normal levels and this significantly inflated pension liabilities reported in 2010 year-end accounts.

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

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
BT	1	43,293	14,352
Royal Dutch Shell	2	42,781	142,419
Lloyds Banking Group	3	26,862	39,544
BP	4	25,179	85,848
Royal Bank of Scotland	5	24,999	23,645
Barclays	6	21,643	33,806
BAE Systems	7	21,158	11,067
HSBC	8	21,022	112,869
National Grid	9	19,598	20,565
International Airlines Group	10	16,826	4,211
Unilever	11	14,983	58,067
GlaxoSmithKline	12	13,379	62,159
Aviva	13	11,419	12,142
Rio Tinto	14	10,575	66,497

* as at 31 March 2011

The FTSE 100 companies with the smallest pension liabilities (all those under £100 million) are as follows:

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
Wood Group (John)	73	120	3,365
Investec	74	115	2,566
Intertek	75	102	3,228
British Land	76	95	4,888
Hammerson	77	77	3,162
Aggreko	78	56	4,314
Inmarsat	79	48	2,758
Vedanta Resources	80	46	6,279
Eurasian Natural Resources	81	29	12,060
Sage Group	82	26	3,639
Fresnillo	83	25	11,066
ICAP	84	9	3,505

* as at 31 March 2011

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

Commentary

In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen from £410 billion to £451 billion.

A total of 14 companies have disclosed pension liabilities of more than £10 billion, whilst 25 companies have disclosed pension liabilities of less than £100 million.

The possibility of measuring pension liabilities on a "risk-free" basis (i.e. using gilt-based discount rates rather than AA bond discount rates) has been debated at length, including in a detailed discussion paper from the Accounting Standards Board. In the UK, a company can no longer default on its promises to pension scheme members unless it goes into liquidation; however, last year the government changed the index linkage for most of the inflation-linked benefits which has had the effect of reducing the expected benefit outgo (but note this is being contested in the courts). Therefore it is difficult to say whether or not a discount rate should be increased to allow for a reduction of non-payment of benefits. If pension liabilities were to be measured on a "risk-free" basis, with no allowance for default or further reduction in benefits, we estimate that it would add around 20% to the total pension liabilities, i.e. increasing the total disclosed pension liabilities from £451 billion to around £550 billion. The total deficit at 31 March 2011 on a "risk-free" basis would be around £130 billion.

Significance of the Pension Scheme in the Boardroom

The impact of the pension liabilities on corporate decision-making and its importance in the boardroom depends on the relative size of the pension scheme. In the analysis below, the pension scheme deficit and liabilities are expressed as a percentage of the equity market value of the company.

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

Name	Rank	Equity Market Value* £m	Surplus / (Deficit) as a % of Equity Market Value	Liabilities as a % of Equity Market Value	less Matched Assets
International Airlines Group	1	4,211	(49%)	400%	
BT	2	14,352	(55%)	302%	
Invensys	3	2,784	(19%)	195%	
BAE Systems	4	11,067	(35%)	191%	
RSA	5	4,589	(3%)	118%	87%**
Royal Bank of Scotland	6	23,645	(9%)	106%	
GKN	7	3,113	(19%)	105%	
Marks & Spencer	8	5,342	(7%)	99%	
National Grid	9	20,565	(7%)	95%	
Aviva	10	12,142	(0%)	94%	
Rexam	11	3,181	(11%)	93%	
ITV	12	3,008	(10%)	91%	
Sainsbury	13	6,256	(7%)	74%	
Rolls-Royce	14	11,586	1%	70%	
Lloyds Banking Group	15	39,544	(1%)	68%	

* as at 31 March 2011

** These companies' pension schemes have purchased contracts which insure part of their liabilities; the figures in italics represent the impact of the liabilities without these insured sections.

A further sign of the significance of pensions in the boardroom is the extent of continuing DB provision to employees. This can be measured by looking at the ongoing spend on DB pensions (the service cost) before any allowance for deficit spending. The FTSE 100 companies with the highest ongoing spending is shown in the table below, together with the previous year's spend for comparison.

Name	Rank	Current DB Service Cost	Previous DB Service Cost
Royal Dutch Shell	1	738	619
Royal Bank of Scotland	2	499	583
BP	3	488	430
Tesco	4	391	428
Lloyds Banking Group	5	384	395
HSBC	6	358	381
Barclays	7	343	281
GlaxoSmithKline	8	268	251
Unilever	9	224	203
BAE Systems	10	212	162

Commentary

Seven FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For International Airlines Group and BT, total disclosed pension liabilities are more than treble their equity market value. In addition, International Airlines Group and BT have disclosed pension deficits approximately equal to 50% of the equity value of the company, with a further nine companies with 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 20% 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 Market Value
Aviva	1	12,142	1,425	12%
BAE Systems	2	11,067	1,088	10%
Lloyds Banking Group	3	39,544	2,824	7%
Standard Life	4	4,721	184	4%
ITV	5	3,008	94	3%
GKN	6	3,113	74	2%
RSA	7	4,589	87	2%
Serco	8	2,729	51	2%
Royal Bank of Scotland	9	23,645	430	2%
Next	10	3,645	64	2%

* as at 31 March 2011

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

Name	Rank	Equity Market Value* £m	Unanticipated Balance Sheet Gain £m	Impact as a % of Equity Market Value
Sainsbury	91	6,256	-173	-3%
Kingfisher	92	5,760	-164	-3%
Johnson Matthey	93	3,993	-117	-3%
Severn Trent	94	3,441	-132	-4%
Scottish & Southern Energy	95	11,814	-509	-4%
Marks & Spencer	96	5,342	-252	-5%
Whitbread	97	2,899	-186	-6%
Invensys	98	2,784	-294	-11%
BT	99	14,352	-4,322	-30%
International Airlines Group	100	4,211	-1,546	-37%

* as at 31 March 2011

Commentary

Over the year covered by their latest report and accounts, 34 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 50 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes.

Contributions Paid Into Pension Schemes

This analysis compares the pension scheme contributions actually paid by companies with the cost of pension benefits accrued during the year. Surplus pension contributions paid in excess of the cost of benefits will reduce pension scheme deficits. However, where the contributions paid are less than the cost of benefits, this will increase pension scheme deficits (or reduce pension scheme surpluses).

The large increases in the contributions seen in the last couple of years have ended, with the amount contributed in the most recent accounting year being £0.7 billion lower than the amount contributed the previous year.

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

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

Name	Rank	Pension Contributions £m	Cost of Benefits £m	Surplus Contributions £m
HSBC	1	2,146	378	1,768
BT	2	916	206	710
Barclays	3	721	105	616
Royal Dutch Shell	4	1,334	738	596
GlaxoSmithKline	5	814	268	546
BAE Systems	6	791	251	540
Rio Tinto	7	670	156	514
National Grid	8	572	112	460
Aviva	9	579	170	409
Unilever	10	574	172	402
GKN	11	388	35	353
BP	12	835	489	346
Centrica	13	441	115	326
Royal Bank of Scotland	14	832	566	266
International Airlines Group	15	364	123	241

Commentary

In total, the amount contributed to FTSE 100 company pension schemes was £17.1 billion, down from £17.8 billion in the previous accounting year. This is more than the £6.1 billion cost of benefits accrued during the year. It therefore represents £11.0 billion of funding towards reducing pension scheme deficits. This is a small decrease on the previous year's deficit funding of £11.1 billion.

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

The huge cash contributions paid by HSBC came at a time when most companies have precious little spare cash. Widening deficits, and perhaps weaker perceived sponsor covenants, will inevitably lead to trustees requesting larger deficit-correcting contributions from sponsoring employers. This year we expect to see a trend towards companies looking at alternative sources to fund their pension schemes. 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 Market Value* Em	Pension Assets Em	Pension Liabilities Em	Surplus / (Deficit) Em	Funding Level	% Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market Value	Unanticipated Balance Sheet Impact Em	Balance Sheet Impact as % of Market Value	Current Funding Em	Previous Funding Em	Surplus / (Deficit) Funding Em
3i	31-Mar-2010	2,880	587	615	(28)	95%	44%	(1%)	21%	(71)	(2%)	67	37	62
Admiral	31-Dec-2010	4,169	-	-	-	-	-	(1%)	-	-	-	-	-	-
Aggreko	31-Dec-2010	4,314	53	56	(3)	94%	44%	(0%)	1%	(1)	(0%)	5	6	4
AMEC	31-Dec-2010	3,955	1,435	1,407	27	102%	54%	1%	36%	21	1%	22	18	5
Anglo American	31-Dec-2010	42,523	1,749	1,818	(69)	96%	56%	(0%)	4%	93	0%	35	40	10
Antofagasta	31-Dec-2010	13,418	-	-	-	-	-	-	-	-	-	-	-	-
ARM Holdings	31-Dec-2010	7,531	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	18-Sep-2010	7,857	2,690	2,776	(86)	97%	61%	(1%)	35%	(19)	(0%)	66	76	31
Astrazeneca	31-Dec-2010	40,183	4,860	6,442	(1,582)	75%	50%	(4%)	16%	287	1%	296	365	216
Autonomy Corporation	31-Dec-2010	3,814	-	-	-	-	-	-	-	-	-	-	-	-
Aviva	31-Dec-2010	12,142	11,416	11,419	(3)	100%	70%	(0%)	94%	1,425	12%	579	294	409
BAE Systems	31-Dec-2010	11,067	17,337	21,158	(3,821)	82%	34%	(35%)	191%	1,088	10%	791	864	540
Barclays	31-Dec-2010	33,806	18,905	21,643	(2,738)	87%	57%	(8%)	64%	447	1%	721	601	616
BG	31-Dec-2009	52,257	665	1,031	(366)	65%	16%	(1%)	2%	(153)	(0%)	68	45	27
BHP Billiton	30-Jun-2010	53,867	1,021	1,163	(142)	88%	72%	(0%)	2%	(34)	(0%)	102	70	68
BP	31-Dec-2010	85,848	22,234	25,179	(2,944)	88%	23%	(3%)	29%	110	0%	835	646	346
British American Tobacco	31-Dec-2010	49,853	5,114	5,512	(398)	93%	46%	(1%)	11%	215	0%	218	214	142
British Land	31-Mar-2010	4,888	98	95	3	103%	38%	0%	2%	(2)	(0%)	3	4	1
BSkyB	30-Jun-2010	14,461	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2010	14,352	35,429	43,293	(7,864)	82%	41%	(55%)	302%	(4,322)	(30%)	916	441	710
Burberry	31-Mar-2010	5,079	-	-	-	-	-	-	-	-	-	-	-	-
Cairn Energy	31-Dec-2010	6,458	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2010	4,556	648	673	(25)	96%	23%	(1%)	15%	(14)	(0%)	29	72	16
Capital Shopping Centres	31-Dec-2010	3,290	-	-	-	-	-	-	-	-	-	-	-	-
Carnival	30-Nov-2010	5,205	203	196	7	104%	64%	0%	4%	10	0%	19	4	15
Centrica	31-Dec-2010	16,760	4,335	4,574	(239)	95%	53%	(1%)	27%	(26)	(0%)	441	403	326
Compass	30-Sep-2010	10,534	1,639	2,029	(390)	81%	59%	(4%)	19%	(59)	(1%)	43	57	21
Diageo	30-Jun-2010	29,831	5,367	6,359	(992)	84%	46%	(3%)	21%	138	0%	195	128	109
Essar Energy	31-Dec-2009	6,165	-	-	-	-	-	-	-	-	-	-	-	-
Eurasian Natural Resources	31-Dec-2009	12,060	0	29	(29)	0%	-	(0%)	0%	(0)	(0%)	0	0	(1)
Experian	31-Mar-2010	7,856	541	590	(49)	92%	39%	(1%)	8%	(18)	(0%)	8	8	1
Fresnillo	31-Dec-2010	11,066	21	25	(4)	84%	62%	(0%)	0%	0	0%	0	0	(1)
G4S	31-Dec-2010	3,597	1,400	1,702	(302)	82%	81%	(8%)	47%	24	1%	59	51	44
GKN	31-Dec-2010	3,113	2,660	3,260	(600)	82%	49%	(19%)	105%	74	2%	388	51	353
GlaxoSmithKline	31-Dec-2010	62,159	12,156	13,379	(1,223)	91%	47%	(2%)	22%	3	0%	814	894	546
Hamerson	31-Dec-2010	3,162	51	77	(26)	66%	0%	(1%)	2%	(4)	(0%)	1	1	(1)
Hargreaves Lansdown	30-Jun-2010	2,893	-	-	-	-	-	-	-	-	-	-	-	-
HSBC	31-Dec-2010	112,869	19,188	21,022	(1,834)	91%	75%	(2%)	19%	196	0%	2,146	617	1,768
ICAP	31-Mar-2010	3,505	8	9	(1)	89%	75%	(0%)	0%	1	0%	0	1	0
IMI	31-Dec-2010	3,297	1,116	1,300	(184)	86%	36%	(6%)	39%	(3)	(0%)	75	27	67
Imperial Tobacco	30-Sep-2010	19,592	2,960	3,802	(842)	78%	38%	(4%)	19%	(75)	(0%)	70	53	32
Inmarsat	31-Dec-2010	2,758	42	48	(6)	88%	18%	(0%)	2%	4	0%	4	4	2
InterContinental Hotels	31-Dec-2010	3,657	387	461	(74)	84%	55%	(2%)	13%	(24)	(1%)	23	13	18
International Airlines Group	31-Mar-2010	4,211	14,756	16,826	(2,070)	88%	45%	(4%)	400%	(1,546)	(37%)	364	331	241
International Power	31-Dec-2010	15,592	336	444	(108)	76%	13%	(1%)	3%	(15)	(0%)	19	13	3
Intertek	31-Dec-2010	3,228	96	102	(6)	95%	37%	(0%)	3%	13	0%	3	4	1
Invensys	31-Mar-2010	2,784	4,919	5,441	(522)	90%	60%	(19%)	195%	(294)	(11%)	68	64	50
Investec	31-Mar-2010	2,566	116	115	1	101%	60%	0%	4%	(11)	(0%)	4	4	4

* as at 31 March 2011

Appendix (continued)

Name	Year End	Equity Market Value ¹ £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
ITV	31-Dec-2010	3,008	2,433	2,746	(313)	89%	63%	(10%)	91%	94	3%	47	44	42
Johnson Matthey	31-Mar-2010	3,993	1,045	1,247	(202)	84%	4.6%	(5%)	31%	(117)	(3%)	51	28	27
Kazakhmys	31-Dec-2010	7,461	-	-	-	-	-	-	-	-	-	-	-	-
Kingsfisher	30-Jan-2010	5,760	1,518	1,716	(198)	88%	6.2%	(3%)	30%	(164)	(3%)	66	48	44
Land Securities	31-Mar-2010	5,603	1,42	148	(7)	96%	5.6%	(0%)	3%	(11)	(0%)	7	4	6
Legal & General	31-Dec-2009	6,752	1,193	1,474	(281)	81%	6.7%	(4%)	22%	(159)	(2%)	62	58	51
Lloyds Banking Group	31-Dec-2010	39,544	26,382	26,862	(480)	98%	4.9%	(1%)	68%	2,824	7%	648	1,859	218
Lonmin	30-Sep-2010	3,443	-	-	-	-	-	-	-	-	-	-	-	-
Man Group	31-Mar-2010	4,612	258	253	5	10.2%	3.8%	0%	5%	(17)	(0%)	59	8	56
Marks & Spencer	03-Apr-2010	5,342	4,949	5,300	(351)	93%	5.3%	(7%)	99%	(252)	(5%)	83	92	26
Morrison Supermarkets	31-Jan-2010	7,297	2,111	2,128	(17)	99%	6.0%	(0%)	29%	20	0%	42	141	16
National Grid	31-Mar-2010	20,565	18,186	19,598	(1,412)	93%	5.7%	(7%)	95%	(550)	(3%)	572	799	460
Next	29-Jan-2011	3,645	507	451	56	11.2%	4.8%	2%	12%	64	2%	50	43	40
Old Mutual	31-Dec-2010	7,380	1,119	977	142	11.5%	5.5%	2%	13%	(12)	(0%)	12	14	7
Pearson	31-Dec-2010	8,858	1,982	2,030	(48)	98%	5.2%	(1%)	23%	79	1%	145	90	122
Petrofac	31-Dec-2010	5,139	-	-	-	-	-	-	-	-	-	-	-	-
Prudential	31-Dec-2010	17,830	6,004	5,692	312	10.5%	8.2%	2%	32%	(53)	(0%)	90	85	52
Randgold Resources	31-Dec-2010	5,543	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31-Dec-2010	23,210	1,054	1,386	(332)	7.6%	4.1%	(1%)	6%	(82)	(0%)	33	27	16
Reed Elsevier	31-Dec-2010	6,547	3,507	3,677	(170)	9.5%	4.4%	(3%)	5.6%	(50)	(1%)	154	101	89
Resolution	31-Dec-2010	4,283	1,113	1,047	66	10.6%	8.3%	2%	24%	(26)	(1%)	41	10	28
Rexam	31-Dec-2010	3,181	2,637	2,971	(334)	8.9%	6.2%	(11%)	9.3%	(68)	(2%)	23	17	8
Rio Tinto	31-Dec-2010	66,497	8,480	10,575	(2,095)	8.0%	3.9%	(3%)	16%	(183)	(0%)	670	370	514
Rolls-Royce	31-Dec-2010	11,586	8,217	8,102	115	10.1%	8.2%	1%	7.0%	(148)	(1%)	282	288	129
Royal Bank of Scotland	31-Dec-2010	23,645	22,816	24,999	(2,183)	9.1%	5.9%	(9%)	10.6%	430	2%	832	1,153	266
Royal Dutch Shell	31-Dec-2010	142,419	41,101	42,781	(1,680)	4.4%	4.4%	(1%)	3.0%	(479)	(0%)	1,334	3,345	596
RSA	31-Dec-2010	4,589	5,264	5,419	(155)	9.7%	6.8%	(3%)	11.8%	87	2%	125	130	86
SABMiller	31-Mar-2010	34,646	227	336	(109)	6.8%	7.6%	(0%)	1%	(1)	(0%)	1	5	(4)
Sage Group	30-Sep-2010	3,639	15	26	(11)	5.7%	7.6%	(0%)	1%	1	0%	1	1	(1)
Sainsbury	20-Mar-2010	6,256	4,237	4,658	(421)	9.1%	5.5%	(7%)	7.4%	(173)	(3%)	134	128	85
Schroders	31-Dec-2010	4,739	693	659	34	10.5%	4.9%	1%	14%	8	0%	62	9	58
Scottish & Southern Energy	31-Mar-2010	11,814	2,298	2,762	(464)	8.3%	5.4%	(4%)	2.3%	(509)	(4%)	110	71	89
Serco	31-Dec-2010	2,729	1,533	1,840	(307)	8.3%	6.9%	(11%)	6.7%	51	2%	81	62	41
Severn Trent	31-Mar-2010	3,441	1,393	1,748	(355)	8.0%	4.2%	(10%)	5.1%	(132)	(4%)	40	42	25
Shire	31-Dec-2009	10,130	-	-	-	-	-	-	-	-	-	-	-	-
Smith & Nephew	31-Dec-2010	6,240	616	761	(145)	8.1%	4.3%	(2%)	12%	18	0%	42	26	25
Smiths Group	31-Jul-2010	5,029	3,043	3,325	(281)	9.2%	4.2%	(6%)	6.6%	(21)	(0%)	51	53	46
Standard Chartered	31-Dec-2010	3,714	1,396	1,576	(179)	8.9%	4.9%	(0%)	4%	51	0%	96	85	74
Standard Life	31-Dec-2010	4,721	2,228	2,012	216	11.1%	6.9%	(5%)	4.3%	184	4%	107	62	111
Tesco	27-Feb-2010	30,298	4,696	6,536	(1,840)	7.2%	2.9%	(6%)	2.2%	(322)	(1%)	415	376	24
TUI Travel	30-Sep-2010	2,538	1,215	1,709	(494)	7.1%	4.4%	(1.9%)	6.7%	(32)	(1%)	94	92	57
Tullow Oil	31-Dec-2009	12,811	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2010	58,067	13,764	14,983	(1,219)	9.2%	3.1%	(2%)	2.6%	85	0%	574	1,071	402
United Utilities	31-Mar-2010	3,993	1,911	2,182	(271)	8.8%	5.1%	(7%)	5.5%	(50)	(1%)	44	45	15
Vedanta Resources	31-Mar-2010	6,279	22	46	(24)	4.7%	5.0%	(0%)	1%	(8)	(0%)	10	7	7
Vodafone	31-Mar-2010	91,214	1,487	1,690	(203)	8.8%	4.0%	(0%)	2%	(74)	(0%)	133	98	104
Weir Group	31-Dec-2010	3,635	595	660	(65)	9.0%	7.5%	(2%)	18%	(4)	(0%)	12	15	11
Whitbread	04-Mar-2010	2,899	1,281	1,715	(434)	7.5%	4.5%	(1.5%)	5.9%	(186)	(6%)	5	55	0
Wolseley	31-Jul-2010	5,926	724	1,156	(432)	6.3%	3.4%	(7%)	2.0%	(93)	(2%)	42	47	15
Wood Group (John)	31-Dec-2010	3,365	99	120	(21)	8.2%	1.6%	(1%)	4%	0	0%	4	3	(0)
WPP	31-Dec-2009	9,672	588	836	(248)	7.0%	7.0%	(3%)	9%	12	0%	48	44	26
Xstrata	31-Dec-2010	43,196	1,407	1,807	(400)	7.8%	5.7%	(1%)	4%	(186)	(0%)	70	70	53

* as at 31 March 2011

Notes

- All of the analysis contained in this report is based on the IAS19 numbers disclosed in a company's most recently published annual report and accounts.
- No adjustment is made for the fact that companies have applied different interpretations of IAS19 and have used different actuarial assumptions (for example, different mortality assumptions can make a significant difference to a company's pension liabilities).
- No adjustment is made in the individual analysis for the fact that companies have different year-ends. Inevitably, different market conditions applying at different year-ends will affect the comparisons.
- The assets and liabilities shown are the total global pension assets and liabilities, not just the UK figures.
- The figures shown in this report are before adjustment for IFRIC14 (and before adjustment for any other unrecognised pension surpluses), except for Unanticipated Balance Sheet Impact, which is shown net of the change in irrecoverable surplus.
- International Airlines Group was formed by the January 2011 merger between British Airways and Iberia. In this report, the pension details for International Airlines Group are based on information disclosed by British Airways in their 31 December 2010 accounts. The equity market value used is for International Airlines Group as at 31 March 2011.

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