

The FTSE 100 and their pension disclosures

A Quarterly Report from JLT Pension Capital Strategies
November 2011

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 September 2011 is estimated to be £47 billion. This is an improvement of £19 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 £10.9 billion, down from £12.0 billion the previous year. HSBC led the way with a massive deficit contribution of £1.8 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 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. Twelve FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For British Airways, BT and BAE Systems, total disclosed pension liabilities are more than double their equity market value.
- Only 17 companies disclosed a pension surplus in their most recent annual report and accounts; 66 companies disclosed pension deficits. However, we estimate that only 15 companies would disclose a surplus if they had a year-end of 30 September 2011.
- In the last 12 months, the total disclosed pension liabilities of the FTSE 100 companies have risen slightly from £437 billion to £441 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, the largest of which is Royal Dutch Shell with disclosed pension liabilities of £43 billion. A total of 26 companies have disclosed pension liabilities of less than £100 million, of which 17 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 £441 billion to around £580 billion, and the total deficit at 30 September 2011 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



Charles Cowling
JLT Pension Capital Strategies
0161 242 5388
charles_cowling@jltpcs.com



David Bor
JLT Pension Capital Strategies
0161 242 5329
david_bor@jltpcs.com

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
Investec	1	124	104	20	119%
Old Mutual	2	1,119	977	142	115%
Next	3	507	451	56	112%
British Land	4	110	99	11	111%
Standard Life	5	2,228	2,012	216	111%
Man Group	6	250	228	22	110%
Experian	7	571	529	42	108%
Resolution	8	1,113	1,047	66	106%
Land Securities	9	151	142	9	106%
Prudential	10	6,004	5,692	312	105%

The FTSE 100 companies with the worst funded pension schemes overall were as follows:

Name	Rank	Assets £m	Liabilities £m	Surplus/(Deficit) £m	Funding Level
AstraZeneca	91	4,860	6,442	(1,582)	75%
SABMiller	92	239	327	(89)	73%
WPP	93	631	871	(240)	72%
Whitbread	94	1,257	1,745	(488)	72%
Wolseley	95	889	1,249	(360)	71%
Hammerson	96	51	77	(26)	66%
Glencore	97	173	273	(100)	63%
Sage Group	98	15	26	(11)	57%
Vedanta Resources	99	25	60	(35)	41%
Eurasian Natural Resources	100	0	26	(26)	0%

In 2007, IFRIC14* provided new guidance on irrecoverable surpluses. Within the FTSE 100, 20 companies have reported an irrecoverable surplus. The total reported irrecoverable surplus for FTSE 100 companies is now £1.9 billion. The largest reported irrecoverable surpluses in the FTSE 100 were as follows:

Name	Rank	Irrecoverable Surplus £m
Rolls-Royce	1	635
Prudential	2	532
Scottish & Southern Energy	3	374
British Airways	4	123
British American Tobacco	5	51
BHP Billiton	6	50
Anglo American	7	38
SABMiller	8	33
HSBC	9	30
Associated British Foods	10	13

Commentary
Adjusting these figures up to the quarter-end, we estimate that the total pension deficit in the FTSE 100 as at 30 September 2011 was £47 billion. This is an improvement of £19 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 2011.

Investment Mismatching

Legislation over a number of years has clarified that pension liabilities are a form of corporate debt. Despite the fact that there is an increasing weight of opinion from academics and analysts that mismatched investment strategies in pension schemes reduce shareholder value, many companies are still running very large mismatched equity positions in their pension schemes. This has the impact of creating balance sheet volatility which some academic evidence might suggest flows through to share price volatility. Inevitably, analysis of mismatching is limited to the information disclosed in the annual report and accounts. Given the bond-like nature of pension liabilities, the allocation of pension assets to bonds gives an indication of the level of investment mismatching that exists. This report refers to investment mismatching in terms of the IAS19 accounting position, where liabilities are being valued using AA corporate bonds; therefore assets other than these bonds will lead to a mismatch.

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

Name	Rank	Assets £m	% of Assets in Bonds
Resolution	1	1,113	83%
Rolls-Royce	2	8,217	82%
Prudential	3	6,004	82%
G4S	4	1,400	81%
BHP Billiton	5	1,157	77%
Sage Group	6	15	76%
HSBC	7	19,188	75%
Weir Group	8	595	75%
ICAP	9	7	71%
Aviva	10	11,416	70%

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

Name	Rank	Assets £m	% of Assets in Bonds
BAE Systems	91	17,337	34%
Man Group	92	250	33%
Unilever	93	13,764	31%
Tesco	94	5,608	27%
Capita	95	648	23%
BP	96	22,234	23%
Inmarsat	97	42	18%
BG	98	824	14%
International Power	99	336	13%
Hammerson	100	51	0%

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

Name	Rank	Current Bond Allocation	Previous Bond Allocation	Switch to Bonds
G4S	1	81%	42%	+39%
Fresnillo	2	62%	88%	-26%
Standard Life	3	69%	51%	+19%
Centrica	4	53%	36%	+17%
United Utilities	5	66%	51%	+15%
Marks & Spencer	6	67%	53%	+14%
Investec	7	70%	60%	+10%
InterContinental Hotels	8	55%	65%	-9%
Tate & Lyle	9	43%	34%	+9%
Inmarsat	10	18%	10%	+8%

Commentary

Several companies and trustees are continuing to switch pension assets out of equities into bonds. G4S is the latest company to report a big switch, with bond allocations increasing by 39%. A total of 42 FTSE 100 companies have more than 50% of pension scheme assets in bonds. Moreover, company disclosures reveal little of the extensive activity there has been by a number of companies to use LDI (liability-driven investment) strategies, which frequently make use of derivatives and other financial instruments. Overall though, the average pension scheme asset allocation to bonds is now 50%, a slight increase on last year's figure of 49%. This follows a very significant shift, from 41% the previous year and 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. In addition, a further cause of movement towards bond-based assets could be one of the recently announced changes to IAS19 due to be implemented from 1 January 2013, subject to EU endorsement. In the P&L the expected return on assets will effectively be replaced by the discount rate applied to the assets, so there will be no benefit in the P&L of holding outperforming assets.

Size of Pension Scheme

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

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

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
Royal Dutch Shell	1	42,781	126,458
BT	2	39,052	13,432
Lloyds Banking Group	3	26,862	23,734
BP	4	25,179	73,261
Royal Bank of Scotland	5	24,999	13,761
Barclays	6	21,643	19,653
BAE Systems	7	21,158	8,864
HSBC	8	21,022	88,534
National Grid	9	19,480	22,700
British Airways	10	16,142	2,840
Unilever	11	14,983	61,380
GlaxoSmithKline	12	13,379	68,550
Aviva	13	11,419	8,743
Rio Tinto	14	10,575	42,688

* as at 30 September 2011

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

Name	Rank	Total Pension Liabilities £m	Equity Market Value* £m
British Land	75	99	4,219
Hammerson	76	77	2,668
Vedanta Resources	77	60	2,918
Aggreko	78	56	4,320
Inmarsat	79	48	2,209
Eurasian Natural Resources	80	26	7,424
Sage Group	81	26	3,355
Fresnillo	82	25	11,374
ICAP	83	8	2,723

* as at 30 September 2011

In addition, Admiral, Antofagasta, ARM Holdings, Ashmore, 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 slightly from £437 billion to £441 billion. A total of 14 companies have disclosed pension liabilities of more than £10 billion, whilst 26 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 £441 billion to around £580 billion. The total deficit at 30 September 2011 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	
British Airways	1	2,840	(29%)	568%	<i>531%**</i>
BT	2	13,432	(14%)	291%	
BAE Systems	3	8,864	(43%)	239%	
Royal Bank of Scotland	4	13,761	(16%)	182%	
RSA	5	3,880	(4%)	140%	<i>103%**</i>
Aviva	6	8,743	(0%)	131%	
GKN	7	2,726	(22%)	120%	
ITV	8	2,306	(14%)	119%	
Lloyds Banking Group	9	23,734	(2%)	113%	
Barclays	10	19,653	(14%)	110%	
Rexam	11	2,720	(12%)	109%	
Marks & Spencer	12	4,991	4%	105%	
Sainsbury	13	5,127	(7%)	97%	
Smiths Group	14	3,918	(4%)	88%	<i>75%**</i>
National Grid	15	22,700	(3%)	86%	

* as at 30 September 2011

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

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

Name	Rank	Current DB Service Cost £m	Previous DB Service Cost £m
Royal Dutch Shell	1	738	619
Royal Bank of Scotland	2	499	583
Tesco	2	499	391
BP	4	488	430
Lloyds Banking Group	5	384	395
HSBC	6	358	381
Barclays	7	343	281
BT	8	297	206
GlaxoSmithKline	9	268	251
Unilever	10	224	203

Commentary

Twelve FTSE 100 companies have total disclosed pension liabilities greater than their equity market value. For British Airways, BT and BAE Systems, total disclosed pension liabilities are more than double their equity market value. In addition, 10 companies have disclosed pension deficits bigger than 10% of their equity market value.

Increasingly companies are reacting to the combination of difficult economic conditions, rising pension costs and increasingly aggressive pension regulations by closing pension schemes to future and even current employees. This decline in total DB pension provision is now apparent in the accounts of FTSE 100 companies, with several companies closing their scheme to future accrual or freezing pensionable salaries. We estimate that after allowing for the impact of changes in assumptions and market conditions, the underlying reduction in ongoing DB pension provision is approximately 15% in the last 12 months alone. We believe that the majority of FTSE 100 companies will cease DB pension provision to all employees within two years.

Impact of the Pension Scheme on the Company's Share Price

As already mentioned, there is some evidence that balance sheet volatility caused by pension schemes flows through to share price volatility. Changes in the balance sheet position resulting from pensions can be separated into expected changes and unexpected changes. Expected balance sheet changes arise largely from the contributions paid by the company and the costs shown in the company's income statement. Unexpected balance sheet changes arise largely from actuarial gains and losses (due to stock market volatility) and changes to actuarial assumptions.

In the analysis below, the unexpected change in balance sheet position (net of change in irrecoverable surplus) is expressed as a percentage of the equity market value of the company. We are not suggesting that the balance sheet impact will translate into a £ for £ impact on a company's share price (not least because of the impact of deferred tax), but this analysis gives a good indication of those companies most positively (and negatively) affected by their pension schemes in their last financial year.

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

Name	Rank	Equity Market Value* £m	Unanticipated Balance Sheet Gain (£m)	Impact as a % of Equity Value
BT	1	13,432	5,097	38%
British Airways	2	2,840	1,030	36%
Aviva	3	8,743	1,425	16%
BAE Systems	4	8,864	1,088	12%
Lloyds Banking Group	5	23,734	2,824	12%
Marks & Spencer	6	4,991	294	6%
ITV	7	2,306	94	4%
Standard Life	8	4,656	184	4%
Royal Bank of Scotland	9	13,761	430	3%
GKN	10	2,726	74	3%

* as at 30 September 2011

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

Name	Rank	Equity Market Value* £m	Unanticipated Balance Sheet Gain (£m)	Impact as a % of Equity Value
Vedanta Resources	91	2,918	-13	0%
Compass	92	9,792	-59	-1%
Resolution	93	3,515	-26	-1%
Xstrata	94	24,334	-186	-1%
InterContinental Hotels	95	3,048	-24	-1%
Reed Elsevier	96	6,012	-50	-1%
United Utilities	97	4,212	-38	-1%
Rolls-Royce	98	11,137	-148	-1%
Whitbread	99	2,783	-51	-2%
Rexam	100	2,720	-68	-2%

* as at 30 September 2011

Commentary

Over the year covered by their latest report and accounts, 52 companies felt the benefit of an unexpected gain to their balance sheet as a result of their pension schemes, whilst 31 companies suffered an unexpected loss to their balance sheet as a result of their pension schemes.

Contributions Paid Into Pension Schemes

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

The large increases in the contributions seen in the last couple of years have ended, with the amount contributed in the most recent accounting year being £0.8 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	Cost of Benefits	Surplus Contributions
		£m	£m	£m
HSBC	1	2,146	378	1,768
BT	2	1,313	297	1,016
Barclays	3	721	105	616
Royal Dutch Shell	4	1,334	738	596
GlaxoSmithKline	5	814	268	546
BAE Systems	6	791	251	540
Rio Tinto	7	670	156	514
Aviva	8	579	170	409
Unilever	9	574	172	402
GKN	10	388	35	353
BP	11	835	489	346
Centrica	12	441	115	326
Royal Bank of Scotland	13	832	566	266
National Grid	14	408	165	243
Lloyds Banking Group	15	648	430	218

Commentary

In total, the amount contributed to FTSE 100 company pension schemes was £17.3 billion, down from £18.1 billion in the previous accounting year. This is more than the £6.4 billion cost of benefits accrued during the year. It therefore represents £10.9 billion of funding towards reducing pension scheme deficits. This is a decrease on the previous year's deficit funding of £12.0 billion.

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

The huge cash contributions paid by HSBC came at a time when most companies have precious little spare cash. Widening deficits, and perhaps weaker perceived sponsor covenants, will inevitably lead to trustees requesting larger deficit-correcting contributions from sponsoring employers. This year we expect to see a trend towards companies looking at alternative sources to fund their pension schemes. We have already seen some companies make use of property partnership deals to help tackle their pension deficits. For example, Marks & Spencer, Sainsbury and Whitbread are involved with a combined total of £2.5 billion worth of such property assets.

Appendix

Name	Year End	Equity Market Value £m*	Pension Assets £m	Pension Liabilities £m	Surplus/(Deficit) £m	Funding Level	% Bonds	Surplus / (Deficit) as % of Market Value	Liabilities as % of Market value	Unanticipated Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus / (Deficit) funding £m
Admiral	31-Dec-2010	3,388	-	-	-	-	-	-	-	-	-	-	-	-
Agreko	31-Dec-2010	4,320	53	56	(3)	94%	44%	(0%)	1%	(1)	(0%)	5	6	4
AMEC	31-Dec-2010	2,704	1,435	1,407	27	102%	54%	1%	52%	21	1%	22	18	5
Anglo American	31-Dec-2010	29,556	1,749	1,818	(69)	96%	56%	(0%)	6%	93	0%	35	40	10
Antofagasta	31-Dec-2010	9,134	-	-	-	-	-	-	-	-	-	-	-	-
ARM Holdings	31-Dec-2010	7,584	-	-	-	-	-	-	-	-	-	-	-	-
Ashmore	30-Jun-2011	2,300	-	-	-	-	-	-	-	-	-	-	-	-
Associated British Foods	18-Sep-2010	8,791	2,690	2,776	(86)	97%	61%	(1%)	32%	(19)	(0%)	66	76	31
Astrazeneca	31-Dec-2010	38,958	4,860	6,442	(1,582)	75%	50%	(4%)	17%	287	1%	296	365	216
Autonomy Corporation	31-Dec-2010	6,186	-	-	-	-	-	-	-	-	-	-	-	-
Aviva	31-Dec-2010	8,743	11,416	11,419	(3)	100%	70%	(0%)	131%	1,425	16%	579	294	409
BAE Systems	31-Dec-2010	8,864	17,337	21,158	(3,821)	82%	34%	(43%)	239%	1,088	12%	791	864	540
Barclays	31-Dec-2010	19,653	18,905	21,643	(2,738)	87%	57%	(14%)	110%	447	2%	721	607	616
BG	31-Dec-2010	41,829	824	1,044	(220)	79%	14%	(1%)	2%	138	0%	72	68	15
BHP Billiton	30-Jun-2011	37,164	1,157	1,267	(110)	91%	77%	(0%)	3%	(32)	(0%)	100	102	60
BP	31-Dec-2010	73,261	22,234	25,179	(2,944)	88%	23%	(4%)	34%	110	0%	835	646	346
British Airways	31-Dec-2010	2,840	15,316	16,142	(826)	95%	45%	(29%)	58%	1,030	36%	268	364	131
British American Tobacco	31-Dec-2010	54,276	5,114	5,512	(398)	93%	46%	(1%)	10%	215	0%	218	214	142
British Land	31-Mar-2011	4,219	110	99	11	111%	37%	0%	2%	(2)	(0%)	4	3	0
BSkyB	30-Jun-2011	11,639	-	-	-	-	-	-	-	-	-	-	-	-
BT	31-Mar-2011	13,432	37,222	39,052	(1,830)	95%	39%	(14%)	291%	5,097	38%	1,313	916	1,016
Bunzl	31-Dec-2010	2,523	258	311	(53)	83%	37%	(2%)	12%	(3)	(0%)	15	11	10
Burberry	31-Mar-2011	5,101	-	-	-	-	-	-	-	-	-	-	-	-
Cairn Energy	31-Dec-2010	3,823	-	-	-	-	-	-	-	-	-	-	-	-
Capita	31-Dec-2010	4,332	648	673	(25)	96%	23%	(1%)	16%	(14)	(0%)	29	72	16
Capital Shopping Centres	31-Dec-2010	2,813	-	-	-	-	-	-	-	-	-	-	-	-
Carnival	30-Nov-2010	4,299	203	196	7	104%	64%	0%	5%	10	0%	19	4	15
Centrica	31-Dec-2010	15,338	4,335	4,574	(239)	95%	53%	(2%)	30%	(26)	(0%)	441	403	326
Compass	30-Sep-2010	9,792	1,639	2,029	(390)	81%	59%	(4%)	21%	(59)	(1%)	43	57	21
Diageo	30-Jun-2011	30,998	6,035	6,661	(626)	91%	49%	(2%)	21%	260	1%	214	195	109
Essar Energy	31-Dec-2010	3,271	-	-	-	-	-	-	-	-	-	-	-	-
Eurasian Natural Resources	31-Dec-2010	7,424	0	26	(26)	0%	-	(0%)	0%	4	0%	0	0	(1)
Experian	31-Mar-2011	7,250	571	529	42	108%	39%	1%	7%	68	1%	6	8	19
Fresnillo	31-Dec-2010	11,374	21	25	(4)	84%	62%	(0%)	0%	0	0%	0	0	(1)
G4S	31-Dec-2010	3,760	1,400	1,702	(302)	82%	81%	(8%)	45%	24	1%	59	51	44
GKN	31-Dec-2010	2,726	2,660	3,260	(600)	82%	49%	(22%)	120%	74	3%	388	51	353
GlaxoSmithKline	31-Dec-2010	68,550	12,156	13,379	(1,223)	91%	47%	(2%)	20%	3	0%	814	894	546
Glencore	31-Dec-2010	27,892	173	273	(100)	63%	64%	(0%)	1%	(24)	(0%)	17	15	8
Hammerston	31-Dec-2010	2,668	51	77	(26)	66%	0%	(1%)	3%	(4)	(0%)	1	1	(1)
Hargreaves Lansdown	30-Jun-2011	2,134	-	-	-	-	-	-	-	-	-	-	-	-
HSBC	31-Dec-2010	88,534	19,188	21,022	(1,834)	91%	75%	(2%)	24%	196	0%	2,146	617	1,768
ICAP	31-Mar-2011	2,723	7	8	(1)	88%	71%	(0%)	0%	0	0%	0	0	0
IMI	31-Dec-2010	2,273	1,116	1,300	(184)	86%	36%	(8%)	57%	(3)	(0%)	75	27	67
Imperial Tobacco	30-Sep-2010	22,001	2,960	3,802	(842)	78%	38%	(4%)	17%	(75)	(0%)	70	53	32
Inmarsat	31-Dec-2010	2,209	42	48	(6)	88%	18%	(0%)	2%	4	0%	4	4	2
InterContinental Hotels	31-Dec-2010	3,048	387	461	(74)	84%	55%	(2%)	15%	(24)	(1%)	23	13	18
International Power	31-Dec-2010	15,531	336	444	(108)	76%	13%	(1%)	1%	(15)	(0%)	19	13	3
Intertek	31-Dec-2010	2,944	96	102	(6)	95%	37%	(0%)	3%	13	0%	3	4	1
Investec	31-Mar-2011	1,878	124	104	20	119%	70%	(0%)	6%	14	1%	4	4	4
ITV	31-Dec-2010	2,306	2,433	2,746	(313)	89%	63%	(14%)	119%	94	4%	47	44	42

* as at 30 September 2011

Appendix *(continued)*

Name	Year End	Equity Market Value £m*	Pension Assets £m	Pension Liabilities £m	Surplus/(Deficit) £m	Funding Level	% Bonds	Surplus/(Deficit) as % of Market Value	Liabilities as % of Market value	Unanticipated Balance Sheet Impact £m	Balance Sheet Impact as % of Market Value	Current Funding £m	Previous Funding £m	Surplus/(Deficit) funding £m
Johnson Matthey	31-Mar-2011	3,407	1,137	1,229	(93)	92%	49%	(3%)	36%	86	3%	54	52	20
Kazakhmys	31-Dec-2010	4,243	-	-	-	-	-	(1%)	-	-	-	-	-	-
Kingfisher	29-Jan-2011	5,821	1,645	1,703	(58)	97%	65%	(1%)	29%	128	2%	46	66	19
Land Securities	31-Mar-2011	4,999	151	142	9	106%	58%	0%	3%	11	0%	5	7	4
Legal & General	31-Dec-2010	5,665	1,293	1,527	(234)	85%	68%	(4%)	27%	37	1%	60	62	48
Lloyds Banking Group	31-Dec-2010	23,734	26,382	26,862	(480)	98%	49%	(2%)	113%	2,824	12%	648	1,859	218
Lonnin	30-Sep-2010	2,125	-	-	-	-	-	-	-	-	-	-	-	-
Man Group	31-Mar-2011	3,161	250	228	22	110%	33%	1%	7%	(3)	7%	21	59	16
Marks & Spencer	02-Apr-2011	4,991	5,398	5,216	182	103%	67%	4%	105%	294	6%	260	83	201
Morrison Supermarkets	31-Jan-2011	7,533	2,304	2,266	38	102%	56%	1%	30%	34	0%	41	42	15
National Grid	31-Mar-2011	22,700	18,903	19,480	(577)	97%	60%	(3%)	86%	491	2%	408	572	243
Next	29-Jan-2011	4,376	451	451	56	112%	48%	1%	10%	64	1%	50	64	40
Old Mutual	31-Dec-2010	5,698	1,119	977	142	115%	55%	2%	17%	(12)	(0%)	12	14	7
Pearson	31-Dec-2010	9,261	1,982	2,030	(48)	98%	52%	(1%)	22%	79	1%	145	90	122
Petrofac	31-Dec-2010	4,135	-	-	-	-	-	-	-	-	-	-	-	-
Prudential	31-Dec-2010	14,070	6,004	5,692	312	105%	82%	2%	40%	(53)	(0%)	90	85	52
Randgold Resources	31-Dec-2010	6,775	-	-	-	-	-	-	-	-	-	-	-	-
Reckitt Benckiser	31-Dec-2010	23,724	1,054	1,386	(332)	76%	41%	(1%)	6%	(82)	(0%)	33	27	16
Reed Elsevier	31-Dec-2010	6,012	3,507	3,677	(170)	95%	44%	(3%)	61%	(50)	(1%)	154	101	89
Resolution	31-Dec-2010	3,515	1,113	1,047	66	106%	83%	2%	30%	(26)	(1%)	41	70	28
Rexam	31-Dec-2010	2,720	2,637	2,971	(334)	89%	62%	(12%)	109%	(68)	(2%)	23	17	8
Rio Tinto	31-Dec-2010	42,688	8,480	10,575	(2,095)	80%	39%	(5%)	25%	(183)	(0%)	670	370	514
Rolls-Royce	31-Dec-2010	11,137	8,217	8,102	115	101%	82%	1%	73%	(148)	(1%)	282	288	129
Royal Bank of Scotland	31-Dec-2010	13,761	22,816	24,999	(2,183)	91%	59%	(16%)	182%	430	3%	832	1,153	266
Royal Dutch Shell	31-Dec-2010	126,458	41,101	42,781	(1,680)	96%	44%	(1%)	34%	(479)	(0%)	1,334	3,345	596
RSA	31-Dec-2010	3,880	5,264	5,419	(155)	97%	68%	(4%)	140%	87	2%	125	130	86
SABMiller	31-Mar-2011	33,434	239	327	(88)	73%	66%	(0%)	1%	10	0%	4	1	(1)
Sage Group	30-Sep-2010	3,355	15	26	(11)	57%	76%	(0%)	1%	1	0%	1	1	(1)
Sainsbury	19-Mar-2011	5,127	4,614	4,954	(340)	93%	58%	(7%)	97%	29	1%	105	134	49
Schroders	31-Dec-2010	3,462	693	659	34	105%	49%	1%	19%	8	0%	62	9	58
Scottish & Southern Energy	31-Mar-2011	12,083	2,464	2,758	(294)	89%	58%	(2%)	23%	(9)	(0%)	107	110	69
Serco	31-Dec-2010	2,496	1,533	1,840	(307)	85%	69%	(12%)	74%	51	2%	81	62	41
Severn Trent	31-Mar-2011	3,630	1,473	1,766	(292)	83%	39%	(8%)	49%	51	1%	40	40	17
Shire	31-Dec-2010	11,243	-	-	-	-	-	-	-	-	-	-	-	-
Smith & Nephew	31-Dec-2010	5,166	616	761	(145)	81%	43%	(3%)	15%	18	0%	42	26	25
Smiths Group	31-Jul-2011	3,918	3,273	3,448	(175)	95%	46%	(4%)	88%	7	0%	64	51	71
Standard Chartered	31-Dec-2010	30,597	1,396	1,576	(179)	89%	49%	(1%)	5%	51	0%	96	85	74
Standard Life	31-Dec-2010	4,656	2,228	2,012	216	111%	69%	5%	43%	184	5%	107	62	111
Tate & Lyle	31-Mar-2011	2,917	1,245	1,286	(41)	97%	43%	(1%)	44%	65	2%	57	32	48
Tesco	26-Feb-2011	30,059	5,608	6,964	(1,356)	81%	27%	(5%)	23%	597	2%	433	415	(95)
Tullow Oil	31-Dec-2010	11,581	-	-	-	-	-	-	-	-	-	-	-	-
Unilever	31-Dec-2010	61,380	13,764	14,983	(1,219)	92%	31%	(2%)	24%	85	0%	574	1,071	402
United Utilities	31-Mar-2011	4,212	1,718	1,913	(195)	90%	66%	(5%)	45%	(38)	(1%)	133	44	118
Vedanta Resources	31-Mar-2011	2,918	25	60	(35)	101%	50%	(1%)	2%	13	0%	7	70	4
Vodafone	31-Mar-2011	84,583	1,558	1,548	10	101%	38%	0%	2%	193	0%	24	133	12
Weir Group	31-Dec-2010	3,253	595	660	(65)	90%	75%	(2%)	20%	(4)	(0%)	12	15	11
Whitbread	03-Jul-2011	2,783	1,745	1,745	(488)	72%	41%	(18%)	63%	(51)	(2%)	9	5	9
Wolseley	31-Jul-2011	4,587	889	1,249	(360)	71%	36%	(8%)	28%	27	1%	90	42	60
WPP	31-Dec-2010	7,566	631	871	(240)	72%	69%	(3%)	12%	(4)	(0%)	53	48	30
Xstrata	31-Dec-2010	24,334	1,407	1,807	(400)	78%	57%	(2%)	7%	(186)	(1%)	70	70	53

* as at 30 September 2011

Notes

All of the analysis contained in this report is based on the IAS19 numbers disclosed in a company's most recently published annual report and accounts.

No adjustment is made for the fact that companies have applied different interpretations of IAS19 and have used different actuarial assumptions (for example, different mortality assumptions can make a significant difference to a company's pension liabilities).

No adjustment is made in the individual analysis for the fact that companies have different year-ends. Inevitably, different market conditions applying at different year-ends will affect the comparisons.

The assets and liabilities shown are the total global pension assets and liabilities, not just the UK figures.

The figures shown in this report are before adjustment for IFRIC14 (and before adjustment for any other unrecognised pension surpluses), except for Unanticipated Balance Sheet Impact, which is shown net of the change in irrecoverable surplus.

International Airlines Group was formed by the January 2011 merger between British Airways and Iberia. In this report, we have used the pension details disclosed by British Airways in their 31 December 2010 accounts. The equity market value used is for International Airlines Group as at 30 September 2011.

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@pensionstrategies.co.uk

Web www.jltpcs.com

JLT Pension Capital Strategies. A trading name of Pension Capital Strategies 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 5651461. VAT No. 244 2321 96