HYMANS ROBERTSON

Putting pensions in context

FTSE350 Pensions Analysis 2019

Executive Summary

Welcome to Hymans Robertson's eleventh annual FTSE350 pension analysis report, which puts the Defined Benefit (DB) pension schemes of the FTSE350 in the context of the businesses that support them.

Occupational DB schemes have continued to grab headlines over the past year. The Pensions Regulator (TPR) has continued its tougher approach, and we now have a clearer indication of how it will operate under the new funding regime due in 2020, with the 2019 Pensions Bill laying the groundwork for the new regime. Consolidation of DB schemes has slowed, and was absent from the 2019 Pensions Bill. However, we expect activity to pick up in 2020 once TPR has finished its pre-approval process of the existing providers.

With this in mind, we see two strong themes emerging over the next year for DB pensions:

1. **New DB funding regime bedding in.** TPR's 2019 funding statement set out the clearest indication yet of how they will segment and regulate DB schemes. We've mapped the FTSE350 schemes on to TPR's new framework, and assessed the implications for each segment. The new "fast track or bespoke" funding regime means corporates need to work with their pension scheme trustees on the preferred strategy for funding their DB scheme. Defaulting to the "fast track" route reduces regulatory risk, but might significantly increase cash contributions.

2. **DB consolidation gaining traction.** Most press headlines have focused on commercial consolidators like Clara Pensions and The Pension SuperFund. Whilst both report strong pipelines and have provided indicative quotes on £20bn of liabilities, transactions have not yet happened. We expect to see initial transactions in 2020 once TPR has finished its pre-approval process of the existing providers. We've assessed the affordability of transactions and which companies in the FTSE350 pass the "gateway test" required to transfer to a consolidator. We've also assessed how many of the FTSE350 could transfer to traditional DB Master Trusts and the subsequent reduction in annual running costs.

This report shows that most companies are well able to support their pension schemes, with 93% of companies able to pay off their IAS19 deficit with less than 6 months' earnings.

I hope you find this report interesting and informative. Please contact me or one of the team if you would like to discuss any aspect of our analysis.

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New DB funding regime bedding in

TPR is now segmenting DB schemes

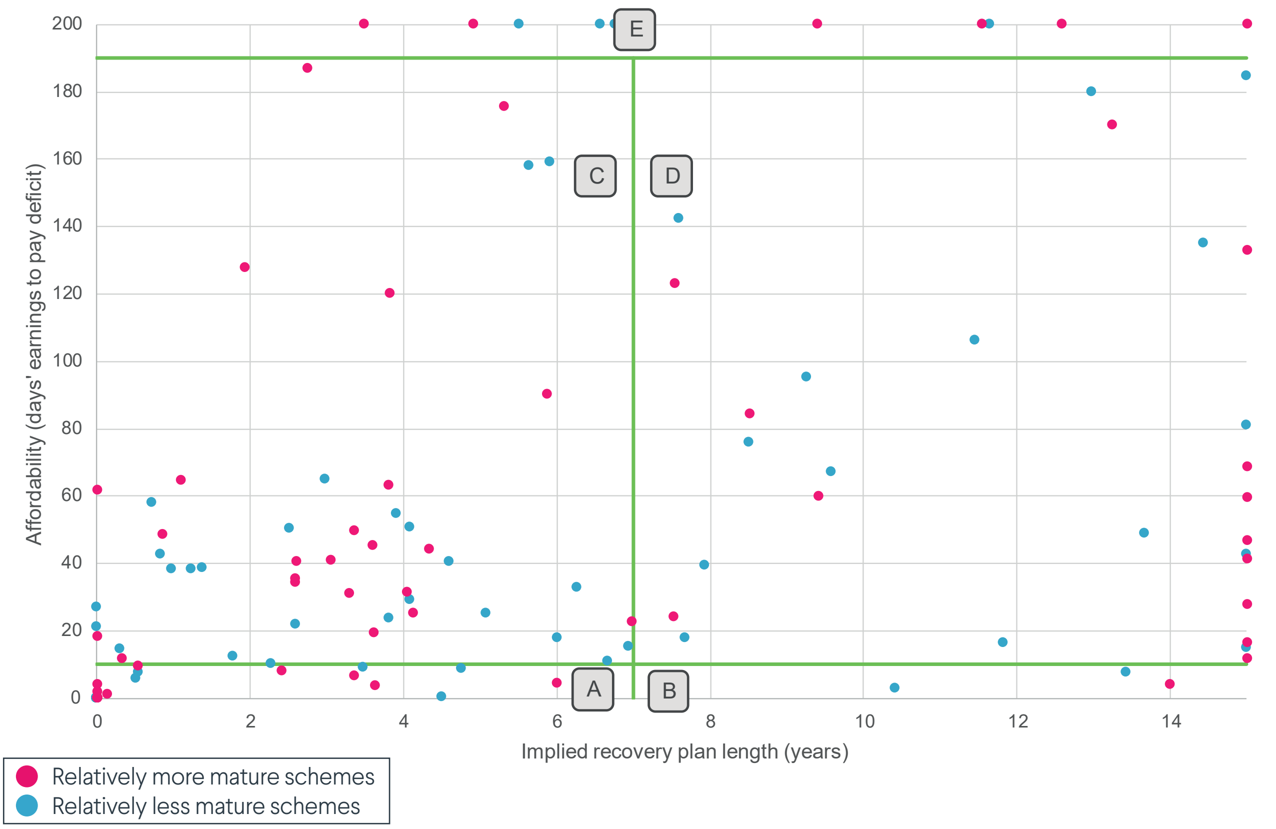
TPR's 2019 funding statement set out what's expected from trustees and employers by grouping schemes into segments A to E according to covenant and funding strength (with further sub-segments dependant on scheme maturity). The characteristics of the five main segments are broadly:

TPR Segment	Employer covenant	Strong funding?	Recovery plan <7 years?
A	Stronger	✓	✓
B	Stronger	✗	✗
C	Weaker	✓	✓
D	Weaker	✗	✗
E	Weak	Stressed	Constrained

The graphic below illustrates how we expect TPR could segment schemes with FTSE350 sponsors. More details on the methodology used are in Appendix 1.

This is based on affordability of pension contributions and an implied recovery plan length. It excludes schemes that are in surplus on IAS19.

FTSE 350 segmentation



TPR will use additional information when assessing schemes, in particular including details from the triennial valuation process rather than IAS19 deficits. However, this analysis provides a useful starting point for understanding the likely impact of the new DB funding regime.

Key observations

- We expect that over 50% of the FTSE350 schemes are in segment A (including those in surplus). It's reassuring to see the majority of the FTSE350 are well able to support their pension schemes and are reducing deficits promptly. Regulatory intervention for these schemes is unlikely.
- Over 80% of recovery plans pay off IAS19 deficits in less than 7 years. Even in cases where sponsor contribution affordability is weaker, corporates appear to be prioritising paying down deficits in a timely manner. Regulatory intervention for these schemes is unlikely.
- There is no discernible trend between recovery plan length, covenant, and scheme maturity, with a broadly equal weighting of mature to immature schemes in each segment. The mature schemes with weak covenants and/or long recovery plans can expect to be hardest hit by the new DB funding regime.

"Fast track or bespoke" funding regime

Further details of the "fast track or bespoke" funding regime are likely to be published in 2020. However, the direction of travel is already being articulated by TPR, and the broad choice that employers and trustees will face is as follows:

1. **Fast track** – follow TPR funding plan based on scheme maturity and covenant strength, target full funding on a self-sufficiency type long term of objective (e.g. gilts + 0.5%) by the time scheme duration drops to around 12 years (around 15 years for an average scheme)

2. **Bespoke** – follow your own funding plan (e.g. have a lower funding target, take more time, take less risk) with a justification of why this is appropriate in your circumstances

How will the "fast track or bespoke" regime impact on the FTSE350?

The aggregate deficit across the FTSE350 on a gilts + 0.5% basis is c£83bn. Under the "fast track" route this would need to be funded over the next 15 years by a combination of cash contributions and investment returns. Funding it purely by cash contributions for 15 years would require aggregate cash contributions of £6bn pa, compared to the current expenditure of £15bn pa. The below table compares the pension contribution expenditure (company contributions expressed as days of earnings) to those which would be required under the "fast track" funding regime.

Segment	Number of schemes	Total "fast track" liability (Gilts + 0.5%)	Average expenditure of current contributions	Average expenditure of required contributions to fund the "fast track" liability
A	108	£406bn	7 days	8 days
B	3	‹£1bn	0 days	1 day
C	48	£157bn	13 days	18 days
D	28	£115bn	5 days	13 days
E	11	£139bn	38 days	69 days

For segments D-E, moving to the fast track regime would require a c.2x increase in annual pension contributions if the liability is to be funded by cash contributions alone. A combination of investment returns and cash contributions to meet the "fast track" liability is likely more feasible which may dampen the actual increase in required contributions materially.

The "bespoke" route may gain traction, particularly for corporates that have the covenant or non-cash support available to support a lower funding target or a longer timescale. TPR's 2019 funding analysis shows that the average Technical Provisions discount rate is gilts + 0.9% pa. A funding target at around this level can be supported by a run-off Cashflow Driven Investment strategy, underpinned with security and/or contingency planning to support the longer exposure to covenant. This type of approach could enable continuation of existing cash commitments under the "bespoke" route, and a lower risk investment strategy, meaning lower exposure to adverse market movements.

Our view

It should be possible for many schemes to comply with the "fast track" regime without needing to significantly increase deficit contributions. Taking this route is likely to be preferable in these circumstances to reduce regulatory risk.

However, the "bespoke" route is likely to be preferable for corporates that want to access the additional funding flexibility under this option. Where security or non-cash support can be made available to the pension scheme, the "bespoke" route enables either lower cash contributions or lower levels of investment risk to be taken.

DB consolidation gaining traction

DB consolidation has attracted significant headlines over the last year, but the market is yet to take-off properly, and it was notably absent from the 2019 Pensions Bill. This section assesses two of the main consolidation options – commercial consolidators and DB Master Trusts.

Commercial consolidators

A commercial consolidator transaction transfers a DB scheme to a DB Master Trust and severs the link with the employer. The covenant of the employer is replaced by a financial covenant from a capital buffer that supports the scheme. A commercial consolidator may improve member security relative to the current position, but is less secure than a full insurance buy-out.

There has been a clear process in place for the whole of 2019 for transactions, which is to follow TPR guidance and to obtain clearance from TPR for the transaction. However, transactions have not yet happened. We expect this is due to concerns about transacting ahead of a formal authorisation regime being in place. Timescales for the authorisation regime remain unclear. This means early transactions are likely to be driven by a need to transact now. Examples of where this can be the case include:

(1) Corporate transactions	(2) Overseas parents	(3) Concerns with long term covenant	(4) Small schemes
• Additional capital coming into the corporate as part of a transaction • Some of the capital is deployed to transfer the scheme to a consolidator	• Scheme has no legal recourse to overseas parent • Parent injects capital into UK subsidiary to fund a transfer to a consolidator	• Trustees get cash now and mitigate the covenant risk from a payment schedule over time • This outweighs the contribution being less than the full insurance buy-out cost	• Small schemes can't always access competitive buy-out quotes • Consolidators are engaging with them now, but this could change as they build scale

More widely, two key hurdles to meet for a transaction are:

1. **Pass the gateway test.** This requirement is that under the status quo buy-out with an insurer is not expected within the next 3-5 years. Schemes that are this close to buy-out should continue to aim for buy-out.

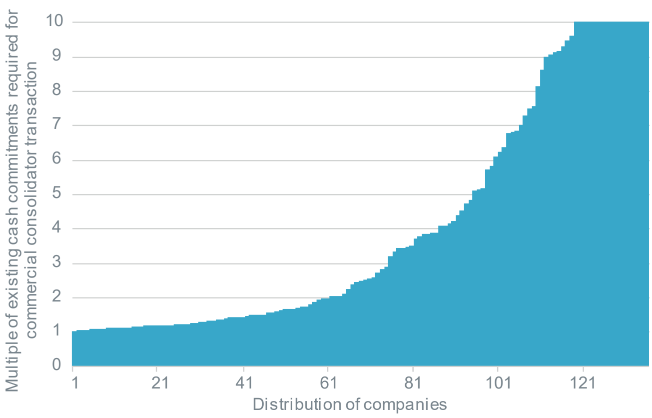
2. **Agree the upfront cash injection.** Whilst commercial consolidators are expected to be 5-10% cheaper than full insurance buy-out, it still requires a substantial cash injection. For the employer, this may not always be affordable. It may also be considered more expensive than running off the scheme or doing a series of insurance buy-ins as the liabilities mature. Conversely, the trustees need to be clear that if this level of upfront cash is offered, it justifies a clean break for the employer at a lower cost than buy-out. This might be the case if there are concerns about long term covenant or if access to additional capital outside the direct covenant is available for the transaction.

These hurdles mean that transferring to a commercial consolidator is only likely to be appropriate in a minority of cases.

Whilst 2019 has been a record year for buy-ins and buy-outs, with many FTSE 350 schemes looking to chip away at liabilities through a series of buy-ins, 91% of the FTSE350 could still pass the gateway test, i.e. they remain more than 5 years from achieving a full insurance buy-out. Additionally, a further 7% of the FTSE350 are too well funded for a commercial consolidator (i.e. not enough cash required for the capital buffer) leaving 84% of the FTSE350 potentially eligible for consolidation.

Schemes that pass the gateway test are, by definition, more than 5 years from full insurance buy-out, and therefore a substantial cash injection is still required for transferring to a commercial consolidator. A key consideration for trustees is then how this upfront cash injection compares with the existing cash commitment to pay deficit contributions over time, which comes with an associated covenant risk.

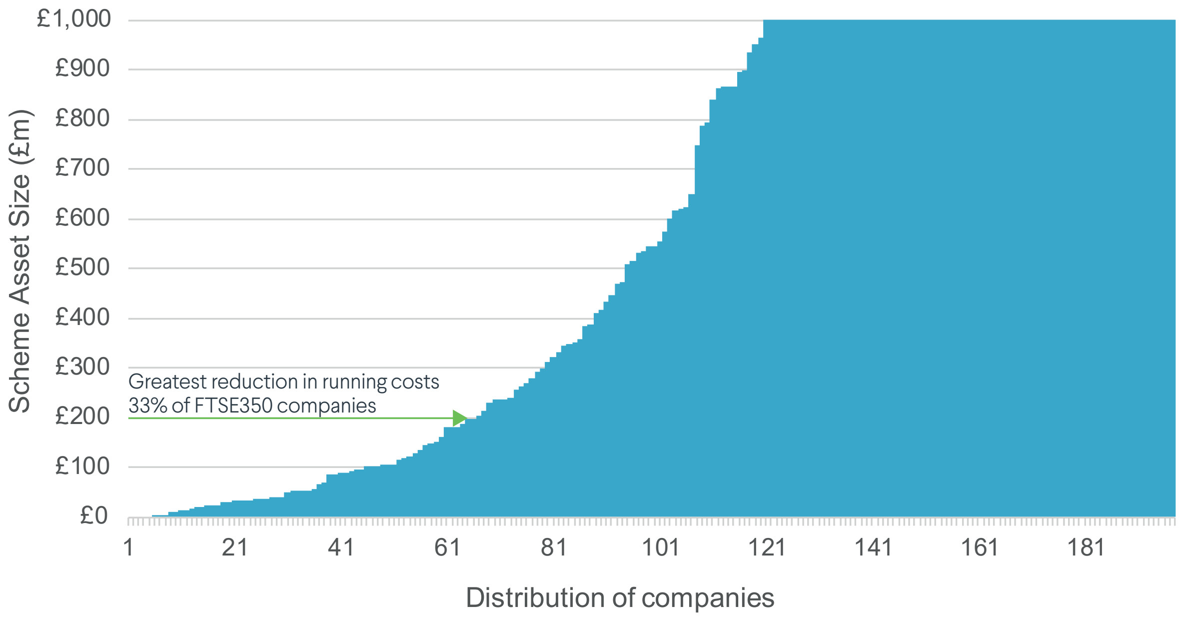
The chart below compares the upfront cash injection for transferring to a commercial consolidator with the total current cash commitment (assuming that ongoing contributions are payable for 7 years, and with the 16 schemes not currently receiving any deficit reduction contributions being excluded). They show that on average the required upfront cash injection is 2.1x the existing cash commitment.



DB Master Trusts

A DB Master Trust transaction transfers a DB scheme to a DB Master Trust, but retains the link with the existing employer. The covenant support for the scheme is therefore unaffected, and the rationale is instead to reduce running costs by accessing economies of scale in the Master Trust.

The chart below plots scheme size (by assets) for all schemes in the FTSE350. Schemes of up to £200m can save the most in running costs from transferring to a DB Master Trust. 33% of the FTSE350 have schemes of this size, and the combined reduction in annual running costs from transferring to a DB Master Trust would be £13m pa.



The current DB Master Trust providers that we're aware of in the market are as follows:

1. The Cheviot Trust
2. Citrus Pension Plan
3. Deloitte Master Plan
4. Federated Pension Plan
5. Prudential Platinum
6. The Premier DB Solution
7. TPT Retirement Solutions (their DB Complete solution)

The providers do have different approaches, governance structures and scale, and so it's important to consider the differences between providers when assessing a transfer to a DB Master Trust.

Our view

We expect to see the first transactions to commercial consolidators in 2020. Once proof of concept is established and the authorisation regime is in place, transaction volumes are likely to grow significantly. Our analysis shows that most schemes still pass the gateway test, and that the required cash injection is a significant multiple of the existing cash commitment, meaning trustees should seriously consider this option if it's put on the table.

DB Master Trusts are an attractive option for smaller schemes, particularly as funding levels improve and investment strategies are de-risked, at which point the desire for employer control reduces. We expect to see continued growth in this market.

FTSE350 analysis

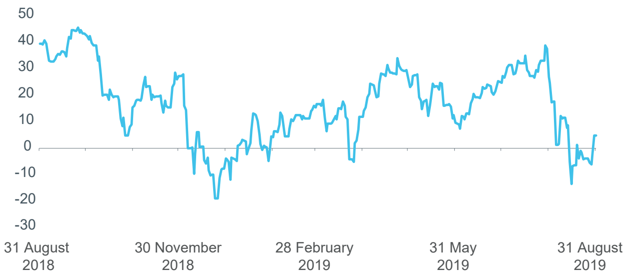
Pension deficits

Over the last year the funding position of the aggregate IAS19 FTSE350 pension obligations has been particularly volatile.

Despite this, the funding position remained in a surplus over the majority of the period, and was in a slight surplus in August 2019.

The graph below shows how the aggregate IAS19 funding position for FTSE350 companies has changed between 31 August 2018 and 31 August 2019.

Surplus / (Deficit) (£bn)



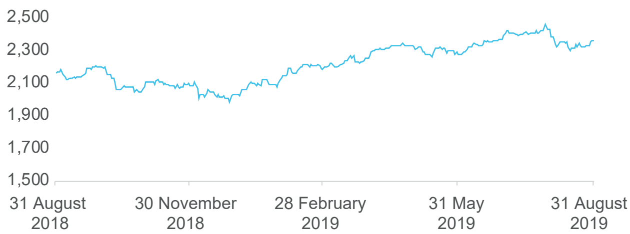
Company performance

The market cap of the 198 companies in the FTSE350 that sponsor a defined benefit pension scheme has increased from £2,157bn at 31 August 2018 to £2,351bn at 31 August 2019.

The actual spending on defined benefit pensions has fallen substantially from £19bn (reported contributions in year-end accounts up to 31 March 2018) to £15bn (reported contributions in year-end accounts up to 31 March 2019).

The £15bn of pension contributions compares with £102bn of dividend payments to shareholders.

FTSE350 Defined Benefit Pension Scheme Sponsors Market Cap (£bn)



Date	2017/18	2018/19
Earnings	£333bn	£341bn
Pension contributions	£19bn	£15bn

Our view

In the cases where companies are paying substantial dividends to shareholders and have material pension deficits, it's likely that they will face increasing regulatory pressure to increase deficit contributions. Many schemes are now reasonably well funded, and the drop-off in aggregate contributions could be evidence of schemes reaching full funding and deficit contributions starting to turn-off.

Ability to support pension schemes

To put pension schemes in the context of the businesses that support them, we consider four company metrics: security, affordability, fluctuation and expenditure. These are explained in the table on the right. We calculate these metrics for each company in the FTSE350 with a defined benefit pension scheme, based on information from the latest year end company accounts between 30 June 2018 and 30 June 2019 (depending on when companies file their accounts), and expressed relative to market capitalisation in September 2019. These metrics are then plotted on four axes to give a diamond shape – the larger the shape, the bigger the pension scheme burden on the sponsoring company.

The charts on the right show how the median shape has changed over the last five years for the FTSE350. Our key findings on the changes over the past year are set out below.

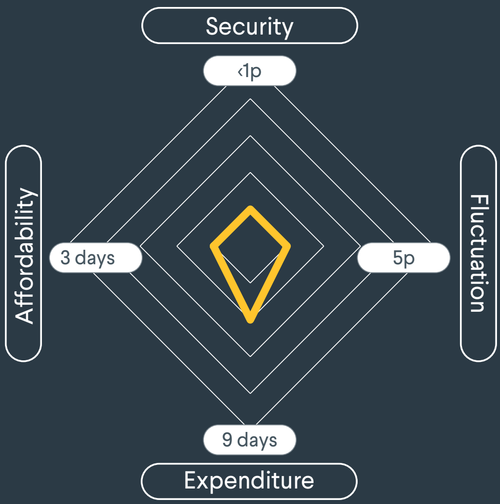
- Security has remained broadly unchanged. The typical company's IAS19 pension deficit equated to <1p in the pound of market cap (2017/18: also <1p in the pound of market cap).
- Affordability has seen an improvement. The typical company could pay off its IAS19 pension deficit with 3 days of earnings (2017/18: 6 days of earnings).
- Fluctuation has remained broadly unchanged. The typical company has 5p of un-hedged IAS19 pension liabilities in the pound of market cap (2017/18: also 5p of un-hedged pension liabilities).
- Expenditure has remained broadly unchanged. The typical company could generate its annual pension contributions with 9 days of earnings (2017/18: also 9 days of earnings).

These metrics become particularly useful when comparing the spread of scores across the FTSE350, which is set out on the next page. Appendix 2 then sets out the scores for all companies in the FTSE350 with a defined benefit pension scheme.

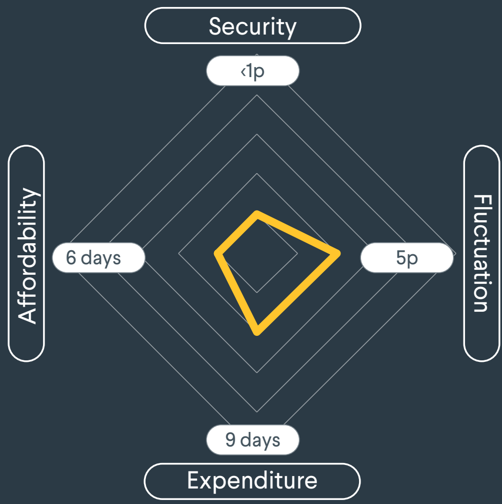
| Our view

All four metrics remaining relatively constant or improving suggests that companies, on average, continue to be well placed to support their pension schemes. Despite a year of volatile financial markets, companies that have taken active decisions to reduce pensions risk over the past few years are seeing this pay off with improved benefit security and less volatile contribution requirements.

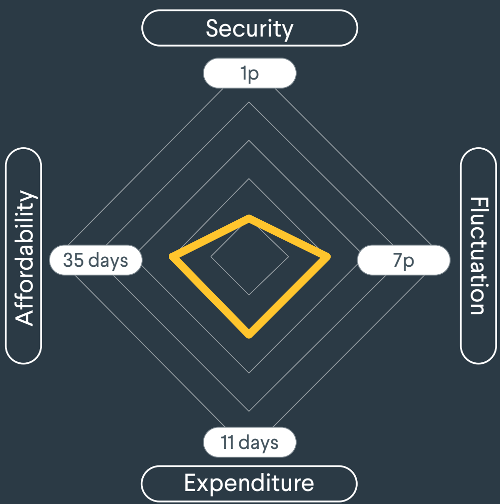
FTSE350 median – 2018/19



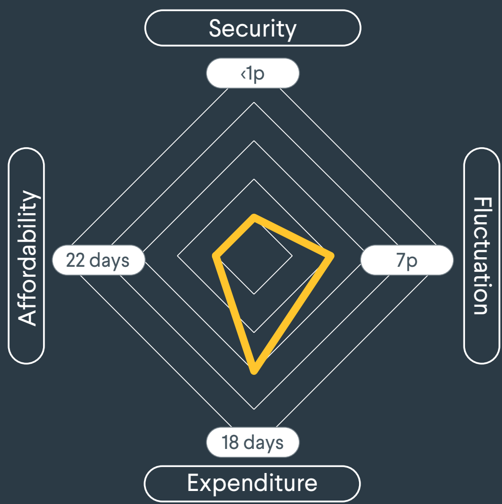
FTSE350 median – 2017/18



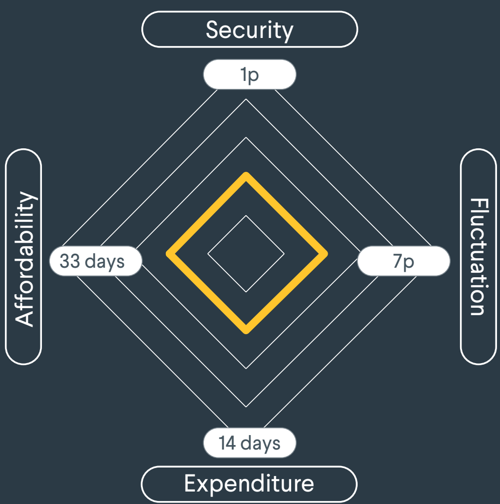
FTSE350 median – 2016/17



FTSE350 median – 2015/16



FTSE350 median – 2014/15



Pension metrics:

Security: pension deficit expressed as pence in the pound of company market cap

Affordability: the number of days of earnings to pay off the pension deficit

Fluctuation: un-hedged pension liabilities expressed as pence in the pound of company market cap

Expenditure: the number of days of earnings to generate the annual pension contributions

These charts rank the 198 FTSE350 companies with a defined benefit pension scheme on each of our four metrics, and hence show the spread across the FTSE350.

Security

Pension deficit expressed as pence in the pound of company market cap

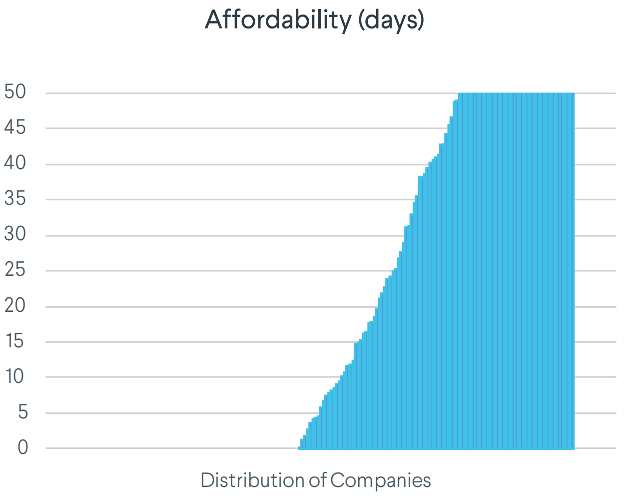
There are currently no companies with a deficit greater than the market cap. A general improvement in funding positions over the year has also improved security scores for some companies, meaning generally, deficits remain manageable relative to market cap.

94% of companies have a pension deficit of less than 10p in the pound of market cap.

89% of companies have a pension deficit of less than 5p in the pound of market cap.

Affordability

The number of days of company earnings to pay off the pension deficit

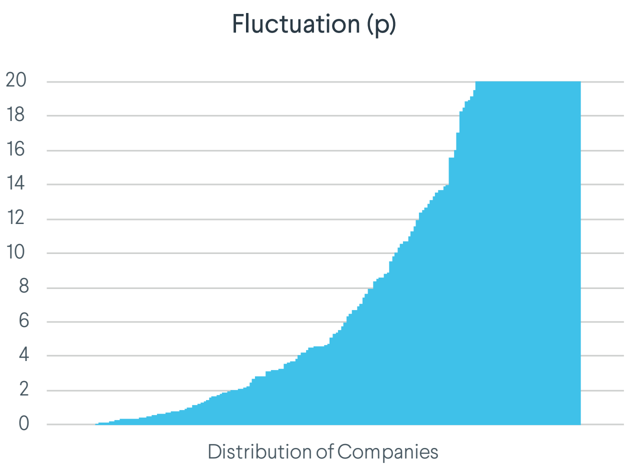


There are three companies that need more than 1 year (365 days) of earnings to pay off the pension deficit.

93% of companies could pay off the deficit with less than 6 months (183 days) of earnings.

Fluctuation

Un-hedged pension liabilities expressed as pence in the pound of company market cap



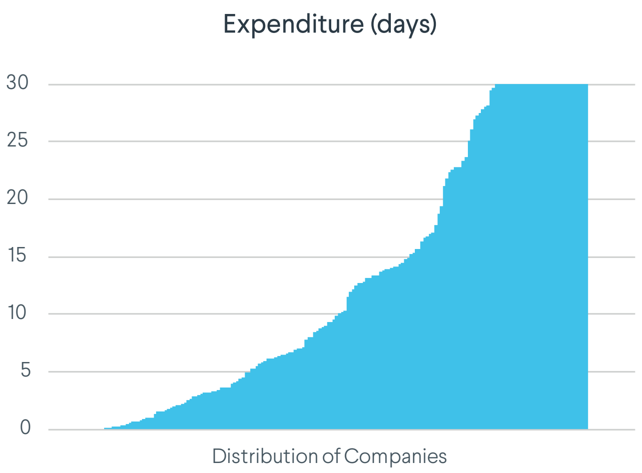
7 companies have un-hedged pension liabilities in excess of their market cap, i.e. the un-hedged liabilities are more than 100p in the pound of market cap.

80% of companies have un-hedged pension liabilities of less than 20p in the pound of market cap.

65% of companies have un-hedged pension liabilities of less than 10p in the pound of market cap.

Expenditure

The number of days of company earnings to generate the annual pension contributions



1 company put more than half a year's earnings (183 days) into its pension scheme.

83% of companies put less than 1 month (31 days) of earnings into their pension scheme and 46% of companies put less than 1 week (7 days) of earnings into their pension scheme.

There are 2 companies that paid pension contributions but reported negative earnings. These has been put at the far right of the above distribution.

Appendix 1

Methodology

Hymans Robertson has relied on external sources of information in compiling this report. Whilst every effort has been made to ensure the accuracy of the data, Hymans Robertson cannot verify the accuracy of such data. The views expressed in this report are based upon information in the public domain and the methodologies detailed in this report. The information contained is not intended to constitute advice and should not be used as a substitute for scheme specific advice. Users should not place reliance on this report; Hymans Robertson will not be held liable for any loss arising from use and/or reliance upon the report.

We have analysed the 198 companies in the FTSE350 that have defined benefit pension schemes sufficiently material to be disclosed under IAS19 in their annual reports. This excludes all investment funds and trusts, and is based on the FTSE Group listing at 30 June 2019. We have included UK and overseas funded and unfunded defined benefit schemes. Any figures or proportions quoted in this report in relation to the "FTSE350" relate only to these 198 companies.

We have used market capitalisation in September 2019 to calculate our Security and Fluctuation metrics.

The following information has been taken from companies' most recently published annual reports. We have referenced annual reports with effective dates from 30 June 2018 and 30 June 2019, depending on when the relevant accounts were filed.

- **Pension data** - extracted from IAS19 disclosures
- **Earnings data** - extracted from performance statements. We have referenced EBITDA, i.e. earnings before interest, tax, depreciation and amortisation.
- **Staff, pension and other costs** - extracted from the notes to accounts.

Where necessary, figures have been converted to sterling using appropriate exchange rates.

For company expenditure, we have taken the total expenditure on pensions covering contributions for both the accrual of benefits and the repayment of deficits. These figures are as reported in companies' annual reports and include both regular contributions and one-off contributions.

We have included both funded and unfunded defined benefit pension liabilities in our analysis.

To determine un-hedged pension liabilities, we have taken pension liabilities less the value of bond type assets held by the pension scheme. Bond type assets are taken from the IAS19 disclosures. They include government bonds, LDI funds and buy-ins. There is now a wide range of bond type assets, and so the calculation of this metric does vary at a company level depending on how individual companies disclose their pension scheme asset allocation in their accounts.

When a company makes any pension deficit adjustment for IFRIC14, our analysis references the IAS19 pension surplus / deficit prior to the IFRIC14 adjustment.

Our analysis for companies that operate sections in the Railways Pension Scheme is after the liability / deficit reduction on account of franchise adjustments and employees' share of the deficit.

Details of assumptions and methodology for our regulatory segmentation and commercial consolidator/ buyout analysis are as follows:

- **Regulatory segmentation analysis** – recovery plan length is inferred from the IAS19 deficit and annual contributions payable. We have used 7 years as the point separating "short" and "long" recovery plans, consistent with comments from TPR. As a proxy for covenant strength we have used our Affordability metric with segment boundaries at 10 and 190 days. This produces a segmentation broadly consistent with TPR's analysis of tranche 14 schemes. The FTSE350 population contains a greater concentration of segment A schemes vs TPR's analysis which is to be expected given that the FTSE350 likely contains a greater concentration of "strong" sponsors. For the "fast track" vs "bespoke" analysis we have transformed each company's IAS19 liabilities approximately to gilts + 0.5% and calculated the required increase in contributions, if any, in order to clear the resulting deficit within 15 years.
- **Commercial consolidator/buyout analysis** – buy-out costs are assumed to be 135% of current IAS19 liabilities, projected forward in time with an approximate allowance for scheme maturation. For the consolidator analysis we have excluded companies that we estimate will reach buyout within 5 years (assuming assets outperform liabilities by c1% p.a.). We have assumed consolidator pricing of 125% of IAS19 and also excluded companies over 115% funded on IAS19 (as consolidators require significant cash injection to allocate to the buffer fund; scheme assets cannot be used for this purpose and so schemes that are too well funded will not be viable for a commercial consolidator). Expected recovery plan contributions are calculated as the present value of cash contributions over an assumed recovery plan term of 7 years, assuming a discount rate of 1.80% (current IAS19 rate at time of writing).

Appendix 2

Company scores

'NE' refers to companies disclosing negative earning (i.e. losses)

Basic materials

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
Anglo American	31-Dec-18	0	0	0	8
Antofagasta	31-Dec-18	1	18	1	0
Croda International	31-Dec-18	0	0	13	14
Elementis	31-Dec-18	0	10	25	4
Essentra	31-Dec-18	1	31	8	8
Evraz	31-Dec-18	3	23	8	3
Ferrexpo	31-Dec-18	2	16	2	0
Fresnillo	31-Dec-18	0	3	0	0
Glencore	31-Dec-18	1	9	4	2
Johnson Matthey	31-Mar-19	0	0	0	39
Kaz Minerals	31-Dec-18	1	4	1	0
Mondi	31-Dec-18	3	47	3	1
RHI Magnesita NV	31-Dec-18	12	185	16	6
Rio Tinto	31-Dec-18	2	33	9	5
Smith (DS)	30-Apr-19	4	76	27	9
Smurfit Kappa Group	31-Dec-18	12	262	25	23
Synthomer	31-Dec-18	8	267	16	38
Victrex	30-Sep-18	0	0	1	10
Sector median		**1**	**17**	**6**	**6**

Communications

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
BT Group	31-Mar-19	41	355	177	102
Euromoney Institutional Investor	30-Sep-18	0	9	2	3
Informa	31-Dec-18	0	15	5	2
ITV	31-Dec-18	2	38	12	40
Pearson	31-Dec-18	0	0	28	4
RELX	31-Dec-18	1	60	7	6
Spirent Communications	31-Dec-18	0	0	5	37
Vodafone Group	31-Mar-19	1	12	4	1
WPP Group	31-Dec-18	1	29	3	7
Sector median		**1**	**15**	**5**	**6**

Consumer, cyclical

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
Barratt Developments	30-Jun-18	0	0	0	6
BCA Marketplace	31-Mar-19	0	18	3	3
Bellway	31-Jul-18	0	0	1	0
Berkeley Group Holdings (The)	30-Apr-19	0	0	0	0
Bovis Homes Group	31-Dec-18	0	0	5	12
Cineworld Group	31-Dec-18	0	2	0	0
Coats Group	31-Dec-18	11	323	72	59
Compass Group	30-Sep-18	0	0	2	5
Crest Nicholson Holdings	31-Oct-18	0	0	10	17
DCC	31-Mar-19	0	0	0	2
Diploma	30-Sep-18	1	43	2	3
Dixons Carphone	27-Apr-19	40	350	70	28
EI Group	30-Sep-18	0	0	0	0
Ferguson	31-Jul-18	0	0	2	25
Galliford Try	30-Jun-18	0	0	10	15
Grafton Group	31-Dec-18	1	31	9	10
Greene King	28-Apr-19	0	0	13	3
Howden Joinery Group	29-Dec-18	1	49	19	57
Inchcape	31-Dec-18	0	0	30	4
InterContinental Hotels Group	31-Dec-18	1	40	1	9
International Consolidated Airlines	31-Dec-18	0	0	125	0
Kingfisher	31-Jan-19	0	0	0	14
Marks & Spencer Group	30-Mar-19	0	0	91	13
Merlin Entertainments	29-Dec-18	0	4	1	1
Mitchells & Butlers	29-Sep-18	0	0	18	42
Next	26-Jan-19	0	0	2	3
Persimmon	31-Dec-18	0	0	3	3
Redrow	30-Jun-19	0	0	2	3
SIG	31-Dec-18	4	95	14	10
Taylor Wimpey	31-Dec-18	2	55	21	14
Ti Fluid Systems Ord 1p Wi	31-Dec-18	9	81	20	4
Travis Perkins	31-Dec-18	0	0	0	14
TUI AG	30-Sep-18	14	211	32	43
WH Smith	31-Aug-18	0	0	0	6
Whitbread	28-Feb-19	2	58	19	81
William Hill	01-Jan-19	0	0	10	13
Sector median		**0**	**0**	**4**	**7**

Consumer, non cyclical

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
4imprint Group	29-Dec-18	1	120	2	31
Aggreko	31-Dec-18	0	0	1	2
Ashtead Group	30-Apr-19	0	0	1	0
Associated British Foods	15-Sep-18	0	0	8	7
AstraZeneca	31-Dec-18	2	135	7	9
Babcock International Group	31-Mar-19	1	15	72	50
Bakkavor Group	29-Dec-18	0	1	5	9
Barr (A G)*	26-Jan-19	2	90	11	15
British American Tobacco	31-Dec-18	0	0	6	6
Britvic	30-Sep-18	0	0	1	32
Bunzl	31-Dec-18	1	22	3	8
Capita Group (The)	31-Dec-18	9	187	31	68
Coca-Cola HBC	31-Dec-18	1	25	2	5
ConvaTec Group	31-Dec-18	0	7	0	1
Cranswick	31-Mar-19	0	20	1	5
Dechra Pharmaceuticals	30-Jun-19	0	0	0	1
Diageo	30-Jun-19	0	0	1	16
Experian	31-Mar-19	0	0	1	3
G4S	31-Dec-18	8	158	55	28
Genus	30-Jun-18	0	0	12	37
GlaxoSmithKline	31-Dec-18	1	35	13	13
Greencore Group	28-Sep-18	9	159	35	27
Greggs	29-Dec-18	0	21	4	0
Hays	30-Jun-18	0	0	5	21
Homeserve	31-Mar-19	0	0	0	4
Imperial Brands	30-Sep-18	0	8	12	15
Intertek Group	31-Dec-18	0	18	1	2
Marston's	28-Sep-18	0	0	14	13
Mediclinic International	31-Mar-19	2	39	33	28
Morrison (Wm) Supermarkets	03-Feb-19	0	0	3	24
PZ Cussons	31-May-19	0	0	0	23
QinetiQ Group	31-Mar-19	0	0	0	6
Reckitt Benckiser Group	31-Dec-18	0	0	0	0
Rentokil Initial	31-Dec-18	0	4	1	1
Sainsbury (J)	09-Mar-19	0	0	49	15
Savills	31-Dec-18	0	0	7	22
Serco Group	31-Dec-18	0	0	0	0
Smith & Nephew	31-Dec-18	0	6	2	12
SSP Group	30-Sep-18	0	16	2	1
Tate & Lyle	31-Mar-19	0	0	0	23
Tesco	23-Feb-19	12	293	50	31
UDG Healthcare	30-Sep-18	0	0	0	7
Unilever	31-Dec-18	2	51	18	12
Sector median		**0**	**1**	**3**	**12**

*Scheme asset value excludes a Central Asset Reserve special purpose vehicle

Diversified

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
Drax Group	31-Dec-18	0	0	12	17
Inmarsat	31-Dec-18	0	0	1	0
John Laing Group	31-Dec-18	2	38	22	31
Sector median		**0**	**0**	**12**	**17**

Energy

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
BP	31-Dec-18	2	25	14	6
Hunting	31-Dec-18	0	0	0	0
John Wood Group	31-Dec-18	0	0	54	8
Premier Oil	31-Dec-18	0	0	0	0
Royal Dutch Shell	31-Dec-18	5	39	34	5
Vivo Energy	31-Dec-18	1	24	2	3
Sector median		**1**	**12**	**8**	**4**

Financial

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
3i Group	31-Mar-19	0	0	0	1
Aston Martin Lagonda	31-Dec-18	0	9	11	18
Aviva	31-Dec-18	0	0	21	30
Barclays	31-Dec-18	0	0	25	58
Beazley	31-Dec-18	0	8	1	3
Brewin Dolphin Holdings	30-Sep-18	0	0	4	12
British Land Co	31-Mar-19	0	0	3	2
Close Brothers Group	31-Jul-18	0	0	0	0
CYBG	30-Sep-18	0	0	29	NE
Derwent London	31-Dec-18	0	0	0	0
Direct Line Insurance Group	31-Dec-18	0	0	0	0
Grainger	30-Sep-18	0	0	1	2
Great Portland Estates	31-Mar-19	0	0	1	7
Hammerson	31-Dec-18	2	49	6	4
Hiscox	31-Dec-18	1	67	4	7
HSBC Holdings	31-Dec-18	0	0	3	6
Investec	31-Mar-19	0	0	1	0
Land Securities Group	31-Mar-19	0	0	0	0
Law Debenture Corporation (the)	31-Dec-18	0	0	4	NE
Legal & General Group	31-Dec-18	7	170	9	13
Lloyds Banking Group ORD	31-Dec-18	0	0	22	70
London Stock Exchange Group	31-Dec-18	0	0	0	6
Man Group	31-Dec-18	0	0	3	26
Paragon Banking Group	30-Sep-18	2	44	8	10
Phoenix Group Holdings	31-Dec-18	0	0	24	27
Provident Financial	31-Dec-18	0	0	5	17
Prudential	31-Dec-18	0	0	0	7
Rathbone Brothers	31-Dec-18	1	41	7	13
RIT Capital Partners	31-Dec-18	0	0	0	4
Royal Bank of Scotland Group	31-Dec-18	0	0	19	211
RSA Insurance Group	31-Dec-18	0	0	0	80
Schroders	31-Dec-18	0	0	4	0
Scottish Investment Trust (the)	31-Oct-18	0	7	2	2
Segro	31-Dec-18	0	0	0	2
St Modwen Properties	30-Nov-18	0	0	0	0
Standard Chartered	31-Dec-18	1	35	5	14
Standard Life Aberdeen	31-Dec-18	0	0	0	19
Sector median		**0**	**0**	**3**	**7**

Industrial

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
BAE Systems	31-Dec-18	23	685	88	104
Balfour Beatty	31-Dec-18	0	0	118	47
BBA Aviation	31-Dec-18	1	24	5	6
BHP GROUP PLC ORD $0.50	30-Jun-18	1	4	2	0
Bodycote	31-Dec-18	0	11	2	2
Clarkson	31-Dec-18	0	0	4	4
Cobham	31-Dec-18	1	62	9	0
CRH	31-Dec-18	2	46	14	13
Electrocomponents	31-Mar-19	3	123	6	16
Energean Oil & Gas	31-Dec-18	0	27	0	0
Equiniti Group	31-Dec-18	3	69	6	4
FirstGroup	31-Mar-19	7	65	158	59
Fisher (James) & Sons	31-Dec-18	2	65	14	22
Go-Ahead Group (The)	29-Jun-19	0	0	237	68
Halma	31-Mar-19	1	50	2	15
Hill & Smith Holdings	31-Dec-18	2	84	3	10
Ibstock	31-Dec-18	0	0	31	23
IMI	31-Dec-18	2	59	11	14
Marshalls	31-Dec-18	0	0	4	0
Meggitt	31-Dec-18	3	128	11	66
Melrose	31-Dec-18	14	457	32	27
Morgan Advanced Materials	31-Dec-18	26	446	41	39
National Express Group	31-Dec-18	5	106	13	9
Oxford Instruments	31-Mar-19	1	43	16	51
Renishaw	30-Mar-19	2	142	8	19
Rolls-Royce Group	31-Dec-18	0	0	5	48
Rotork	31-Dec-18	1	63	3	17
Royal Mail	31-Mar-19	0	0	0	171
Senior	31-Dec-18	0	0	5	30
Smiths Group	31-Jul-18	0	0	0	23
Spectris	31-Dec-18	1	41	1	2
Spirax-Sarco Engineering	31-Dec-18	1	50	3	13
Stagecoach Group	27-Apr-19	19	176	220	33
Ultra Electronics Holdings	31-Dec-18	5	212	20	31
Vesuvius	31-Dec-18	1	12	7	7
Weir Group	31-Dec-18	4	133	11	9
Sector median		**1**	**50**	**8**	**16**

Technology

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
Auto Trader Group	31-Mar-19	0	0	0	0
AVEVA Group	31-Mar-19	0	0	1	3
Micro Focus International	31-Oct-18	2	28	4	1
Sage Group (The)	30-Sep-18	0	15	0	1
Sector median		**0**	**7**	**1**	**1**

Utilities

Company	Accounting date	Security	Affordability	Fluctuation	Expenditure
Centrica	31-Dec-18	2	12	67	37
National Grid	31-Mar-19	0	0	23	29
Pennon Group	31-Mar-19	2	41	17	16
Severn Trent	31-Mar-19	9	180	21	14
SSE	31-Mar-19	0	0	10	14
United Utilities Group	31-Mar-19	0	0	6	0
Sector median		**1**	**6**	**19**	**15**

Appendix 3

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