

## Notes to the consolidated financial statements

### 31 Retirement benefit obligations (continued)

Mortality assumptions – Year to 31 March 2008	Expected longevity post age 60	
	UK	US
Male aged 60 now	26 years	23 years
Male aged 60 in 15 years' time	28 years	23 years
Female aged 60 now	27 years	25 years
Female aged 60 in 15 years' time	28 years	25 years

Shorter longevity assumptions are used for members who retire on grounds of ill-health.

The expected rates of return on individual categories of plan assets are estimated by reference to indices published by the relevant exchanges. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio. The actual rate of return on the plan assets for the year was negative 15.4% (2008 – positive 0.2%), and amounted to a loss of £171 million (2008 – £2 million gain).

Medical cost trend rates are estimated at between 8.5% and 10.5% per annum (2008 – 9.0%-11.0%), grading down to 5% by 2012. If medical cost trend rates were to increase or decrease by 1%, the effects are estimated as follows:

	2009		2008	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Increase/(decrease) in medical benefits current service and interest cost	1	(1)	1	–
Increase/(decrease) in medical benefits obligation	7	(6)	5	(5)

#### (c) Amounts recognised in the income statement

Year to 31 March 2009	Pension benefits				Medical benefits £m	Total £m
	UK £m	US £m	Others £m	Total £m		
Current service cost charged to operating profit	5	6	1	12	2	14
Interest cost	52	20	2	74	5	79
Expected return on plan assets	(55)	(19)	(2)	(76)	–	(76)
(Credited)/charged to finance expense	(3)	1	–	(2)	5	3
Total	2	7	1	10	7	17

Year to 31 March 2008	Pension benefits				Medical benefits £m	Total £m
	UK £m	US £m	Others £m	Total £m		
Current service cost	8	3	3	14	1	15
The effect of any curtailments, settlements or termination benefits	(3)	–	2	(1)	–	(1)
Charged to operating profit	5	3	5	13	1	14
Interest cost	45	15	3	63	4	67
Expected return on plan assets	(51)	(17)	(3)	(71)	–	(71)
(Credited)/charged to finance income	(6)	(2)	–	(8)	4	(4)
Total	(1)	1	5	5	5	10

Current service costs are presented in staff costs (Note 9); expected return on plan assets and interest cost are presented in net finance expense (Note 10).

## Notes to the consolidated financial statements

### 31 Retirement benefit obligations (continued)

#### (d) Amounts recognised in the balance sheet

	UK		US		Others		Pension benefits Total		Medical benefits £m	Total £m
	% of plan assets	£m	% of plan assets	£m	% of plan assets	£m	% of plan assets	£m		
	<b>At 31 March 2009</b>									
Fair value of plan assets:										
Equities	25%	185	49%	96	27%	12	30%	293	-	293
Bonds	36%	267	34%	68	42%	19	36%	354	-	354
Property and other	39%	280	17%	34	31%	14	34%	328	-	328
		732		198		45		975	-	975
Present value of funded obligations		(687)		(318)		(50)		(1 055)	-	(1 055)
Present value of unfunded obligations		-		(37)		-		(37)	(94)	(131)
Net asset/(liability) recognised in the Group balance sheet		45		(157)		(5)		(117)	(94)	(211)
Analysed in the balance sheet as:										
Retirement benefit surplus		45		-		2		47	-	47
Retirement benefit obligations		-		(157)		(7)		(164)	(94)	(258)

	UK		US		Others		Pension benefits Total		Medical benefits £m	Total £m
	% of plan assets	£m	% of plan assets	£m	% of plan assets	£m	% of plan assets	£m		
	<b>At 31 March 2008</b>									
Fair value of plan assets:										
Equities	29%	245	55%	115	25%	11	33%	371	-	371
Bonds	26%	220	28%	59	43%	19	27%	298	-	298
Property and other	45%	394	17%	35	32%	14	40%	443	-	443
		859		209		44		1 112	-	1 112
Present value of funded obligations		(810)		(246)		(45)		(1 101)	-	(1 101)
Present value of unfunded obligations		-		(27)		-		(27)	(75)	(102)
Net asset/(liability) recognised in the Group balance sheet		49		(64)		(1)		(16)	(75)	(91)
Analysed in the balance sheet as:										
Retirement benefit surplus		49		-		4		53	-	53
Retirement benefit obligations		-		(64)		(5)		(69)	(75)	(144)

The plan assets do not include any of the Group's financial instruments, nor any property occupied by, or other assets used by, the Group.

## Notes to the consolidated financial statements

### 31 Retirement benefit obligations (continued)

#### (e) Reconciliation of movement in plan assets and liabilities

Liabilities	Pension benefits				Medical benefits £m	Total £m
	UK £m	US £m	Others £m	Total £m		
At 1 April 2007	864	279	97	1 240	77	1 317
Total service cost	8	3	3	14	1	15
Interest cost	45	15	3	63	4	67
Actuarial gain	(58)	(7)	(5)	(70)	(2)	(72)
Contributions paid by employees	–	–	1	1	–	1
Disposals	–	–	(37)	(37)	–	(37)
Benefits paid	(46)	(15)	(1)	(62)	(4)	(66)
Curtailments, settlements and termination benefits	(3)	–	(21)	(24)	–	(24)
Exchange differences	–	(2)	5	3	(1)	2
At 31 March 2008	810	273	45	1 128	75	1 203
Total service cost	5	6	1	12	2	14
Interest cost	52	20	2	74	5	79
Actuarial gain	(136)	(27)	(4)	(167)	(9)	(176)
Benefits paid	(47)	(19)	(1)	(67)	(5)	(72)
Exchange differences	3	102	7	112	26	138
<b>At 31 March 2009</b>	<b>687</b>	<b>355</b>	<b>50</b>	<b>1 092</b>	<b>94</b>	<b>1 186</b>

Assets	Pension benefits				Medical benefits £m	Total £m
	UK £m	US £m	Others £m	Total £m		
At 1 April 2007	869	224	95	1 188	–	1 188
Expected return on assets	51	17	3	71	–	71
Actuarial loss	(42)	(24)	(3)	(69)	–	(69)
Contributions paid by employer	27	9	2	38	4	42
Contributions paid by employees	–	–	1	1	–	1
Disposals	–	–	(33)	(33)	–	(33)
Benefits paid	(46)	(15)	(1)	(62)	(4)	(66)
Curtailments, settlements and termination benefits	–	–	(23)	(23)	–	(23)
Exchange differences	–	(2)	3	1	–	1
At 31 March 2008	859	209	44	1 112	–	1 112
Expected return on assets	55	19	2	76	–	76
Actuarial loss	(148)	(89)	(10)	(247)	–	(247)
Contributions paid by employer	12	11	3	26	5	31
Benefits paid	(47)	(19)	(1)	(67)	(5)	(72)
Exchange differences	1	67	7	75	–	75
<b>At 31 March 2009</b>	<b>732</b>	<b>198</b>	<b>45</b>	<b>975</b>	<b>–</b>	<b>975</b>

## Notes to the consolidated financial statements

### 31 Retirement benefit obligations (continued)

#### (f) Analysis of actuarial loss/(gain) recognised in the consolidated statement of recognised income and expense

	Year to 31 March	
	2009 £m	2008 £m
Difference between the actual return and the expected return on plan assets	247	69
Experience gains arising on scheme liabilities	(18)	(9)
Changes in assumptions underlying the present value of scheme liabilities	(158)	(63)
Actuarial loss/(gain) recognised in the consolidated statement of recognised income and expense before tax	71	(3)
Cumulative actuarial loss/(gain) recognised in the consolidated statement of recognised income and expense	55	(16)

Deferred tax taken directly to equity on retirement benefit obligations was £31 million credit to equity (2008 – £10 million charge to equity).

#### (g) History of the plans and experience adjustments

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation and medical benefits	1 186	1 203	1 317	1 351	1 256
Fair value of plan assets	(975)	(1 112)	(1 188)	(1 179)	(1 012)
Net deficit	211	91	129	172	244
Experience adjustments on plan liabilities – (gain)/loss	(18)	(9)	25	7	30
Experience adjustments on plan assets – loss/(gain)	247	69	3	(108)	(11)

All experience adjustments are recognised directly in equity, net of related tax (see the consolidated statement of recognised income and expense).