

HRS Insight

Human Resource Services

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PwC Issues its Pension/OPEB 2011 Assumption and Disclosure Survey

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PwC is pleased to share with you our *Pension/OPEB 2011 Assumption and Disclosure Survey*. This survey presents our analysis of the 2010 year-end assumptions and disclosures under ASC 715-20, ASC 715-30, and ASC 715-60.

We analyzed 100 companies, comprising Fortune 100 companies and other large and established companies, with a December 31 measurement date. We reviewed the public annual reports for the companies selected, specifically financial information regarding pension and other postretirement benefit (OPEB) plans. We also included 2009 data for comparison.

Please find attached the *Pension/OPEB 2011 Assumption and Disclosure Survey*.

We hope you will find the results of our *Pension/OPEB 2011 Assumption and Disclosure Survey* useful in benchmarking your company's assumptions against the survey results.

How PwC Can Help

PwC has considerable expertise in the accounting, tax, actuarial and HR issues related to pension and OPEB plans. We can leverage this expertise to provide employers with a broad perspective on costs, financial reporting, and tax matters.



For more information, please do not hesitate to contact your local PwC professional:

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Pension/OPEB 2011 Assumption and Disclosure Survey

Human Resource Services



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We analyzed 100 companies, comprising Fortune 100 and other large and established companies, with a December 31 measurement date. We reviewed the public annual reports for the companies selected, specifically financial information regarding pension and other postretirement benefit (OPEB) plans. We also included 2009 data for comparison. Please note that the 2009 data in this year's survey may not exactly match the results in last year's survey as we used some different companies this year.

We hope you will find the results of our *Pension/OPEB 2011 Assumption and Disclosure Survey* useful in benchmarking your company's assumptions against the survey results.

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Summary

Pension and OPEB discount rates were approximately 40 to 50 basis points lower, on average, than discount rates at the end of 2009, reflecting the overall decline in long-term interest rates over that one-year period. The median pension discount rate at the end of 2010 was 5.40% (compared with 5.86% at the end of 2009) while the median OPEB discount rate at the end of 2010 was 5.25% (compared with 5.75% at the end 2009).

The median expected long-term rate of return on plan assets of 8.00% decreased approximately 10 basis points compared with 8.11% at the end of 2009. This decrease may be caused by a number of factors including lower asset return expectations and changes in asset mix.

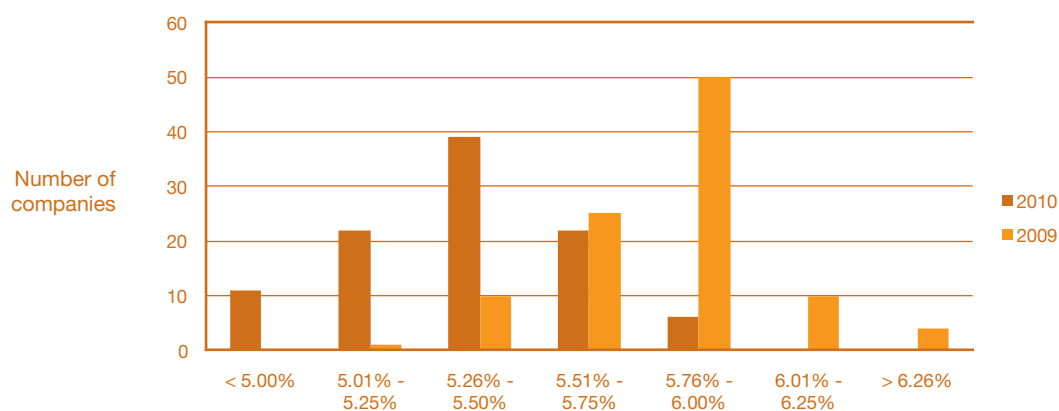
At the median, plan funding levels improved somewhat, with pension plan assets increasing from 77% of the projected benefit obligation (PBO) at the end of 2009 to 81% at the end of 2010, due primarily to higher returns in the equity markets in 2010. Unamortized losses for pensions decreased from 36% of the projected benefit obligation at the end of 2009 to 33% at the end of 2010, in large part due to actual returns on plan assets that were higher than expected.

Pension (ASC 715-30) Assumptions

	Discount Rate		Salary Progression Rate		Rate of Return on Plan Assets	
	2010	2009	2010	2009	2010	2009
LOW	4.65%	5.12%	0.00%	0.00%	6.50%	6.50%
MEDIAN	5.40%	5.86%	4.00%	4.00%	8.00%	8.11%
HIGH	5.98%	6.54%	6.21%	5.50%	9.50%	9.50%
MEAN	5.38%	5.85%	4.09%	4.10%	8.07%	8.13%

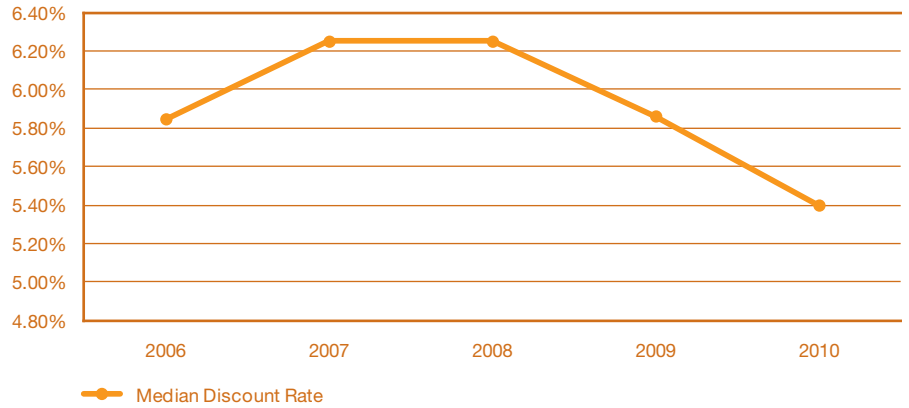
Discount Rate

Pension Discount Rate



For pension plans, the median and mean discount rates decreased from 2009 by 46 and 47 basis points to 5.40% and 5.38% respectively. This decline reflects overall declines in interest rates from their 2009 levels.

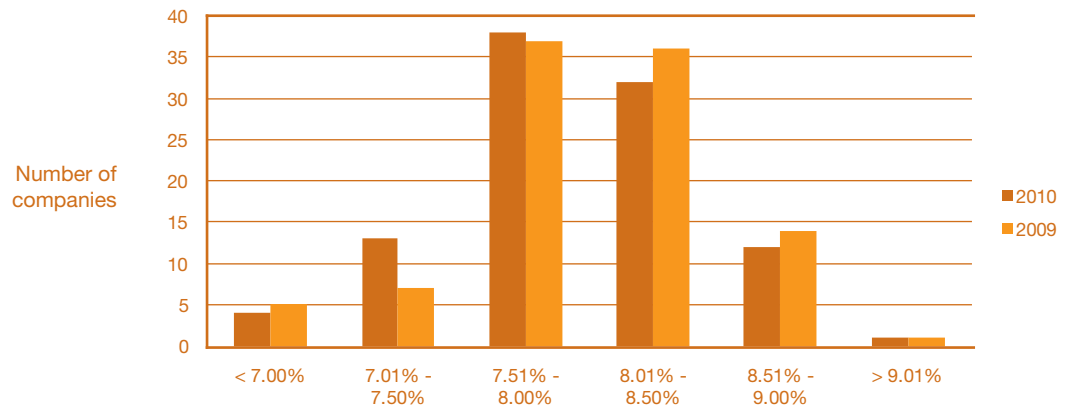
5 Year Trend in Discount Rate



Over the past five years, the discount rate has trended downward consistent with the overall movement of interest rates.

Rate of Return on Plan Assets

Pension Expected Return On Assets



The median rate of return on assets decreased approximately 10 basis points in 2010 to 8.00%. This decrease generally reflects more caution by companies in assessing expected returns on plan assets and changes in asset mix.

Frozen Plans

Ten of the companies had frozen their plans as of 2010. This number has been increasing each year. In 2007, only one company had a frozen plan, while six companies had a frozen plan in 2008, and eight companies had a frozen plan in 2009.

Asset Allocation

	Equity		Debt/ Fixed Income		Cash		Real Estate		Other		Other Combined*	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
LOW	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
MEDIAN	52%	56%	32%	32%	1%	1%	0%	0%	7%	6%	12%	12%
HIGH	96%	97%	61%	60%	14%	21%	13%	7%	92%	91%	92%	91%
MEAN	51%	53%	33%	32%	2%	3%	2%	1%	12%	11%	16%	15%

* Represents aggregation of cash, real estate, other company stock, and other investments. Company disclosures did not always distinguish cash, real estate, and company stock within the "other" caption.

Also included in the survey is a breakdown of asset allocations for funded pension plans, as of each plan's measurement date. The final analysis showed that, at the median, approximately 52% of assets were allocated to equity securities and 32% were invested in debt instruments for 2010. This was a 4% decrease in assets allocated to equity, and assets allocated to debt instruments were approximately unchanged, compared to 2009. At the median, nearly 12% of assets were allocated to all other investment categories (cash and cash equivalents, real estate, company stock and other), essentially remaining unchanged from 2009 levels.

New plan asset disclosures were required for fiscal years beginning after 12/15/2009 and, as a result, companies have provided more information about the major categories of plan assets for their 2009 & 2010 disclosures. For comparison among companies and simplicity, we maintained the more generic categories of plan assets used in prior years.

Plan Funding Levels

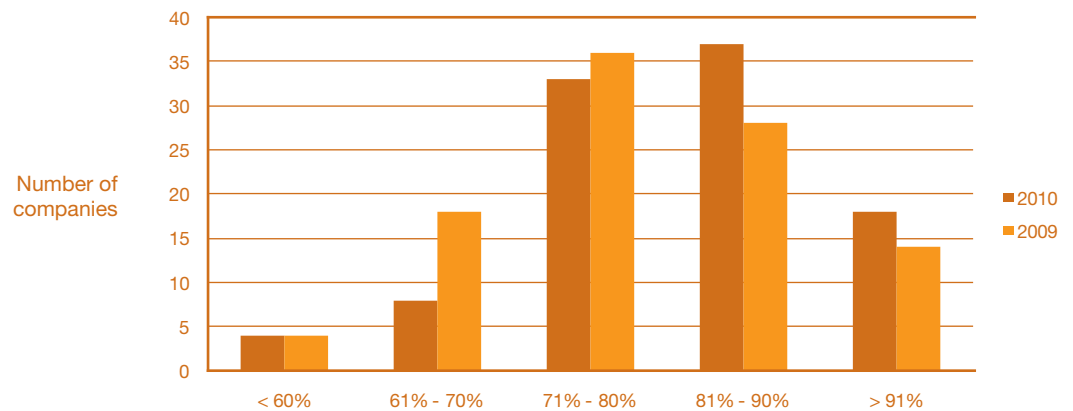
	Pension Plan Assets as a % of PBO		Pension Unamortized G/(L) as a % of PBO*		Pension Unamortized Prior Service Cost/(Credit) as a % of PBO**	
	2010	2009	2010	2009	2010	2009
LOW	47%	45%	-145%	-150%	-10%	-12%
MEDIAN	81%	77%	-33%	-36%	0%	0%
HIGH	130%	128%	47%	49%	4%	4%
MEAN	81%	79%	-30%	-33%	0%	0%

* Positive percentages are unamortized gains, while negative percentages are unamortized losses.

** Positive percentages are unamortized prior service costs, while negative percentages are unamortized prior service credits.

The median and the mean ratio of pension funding (pension plan assets as a percentage of projected benefit obligation) increased to approximately 81% in 2010, compared to 77% and 79% respectively, in 2009. This positive movement in the funded status of the pension plans is due in large part to the higher returns on plan assets in 2010, offset in part by declines in discount rates.

Plan Funding Levels



For pension plans, unamortized losses as a percentage of the projected benefit obligation decreased from a median percentage of 36% in 2009 to 33% in 2010, due primarily to higher returns on plan assets.

For OPEB plans, unamortized losses as a percentage of the accumulated postretirement benefit obligation increased to a median percentage of 18% in 2010 compared to 16% in 2009. OPEB plans saw similar improvements in the percentage of unamortized losses to pension plans despite that many OPEB plans are unfunded.

The median percentage of prior service cost to the defined benefit obligation (projected benefit obligation for pension plans and accumulated postretirement benefit obligation for OPEB plans) remained nominal at approximately 0% for all plans in 2010. On a combined pension and OPEB basis, the median funding level increased to approximately 73% in 2010 from 68% in 2009.

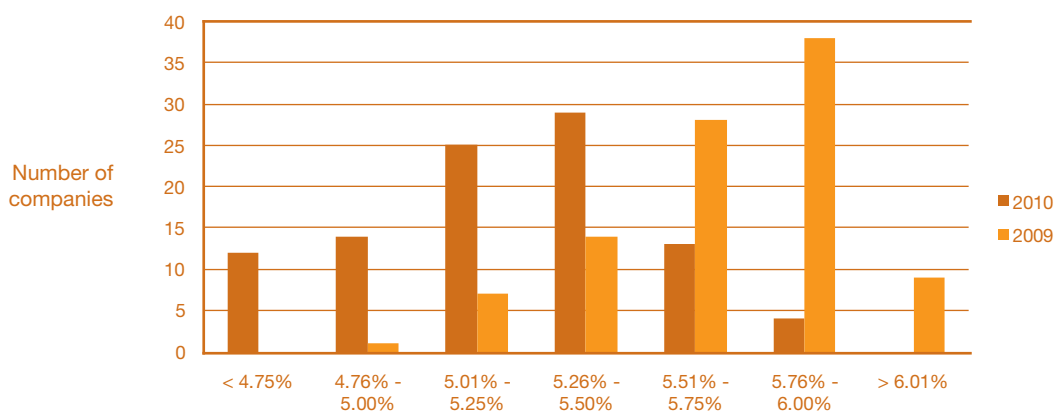
OPEB (ASC 715-60) Assumptions

	OPEB Discount Rate		Initial Health Care Cost Trend Rate		Ultimate Trend Rate		Years to Ultimate Trend Rate	
	2010	2009	2010	2009	2010	2009	2010	2009
LOW	3.47%	5.00%	5.00%	5.00%	4.40%	4.10%	4	3
MEDIAN	5.25%	5.75%	8.00%	8.00%	5.00%	5.00%	8	7
HIGH	5.98%	6.50%	11.25%	11.10%	6.00%	6.00%	73	70
MEAN	5.22%	5.74%	8.07%	8.14%	4.95%	4.95%	10	10

* Where multiple trend rates were disclosed, we averaged the multiple rate (e.g., rates for participants below age 65 and rates from 65 and beyond)

OPEB Discount Rate

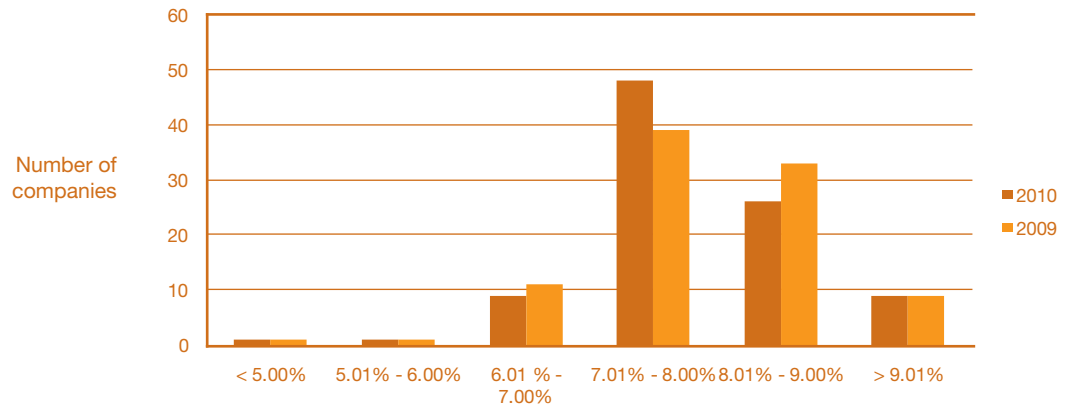
OPEB Discount Rate



The mean OPEB discount rate for 2010 decreased 52 basis points to 5.22%. The median discount rate decreased 50 basis points from 2009 to 5.25% in 2010. These decreases are consistent with overall declines in interest rates from 2009 to 2010.

Health Care Cost Trend Rate

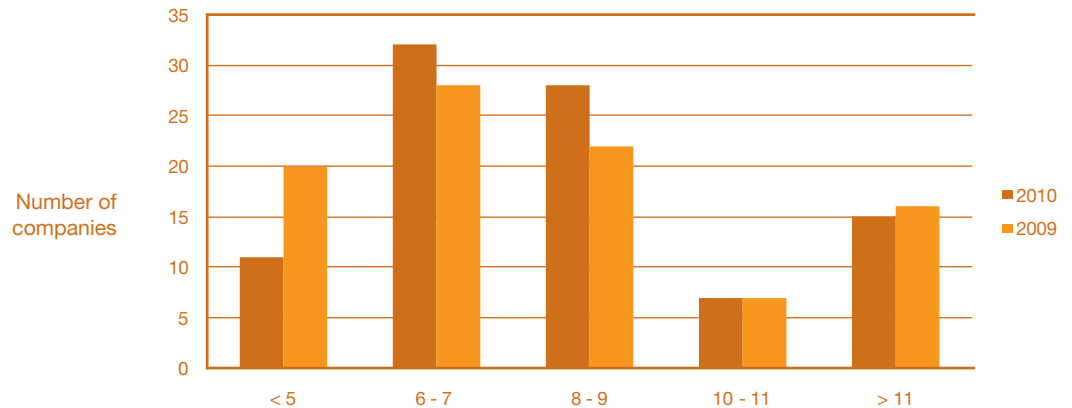
OPEB Health Care Trend Rate



The mean initial health care rate decreased slightly for 2010, dropping 7 basis points to 8.07%, and the median initial rate remained unchanged at 8%. This slight decrease may be attributable to many factors, such as continued slowing drug cost increases, health care cost decreases consistent with assumed trend rate decreases, and other cost containment initiatives by employers.

Ultimate Trend Rate

OPEB Years to Ultimate



Median ultimate trend rates stayed at 5%, and the median time to reach ultimate increased to 8 years, though a number of companies extended their years-to-ultimate to 11 years or more.

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If you would like additional details on our analysis, please contact the authors or your local Human Resource Services contact

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