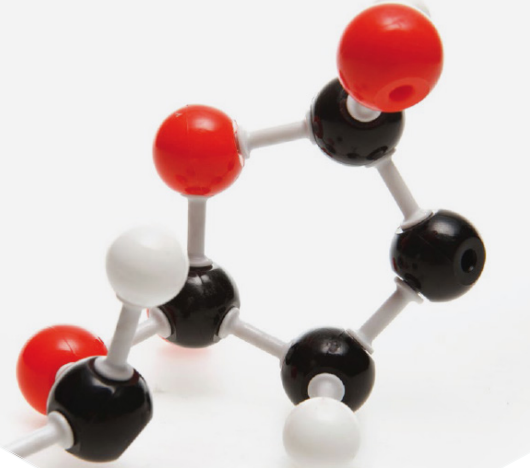
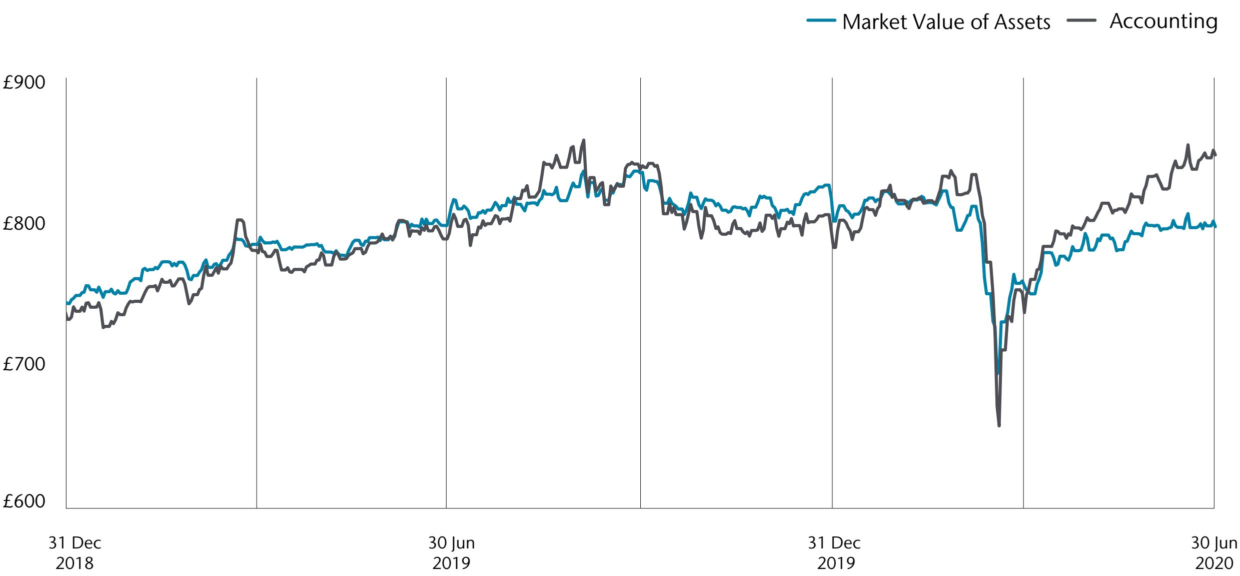


Rocky 2019 and Rollercoaster 2020

Insights from Aon's Accounting Strategy Team

- Effects of COVID-19 pandemic dwarf 2019's market volatility
- Wide gap remains between best and worst funded schemes
- Schemes' ability to ride out the storm will depend on their investment strategy and approach to risk and governance

FTSE 350 Aggregate accounting assets and liabilities (£M)



Source: Aon Pension Risk Tracker

Rocky 2019

- After starting 2019 100% funded, the aggregate funding position of FTSE 350 declined to 97% in late-August before recovering to 103% by the end of the year.

Balance sheet liabilities

- Accounting liabilities increased by 8% over 2019, mainly due to lower discount rates offset by slower longevity improvements.

Balance Sheet Assets

- Equity markets were up by between 15% and 35% over 2019 with the best returns being achieved by those who hedged currency exposure.
- Matching assets (gilts, swaps and LDI) also increased.

Rollercoaster 2020

- 2019 swings have been dwarfed by 2020 volatility amid the economic impact of COVID-19. The aggregate funding position of the FTSE 350 fell to 95% in mid-March and by 30 June had fallen further to 94%.

Balance sheet liabilities

- By mid-March, accounting liabilities fell as AA credit spreads increased significantly and inflation expectations reduced. By 30 June credit spreads had fallen back with liabilities rising again.

Balance Sheet Assets

- In 2020, growth assets have been significantly affected by the economic slowdown, with equity falls of 20% in March alone.
- Significant falls in yields have bolstered matching assets and dampened the impact of the equity crash.

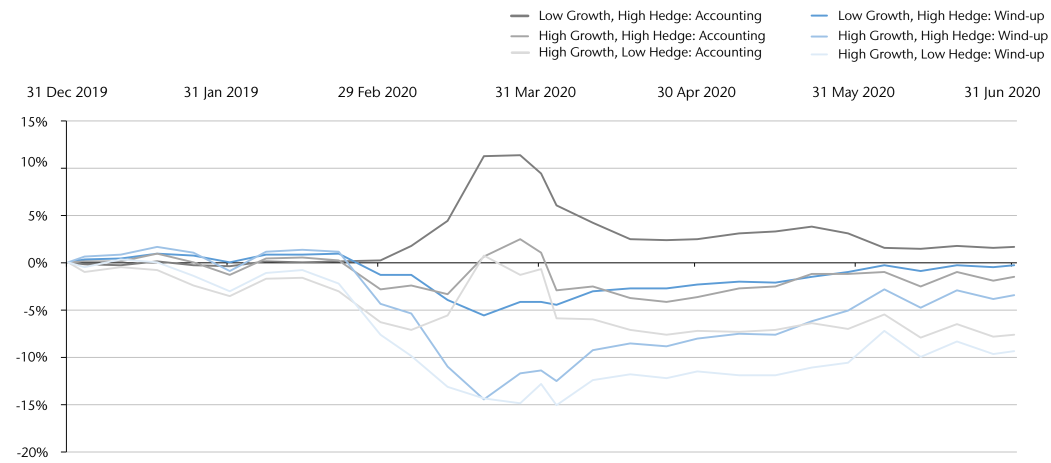
Empower Results®

Divergence between schemes

There continues to be significant divergence between the best and worst funded pension plans. At the end of 2019, the top 10% were more than 115% funded and the bottom 10% were below 80% funded.

2020 has seen further divergence with schemes' resilience tested by the economic impact of COVID-19, and headline accounting positions flattering the true funding positions of many schemes.

Pension scheme funding level change



Funding level outcomes vary significantly for different investment strategies. Schemes with higher hedge ratios and lower exposure to growth assets have seen their funded position less severely affected.

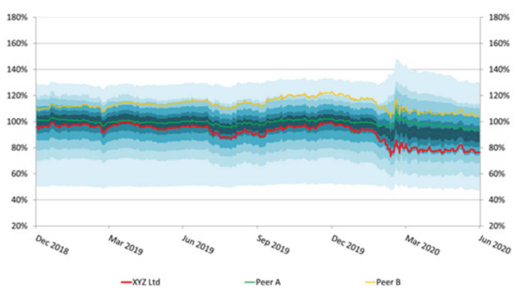
With market volatility expected to continue, many companies are now taking actions to protect against future shocks and also to improve funding.

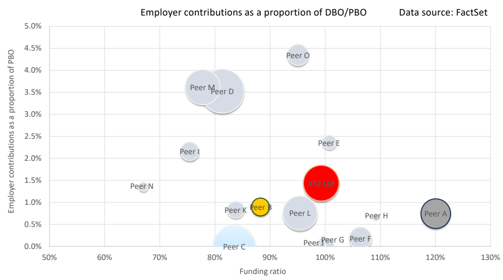
How resilient is your scheme, relative to your peers?

Do you know how your scheme has been affected, and how it is performing compared to your peers?

Aon can benchmark your scheme to help you:

- Assess its resilience
- Identify and address the risks associated with both scheme assets and liabilities
- Identify opportunities to remove volatility and optimise your balance sheet position





About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit http://aon.mediaroom.com.

Make 2020 the year you take back control of your balance sheet

Speak to Aon's Accounting Strategy Team to get your **FREE** personalised benchmarking report

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