

Notes to the financial statements continued

9. Pension scheme

Defined contribution plans

The Group operates the Savills UK Group Personal Pension Plan, a defined contribution scheme, a number of defined contribution individual pension plans and a Mandatory Provident Fund Scheme in Hong Kong, to which it contributes. The total pension charges in respect of these plans were £14.0m (2009: £8.5m).

Defined benefit plan

The Pension Plan of Savills (the Plan) provided final salary pension benefits to some employees, but was closed with regard to future service-based benefit accrual with effect from 31 March 2010. From 1 April 2010, pension benefits for former employees of the Plan are provided through the Group's defined contribution Personal Pension Plan.

The assets of the scheme are held separately from those of the Group, and invested in managed funds units. The contributions are determined by an independent qualified actuary on the basis of triennial valuations.

A full actuarial valuation is currently being carried out as at 31 March 2010 and has been updated to 31 December 2010 by a qualified independent actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments pre-retirement, the rates of increase in salaries and the post-retirement investment return. The draft valuation showed that the market value of the scheme's assets was £109.6m and that the actuarial value of those assets represented 80% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The scheme has been closed to new joiners for pension benefits since 1 April 2000.

	Group	
Principal assumptions at 31 December	2010	2009
Expected return on plan assets		
– Equities	8.10%	8.30%
– Gilts	4.00%	–
– Bonds	5.20%	5.30%
– Property	7.10%	7.30%
– Diversified growth funds	7.80%	8.00%
– Other	0.50%	0.30%
Expected rate of salary increases	4.50%	5.00%
Rate of increase to pensions in payment		
– accrued before 6 April 1997	3.00%	3.00%
– accrued after 5 April 1997	3.60%	3.60%
– accrued after 5 April 2005	2.40%	2.40%
Rate of increase to pensions in deferment		
– accrued before 6 April 2001	5.00%	5.00%
– accrued after 5 April 2001	2.90%	3.70%
Discount rate	5.50%	5.60%
Inflation assumption	3.60%	3.70%

9. Pension scheme continued

Using post-retirement mortality assumptions, the assured life expectations on retirement at age 60 (2009: 60) are as follows:

		Group	
		2010	2009
Retiring today	– Male	88.1	87.1
	– Female	89.1	89.7
Retiring in 20 years	– Male	89.5	89.2
	– Female	90.8	91.7

Sensitivity analysis of the discount rate:

Change in assumption	Decrease by 0.5% p.a. (2009: decrease by 0.5% p.a.)
Impact on liabilities	Increase by 12% (2009: increase by 12%)

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Fair value of plan assets	119.5	103.5	6.6	5.7
Present value of funded obligations	(141.8)	(141.2)	(7.8)	(7.8)
Deficit	(22.3)	(37.7)	(1.2)	(2.1)
Related deferred tax asset	6.1	10.7	0.3	0.6
Net liability	(16.2)	(27.0)	(0.9)	(1.5)

The amounts recognised in the income statement:

	Group	
	2010 £m	2009 £m
Current service cost	0.9	3.2
Interest cost	7.9	7.0
Expected return on plan assets	(7.9)	(6.1)
Total included in staff costs	0.9	4.1

All net actuarial gains or losses for each year are recognised in full in the year in which they are incurred in the statement of comprehensive income.

Change in defined benefit obligation:

	Group	
	2010 £m	2009 £m
Present value of defined benefit obligation at start of year	141.2	110.5
Current service cost	0.9	3.2
Interest cost	7.9	7.0
Plan participants contributions	0.3	1.1
Actuarial (gain)/loss	(7.2)	20.7
Benefits paid	(1.3)	(1.3)
Present value of defined benefit obligation at end of year	141.8	141.2

Notes to the financial statements continued

9. Pension scheme continued

Change in plan assets:

	2010 £m	Group 2009 £m
Fair value of plan assets at start of year	103.5	85.9
Expected return on plan assets	7.9	6.1
Actuarial gain	3.3	7.9
Employer contributions	5.8	3.8
Plan participants contributions	0.3	1.1
Benefits paid	(1.3)	(1.3)
Fair value of plan assets at end of year	119.5	103.5

The actual return on plan assets was £11.2m (2009: £14.0m). The overall expected return on assets is determined as the weighted average of the expected returns on each separate asset class shown below. The expected return on plan assets is determined by the expected rate of return over the remaining life of the related liabilities held by the scheme. The expected rate of return on equities is based on market expectations of dividend yields and price earnings ratios. Expected returns on bonds are based on gross redemption yields as at the balance sheet date.

The amounts recognised in the consolidated statement of comprehensive income:

	2010 £m	Group 2009 £m
Actuarial losses brought forward	(37.6)	(24.8)
Net actuarial gain/(loss) for the year	10.5	(12.8)
Accumulated net actuarial losses	(27.1)	(37.6)

The major categories of assets as a percentage of total plan assets are as follows:

	2010	2009
Equities	51%	53%
Gilts	4%	–
Bonds	23%	23%
Property	3%	3%
Diversified Growth Funds	19%	20%
Cash	–	1%
Total	100%	100%

No plan assets are the Group's own financial instruments or property occupied or used by the Group.

Amounts for the current and previous four years are as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Plan assets	119.5	103.5	85.9	103.4	96.6
Defined benefit obligation	(141.8)	(141.2)	(110.5)	(113.4)	(112.1)
Deficit	(22.3)	(37.7)	(24.6)	(10.0)	(15.5)
Experience gain/(loss) on plan liabilities	2%	2%	1%	(5%)	(3%)
Experience gain/(loss) on plan assets	3%	8%	(35%)	(4%)	3%

The Group expects to contribute £6.0m to its pension plan in the period to 31 December 2011 (2010 – £5.8m). The Company expects to contribute £0.3m (2010 – £0.3m).