Aon plc
Form 10-Q
April 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED March 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-7933

Aon plc
(Exact Name of Registrant as Specified in Its Charter)

ENGLAND AND WALES	98-1030901
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

122 LEADENHALL STREET, LONDON, ENGLAND	EC3V 4AN
(Address of Principal Executive Offices)	(Zip Code)

+44 20 7623 5500
(Registrant's Telephone Number,
Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ý NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ý

Number of Class A Ordinary Shares of Aon plc, $0.01 nominal value, outstanding as of April 21, 2016: 264,918,514 million

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Aon plc
Condensed Consolidated Statements of Income
(Unaudited)

(millions, except per share data)	Three Months Ended March 31, 2016	March 31, 2015
Revenue		
Commissions, fees and other	$2,787	$ 2,842
Fiduciary investment income	5	5
Total revenue	2,792	2,847
Expenses		
Compensation and benefits	1,649	1,683
Other general expenses	693	723
Total operating expenses	2,342	2,406
Operating income	450	441
Interest income	2	3
Interest expense	(69)	(65)
Other income	18	42
Income before income taxes	401	421
Income taxes	74	80
Net income	327	341
Less: Net income attributable to noncontrolling interests	12	13
Net income attributable to Aon shareholders	$315	$ 328
Basic net income per share attributable to Aon shareholders	$1.16	$ 1.15
Diluted net income per share attributable to Aon shareholders	$1.15	$ 1.14
Cash dividends per share paid on ordinary shares	$0.30	$ 0.25
Weighted average ordinary shares outstanding - basic	271.7	284.2
Weighted average ordinary shares outstanding - diluted	273.7	287.1

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

Aon plc
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(millions)	Three Months Ended March 31, 2016	March 31, 2015
Net income	$327	$ 341
Less: Net income attributable to noncontrolling interests	12	13
Net income attributable to Aon shareholders	$315	$ 328
Other comprehensive (loss) income, net of tax:		
Change in fair value of financial instruments	(7)	5
Foreign currency translation adjustments	(79)	(322)
Post-retirement benefit obligation	(201)	23
Total other comprehensive (loss)	(287)	(294)
Less: Other comprehensive (loss) income attributable to noncontrolling interests	—	(1)
Total other comprehensive (loss) attributable to Aon shareholders	(287)	(293)
Comprehensive income attributable to Aon shareholders	$28	$ 35

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

Aon plc
Condensed Consolidated Statements of Financial Position

(millions, except nominal value)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 465	$ 384
Short-term investments	587	356
Receivables, net	2,591	2,734
Fiduciary assets	9,776	9,932
Other current assets	622	562
Total Current Assets	14,041	13,968
Goodwill	8,411	8,448
Intangible assets, net	2,108	2,180
Fixed assets, net	766	765
Non-current deferred tax assets	171	141
Prepaid pension	737	1,033
Other non-current assets	579	592
TOTAL ASSETS	$ 26,813	$ 27,127
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,420	$ 1,772
Short-term debt and current portion of long-term debt	695	562
Fiduciary liabilities	9,776	9,932
Other current liabilities	902	820
Total Current Liabilities	12,793	13,086
Long-term debt	5,902	5,138
Non-current deferred tax liabilities	177	176
Pension, other post-retirement and post-employment liabilities	1,756	1,795
Other non-current liabilities	838	769
TOTAL LIABILITIES	21,466	20,964
EQUITY		
Ordinary shares - $0.01 nominal value Authorized: 750 shares (issued: 2016 - 264.8; 2015 - 269.8)	3	3
Additional paid-in capital	5,388	5,409
Retained earnings	3,600	4,117
Accumulated other comprehensive loss	(3,710)	(3,423)
TOTAL AON SHAREHOLDERS' EQUITY	5,281	6,106
Noncontrolling interests	66	57
TOTAL EQUITY	5,347	6,163
TOTAL LIABILITIES AND EQUITY	$ 26,813	$ 27,127

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

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Aon plc
Condensed Consolidated Statement of Shareholders' Equity
(Unaudited)

(millions)	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Non-controlling Interests	Total
Balance at December 31, 2015	269.8	$ 5,412	$ 4,117	$ (3,423)	$ 57	$ 6,163
Net income	—	—	315	—	12	327
Shares issued - employee benefit plans	0.3	18	—	—	—	18
Shares issued - employee compensation	2.4	(123)	—	—	—	(123)
Shares purchased	(7.7)	—	(750)	—	—	(750)
Tax benefit - employee benefit plans	—	40	—	—	—	40
Share-based compensation expense	—	85	—	—	—	85
Dividends to shareholders	—	—	(82)	—	—	(82)
Net change in fair value of financial instruments	—	—	—	(7)	—	(7)
Net foreign currency translation adjustments	—	—	—	(79)	—	(79)
Net post-retirement benefit obligation	—	—	—	(201)	—	(201)
Purchases of shares from noncontrolling interests	—	(41)	—	—	(3)	(44)
Balance at March 31, 2016	264.8	$ 5,391	$ 3,600	$ (3,710)	$ 66	$ 5,347

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

Aon plc
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(millions)	Three Months Ended March 31, 2016	March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$327	$ 341
Adjustments to reconcile net income to cash provided by operating activities:		
Gain from sales of businesses and investments, net	(35)	(19)
Depreciation of fixed assets	56	56
Amortization of intangible assets	67	80
Share-based compensation expense	85	90
Deferred income taxes	23	7
Change in assets and liabilities:		
Fiduciary receivables	399	173
Short-term investments — funds held on behalf of clients	(285)	63
Fiduciary liabilities	(114)	(236)
Receivables, net	110	49
Accounts payable and accrued liabilities	(348)	(348)
Current income taxes	(31)	27
Pension, other post-retirement and other post-employment liabilities	(50)	(66)
Other assets and liabilities	69	81
CASH PROVIDED BY OPERATING ACTIVITIES	273	298
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	13	3
Purchases of investments	(14)	(1)
Net (purchases) sales of short-term investments — non-fiduciary	(227)	42
Acquisition of businesses, net of cash acquired	(16)	(21)
Proceeds from sale of businesses	97	41
Capital expenditures	(52)	(62)
CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(199)	2
CASH FLOWS FROM FINANCING ACTIVITIES		
Share repurchase	(685)	(250)
Issuance of shares for employee benefit plans	(65)	(114)
Issuance of debt	1,045	870
Repayment of debt	(175)	(686)
Cash dividends to shareholders	(82)	(71)
Noncontrolling interests and other financing activities	(42)	(6)
CASH USED FOR FINANCING ACTIVITIES	(4)	(257)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	11	(39)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81	4
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	384	374
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$465	$ 378

Supplemental disclosures:		
Interest paid	$52	$ 63
Income taxes paid, net of refunds	$41	$ 46

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements and Notes thereto have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The Condensed Consolidated Financial Statements include the accounts of Aon plc and all of its controlled subsidiaries ("Aon" or the "Company"). All intercompany accounts and transactions have been eliminated. The Condensed Consolidated Financial Statements include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the Company's consolidated financial position, results of operations and cash flows for all periods presented.

Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The results for the three months ended March 31, 2016 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2016.

Reclassification

Certain amounts in prior years' Condensed Consolidated Financial Statements and related notes have been reclassified to conform to the 2016 presentation.

In prior periods, prepaid pensions were included in Other non-current assets in the Condensed Consolidated Statement of Financial Position. These amounts are now separately disclosed in the Condensed Consolidated Statement of Financial Position. Prepaid pensions were $737 million at March 31, 2016 and $1,033 million at December 31, 2015.

Upon vesting of certain share-based payment arrangements, employees may elect to use a portion of the shares to satisfy tax withholding requirements, in which case Aon makes a payment to the taxing authority on the employee’s behalf and remits the remaining shares to the employee. The Company has historically presented amounts due to taxing authorities within Cash Flows From Operating Activities in the Condensed Consolidated Statements of Cash Flows. The amounts are now included in “Issuance of shares for employee benefit plans” within Cash Flows From Financing Activities. The Company believes this presentation provides greater clarity into the operating and financing activities of the Company as the substance and accounting for these transactions is that of a share repurchase. It also aligns the Company’s presentation to be consistent with industry practice and share-based compensation guidance issued by the Financial Accounting Standards Board ("FASB") in March 2016. Amounts reported in Issuance of shares for employee benefit plans were $128 million and $162 million, respectively, for the three months ended March 31, 2016 and March 31, 2015. These amounts, which were reclassified from Accounts payable and accrued liabilities and Other assets and liabilities, were $118 million and $44 million for the three months ended March 31, 2015.

Changes to the presentation in the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 were made related to certain line items within financing activities. In 2016, Purchases of shares from noncontrolling interests and Dividends paid to noncontrolling interests have been aggregated in a new line item titled “Noncontrolling interests and other financing activities” within financing activities. The balances held in these line items for the three months ended March 31, 2015 was $(5) million and $(1) million, respectively.

In April 2015, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This guidance became effective for Aon in the first quarter of 2016, which required retrospective application to prior year comparable periods. For the year ended December 31, 2015, Aon reclassified $4 million from Other current assets and $33 million from Other non-current assets to Long-term debt on the Condensed Consolidated Statement of Financial Position.

In the first quarter, Aon retrospectively adopted FASB's new accounting guidance on consolidations. No material changes were identified upon adoption of this new guidance.

Use of Estimates

The preparation of the accompanying Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of reserves and expenses. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management believes its estimates to be reasonable given the current facts available. Aon adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity markets, and foreign currency exchange rate movements increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined, among other factors, with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment would, if applicable, be reflected in the financial statements in future periods.

2. Accounting Principles and Practices

New Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers, which, when effective, will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The guidance is effective for the Company in the first quarter of 2018 and early adoption is permitted beginning the first quarter of 2017. The guidance permits two methods of transition upon adoption: full retrospective and modified retrospective. Under the full retrospective method, prior periods would be restated under the new revenue standard, providing a comparable view across all periods presented. Under the modified retrospective method, prior periods would not be restated. Rather, revenues and other disclosures for pre-2018 periods would be provided in the notes to the financial statements as previously reported under the current revenue standard. The impact from the adoption of this guidance on the Company's Condensed Consolidated Financial Statements cannot be determined at this time. The Company is also determining the appropriate method of transition to the guidance, but expects to adopt upon the effective date of January 1, 2018.

Presentation of Deferred Taxes

In November 2015, the FASB issued new accounting guidance on the balance sheet presentation of deferred taxes, which requires that deferred tax liabilities and assets be classified as non-current. The guidance is effective for Aon in the first quarter of 2017, however, the Company expects to early adopt this guidance in 2016 and retrospectively apply its requirements to all periods presented. The adoption of this guidance is not expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

Financial Assets and Liabilities

In January 2016, the FASB issued new accounting guidance on recognition and measurement of financial assets and financial liabilities. The amendments in the new guidance make targeted improvements, which include the requirement to measure equity investments with readily determinable fair values at fair value through net income, simplification of the impairment assessment for equity investments without readily determinable fair values, adjustments to existing and additional disclosure requirements, and additional tax considerations. The guidance is effective for the Company in the first quarter of 2018 and early adoption is permitted. The Company is currently evaluating the impact that the standard will have on the Company's Condensed Consolidated Financial Statements.

Leases

In February 2016, the FASB issued new accounting guidance on leases, which requires lessees to recognize assets and liabilities for most leases. Under the new guidance, a lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from currently effective U.S. GAAP. The new standard will be effective for the Company in the first quarter of 2019, with early application permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Company is currently evaluating the impact the standard will have on the Company's Condensed Consolidated Financial Statements, as well as the method of transition and period of adoption.

Share-based Compensation

In March 2016, the FASB issued new accounting guidance on several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance requires all excess tax benefits and tax deficiencies to be recognized as income tax expense or benefit in the income statement and treated as discrete items in the reporting period. Further, excess tax benefits are required to be classified along with other income tax cash flows as an operating activity. The guidance is effective for Aon in the first quarter of 2017 and early adoption is permitted. Aon is currently evaluating the impact that the standard will have on the Company's Condensed Consolidated Financial Statements.

3. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash balances and all highly liquid debt instruments with initial maturities of three months or less. Short-term investments include certificates of deposit, money market funds and highly liquid debt instruments purchased with initial maturities in excess of three months but less than one year and are carried at amortized cost, respectively, which approximates fair value.

At March 31, 2016, Cash and cash equivalents and Short-term investments were $1,052 million compared to $740 million at December 31, 2015. Of the total balances, $95 million and $105 million was restricted as to its use at March 31, 2016 and December 31, 2015, respectively. Included within the March 31, 2016 and December 31, 2015 balances, respectively, were £43.3 million ($61.2 million at March 31, 2016 exchange rates) and £43.3 million ($64.6 million at December 31, 2015 exchange rates) of operating funds required to be held by the Company in the U.K. by the Financial Conduct Authority, a U.K.-based regulator, which were included in Short-term investments.

4. Other Financial Data

Condensed Consolidated Statements of Income Information

Other Income

Other income consists of the following (in millions):

	Three months ended March 31,	
	2016	2015
Foreign currency remeasurement (loss) gain	(17)	24

Gain on disposal of business	35	19
Equity earnings	2	2
Income (loss) on financial instruments	(2)	(3)
Total	$18	$42

Condensed Consolidated Statements of Financial Position Information

Allowance for Doubtful Accounts

An analysis of the allowance for doubtful accounts is as follows (in millions):

	Three months ended March 31,	
	2016	2015
Balance at beginning of period	$58	$74
Provision charged to Other general expenses	6	8
Accounts written off, net of recoveries	(2)	(9)
Foreign currency translation	—	(3)
Balance at end of period	$62	$70

Other Current Assets

The components of Other current assets are as follows (in millions):

	March 31, 2016	December 31, 2015
Taxes receivable	$ 122	$ 94
Deferred tax assets	232	232
Prepaid expenses	168	130
Deferred project costs	92	92
Other	8	14
Total	$ 622	$ 562

Other Non-Current Assets

The components of Other non-current assets are as follows (in millions):

	March 31, 2016	December 31, 2015
Deferred project costs	$ 205	$ 210
Investments	131	135
Taxes receivable	81	82
Other	162	165
Total	$ 579	$ 592

Other Current Liabilities

The components of Other current liabilities are as follows (in millions):

	March 31, 2016	December 31, 2015
Deferred revenue	$ 438	$ 394
Taxes payable	61	94
Deferred tax liabilities	1	1
Other	402	331

Total	$ 902	$ 820

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Other Non-Current Liabilities

The components of Other non-current liabilities are as follows (in millions):

	March 31, 2016	December 31, 2015
Taxes payable	251	223
Deferred revenue	165	159
Leases	168	166
Compensation and benefits	56	59
Other	198	162
Total	$ 838	$ 769

5. Acquisitions and Dispositions of Businesses

Acquisitions

The number of acquisitions completed within each reportable segment is as follows:

	Three months ended March 31, 2016	2015
Risk Solutions	—	1
HR Solutions	2	1
Total	2	2

The following table includes the aggregate consideration transferred and the preliminary value of intangible assets recorded as a result of the Company's acquisitions (in millions):

	Three months ended March 31, 2016	2015
Consideration	$21	$ 21
Intangible assets:		
Goodwill	$7	$ 16
Other intangible assets	8	1
Total	$15	$ 17

The results of operations of these acquisitions are included in the Condensed Consolidated Financial Statements as of the acquisition date. The results of operations of the Company would not have been materially different if these acquisitions had been reported from the beginning of the period in which they were acquired.

Dispositions

The number of dispositions completed within each reportable segment is as follows:

	Three months ended March 31,	
	2015	2014
Risk Solutions	1	1
HR Solutions	1	1
Total	2	2

Total pretax gains, net of losses, recognized were $35 million and $19 million, respectively, for the three months ended March 31, 2016 and March 31, 2015. Gains and losses recognized as a result of a disposition are included in Other income in the Condensed Consolidated Statements of Income.

6. Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill by reportable segment for the three months ended March 31, 2016 are as follows (in millions):

	Risk Solutions	HR Solutions	Total
Balance as of January 1, 2016	$ 5,593	$ 2,855	$ 8,448
Goodwill related to current year acquisitions	—	7	7
Goodwill related to disposals	(4)	(26)	(30)
Goodwill related to prior year acquisitions	2	—	2
Foreign currency translation	(11)	(5)	(16)
Balance as of March 31, 2016	$ 5,580	$ 2,831	$ 8,411

Other intangible assets by asset class are as follows (in millions):

	March 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with indefinite lives:						
Tradenames	$ 1,019	$ —	$ 1,019	$ 1,019	$ —	$ 1,019
Intangible assets with finite lives:						
Customer related and contract based	2,871	1,851	1,020	2,886	1,809	1,077
Technology and other	535	466	69	541	457	84
Total	$ 4,425	$ 2,317	$ 2,108	$ 4,446	$ 2,266	$ 2,180

Amortization expense from finite lived intangible assets was $67 million and $80 million, respectively, for the three months ended March 31, 2016 and 2015.

The estimated future amortization for finite lived intangible assets as of March 31, 2016 is as follows (in millions):

	Risk Solutions	HR Solutions	Total
Remainder of 2016	$ 72	$ 128	$ 200
2017	88	137	225
2018	77	91	168
2019	67	73	140
2020	59	60	119
Thereafter	123	114	237
Total	$ 486	$ 603	$ 1,089

7. Debt

Revolving Credit Facilities

As of March 31, 2016, Aon plc had two primary committed credit facilities outstanding: its $400 million U.S. credit facility expiring in March 2017 (the "2017 Facility") and its $900 million multi-currency U.S. credit facility originally expiring in February 2020. Effective February 2, 2016, the $900 million multi-currency U.S. credit facility terms were extended for one year and will now expire on February 2, 2021 (the "2021 Facility").

Each of these facilities included customary representations, warranties and covenants, including financial covenants that require Aon plc to maintain specified ratios of adjusted consolidated EBITDA to consolidated interest expense and consolidated debt to adjusted consolidated EBITDA, in each case, tested quarterly. At March 31, 2016, Aon plc did not have borrowings under either the 2017 Facility or the 2021 Facility, and was in compliance with all covenants contained therein during the three months ended March 31, 2016.

Commercial Paper

Aon Corporation, a wholly-owned subsidiary of Aon plc, has established a U.S. commercial paper program, which provides for commercial paper to be issued in an aggregate principal amount of up to $900 million, and Aon plc has established a European multi-currency commercial paper program that provides for commercial paper to be issued in an aggregate principal amount of up to €300 million. The U.S. commercial paper program is fully and unconditionally guaranteed by Aon plc and the European commercial paper program is fully and unconditionally guaranteed by Aon Corporation. In the aggregate, the Company had $184 million and $50 million of commercial paper outstanding at March 31, 2016 and December 31, 2015, respectively, which was included in Short-term debt and current portion of long-term debt in the Company's Condensed Consolidated Statements of Financial Position. The weighted average commercial paper outstanding for the three months ended March 31, 2016 was $177 million. The weighted average interest rate of the commercial paper outstanding for the three months ended March 31, 2016 was 0.11%.

Notes

On March 1, 2016, Aon plc issued $750 million of 3.875% Senior Notes due December 2025. The Company used the proceeds of the issuance for general corporate purposes.

8. Income Taxes

The effective tax rate on net income was 18.4% and 19.1% for the three months ended March 31, 2016, and 2015, respectively. The effective tax rate in the first quarter of 2016 was favorably impacted by changes in the geographical distribution of income and certain discrete items.

9. Shareholders' Equity

Ordinary Shares

In April 2012, the Company's Board of Directors authorized a share repurchase program under which up to $5.0 billion of Class A Ordinary Shares may be repurchased ("2012 Share Repurchase Program"). In November 2014, the Company's Board of Directors authorized a new $5.0 billion share repurchase program in addition to the existing program ("2014 Share Repurchase Program" and, together, the "Repurchase Programs"). Under each program, shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital.

In the three months ended March 31, 2016, the Company repurchased 7.7 million shares at an average price per share of $97.92 for a total cost of approximately $750 million under the Repurchase Programs. Included in the 7.7 million shares repurchased during the three months ended March 31, 2016 was 0.6 million shares purchased in that period which did not settle until April 2016. These shares were settled at an average price per share of $103.58 and total cost of $65 million. In the three months ended March 31, 2015, the Company repurchased 2.5 million shares at an average price per share of $100.15 for a total cost of $250 million under the 2012 Share Repurchase Program. In August 2015, the $5 billion of Class A Ordinary Shares authorized under the 2012 Share Repurchase Program was exhausted. At March 31, 2016, the remaining authorized amount for share repurchase under the 2014 Share Repurchase Program is $3.3 billion. Under the Repurchase Programs, the Company has repurchased a total of 85.7 million shares for an aggregate cost of $6.7 billion.

Net Income Per Share

Weighted average shares outstanding are as follows (in millions):

	Three months ended March 31,	
	2016	2015
Shares for basic earnings per share	271.7	284.2
Common stock equivalents	2.0	2.9
Shares for diluted earnings per share	273.7	287.1

Certain ordinary share equivalents may be excluded from the computation of diluted net income per share if their inclusion would be antidilutive. There were 0.5 million and no shares excluded from the calculation for the three months ended March 31, 2016 and 2015, respectively.

Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive loss by component, net of related tax, are as follows (in millions):

	Change in Fair Value of Financial Instruments (1)	Foreign Currency Translation Adjustments	Post-Retirement Benefit Obligation (2)	Total
Balance at December 31, 2015	$ (25)	$ (771)	$ (2,627)	$(3,423)
Other comprehensive (loss) income before reclassifications, net	(7)	(79)	(219)	(305)
Amounts reclassified from accumulated other comprehensive loss:				
Amounts reclassified from accumulated other comprehensive loss	(1)	—	26	25
Tax benefit	1	—	(8)	(7)
Amounts reclassified from accumulated other comprehensive loss, net	—	—	18	18
Net current period other comprehensive (loss) income	(7)	(79)	(201)	(287)
Balance at March 31, 2016	$ (32)	$ (850)	$ (2,828)	$(3,710)

(1) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Other income.
(2) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Compensation and benefits.

In March 2016, the Company entered into an insurance contract which covers a portion of the assets within select U.K. pension schemes. The transaction resulted in a decrease in Prepaid pension assets and Accumulated other comprehensive income by $267 million as the fair value in the insurance policies was deemed to be the present value of the current obligation.

10. Employee Benefits

The following table provides the components of the net periodic (benefit) cost recognized in the Condensed Consolidated Statements of Income in Compensation and benefits for Aon's material U.K., U.S., and other significant international pension plans located in the Netherlands and Canada (in millions):

	Three months ended March 31,					
	U.K.		U.S.		Other	
	2016	2015	2016	2015	2016	2015
Service cost	$—	$—	$—	$ 1	$—	$—
Interest cost	43	49	28	33	7	8
Expected return on plan assets, net of administration expenses	(64)	(75)	(39)	(39)	(12)	(12)
Amortization of prior-service cost	1	—	—	—	—	—
Amortization of net actuarial loss	8	10	13	14	3	3
Net periodic (benefit) cost	(12)	(16)	2	9	(2)	(1)
Curtailment gain and other	—	—	—	(1)	—	—
Total net periodic (benefit) cost	$(12)	$(16)	$2	$ 8	$(2)	$(1)

Beginning in 2016, the Company has elected to utilize a full yield curve approach in the estimation of the service and interest cost components of net periodic pension and post-retirement benefit cost for Aon's major pension and other post-retirement benefit plans by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. In 2015 and prior years, the Company estimated these components of net periodic pension and post-retirement benefit cost by applying a single weighted-average discount rate, derived from the yield curve used to measure the benefit obligation at the beginning of the period. The Company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of service and interest costs. This change does not affect the measurement of the projected benefit obligation as the change in the service cost and interest cost is completely offset in the actuarial (gain) loss recorded in other comprehensive income. The Company accounted for this change as a change in estimate and, accordingly, will account for it prospectively.

The Company expects to contribute approximately $79 million, $54 million, and $17 million, based on exchange rates as of December 31, 2015, to its significant U.K., U.S., and other significant international pension plans, respectively, during 2016. During the three months ended March 31, 2016, contributions of $17 million, $13 million, and $7 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively.

During the three months ended March 31, 2015, contributions of $19 million, $34 million, and $4 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively.

11. Share-Based Compensation Plans

The following table summarizes share-based compensation expense recognized in the Condensed Consolidated Statements of Income in Compensation and benefits (in millions):

	Three months ended March 31,	
	2016	2015
Restricted share units ("RSUs")	$61	$ 65
Performance share awards ("PSAs")	20	21
Share options	—	—
Employee share purchase plans	4	4
Total share-based compensation expense	$85	$ 90

Restricted Share Units

A summary of the status of the Company's RSUs is as follows (shares in thousands):

	Three months ended March 31,			
	2016		2015	
	Shares	Fair Value (1)	Shares	Fair Value (1)
Non-vested at beginning of period	7,169	$ 77	8,381	$ 63
Granted	849	99	957	97
Vested	(1,379)	73	(1,714)	59
Forfeited	(94)	78	(49)	64
Non-vested at end of period	6,545	81	7,575	69

(1) Represents per share weighted average fair value of award at date of grant.

Performance Share Awards

The vesting of PSAs is contingent upon meeting a cumulative level of earnings per share performance over a three-year period. The performance conditions are not considered in the determination of the grant date fair value for these awards. The fair value of PSAs is based upon the market price of an Aon ordinary share at the date of grant. Compensation expense is recognized over the performance period based on management's estimate of the number of awards expected to vest. Compensation expense is adjusted to reflect the actual number of shares issued at the end of the programs. The actual issue of shares may range from 0-200% of the target number of PSAs granted, based on the terms of the plan and level of achievement of the related performance target. Dividend equivalents are not paid on PSAs.

Information as of March 31, 2016 regarding the Company's target PSAs granted and shares that would be issued at current performance levels for PSAs granted during the three months ended March 31, 2016 and the years ended December 31, 2015 and 2014, respectively, is as follows (shares in thousands, dollars in millions, except fair value):

	2016	2015	2014
Target PSAs granted during period	773	993	816
Weighted average fair value per share at date of grant	$101	$ 96	$ 81
Number of shares that would be issued based on current performance levels	773	970	1,570
Unamortized expense, based on current performance levels	$78	$ 57	$ 33

Share Options

The Company did not grant any share options during either the three months ended March 31, 2016 or the three months ended March 31, 2015.

A summary of the status of the Company's share options and related information is as follows (shares in thousands):

	Three months ended March 31,			
	2016		2015	
	Shares	Weighted- Average Exercise Price	Shares	Weighted- Average Exercise Price
Beginning outstanding	837	$ 40	2,300	$ 32
Granted	—	—	—	—
Exercised	(138)	38	(1,293)	26
Forfeited and expired	(4)	41	(9)	36

Outstanding at end of period 695