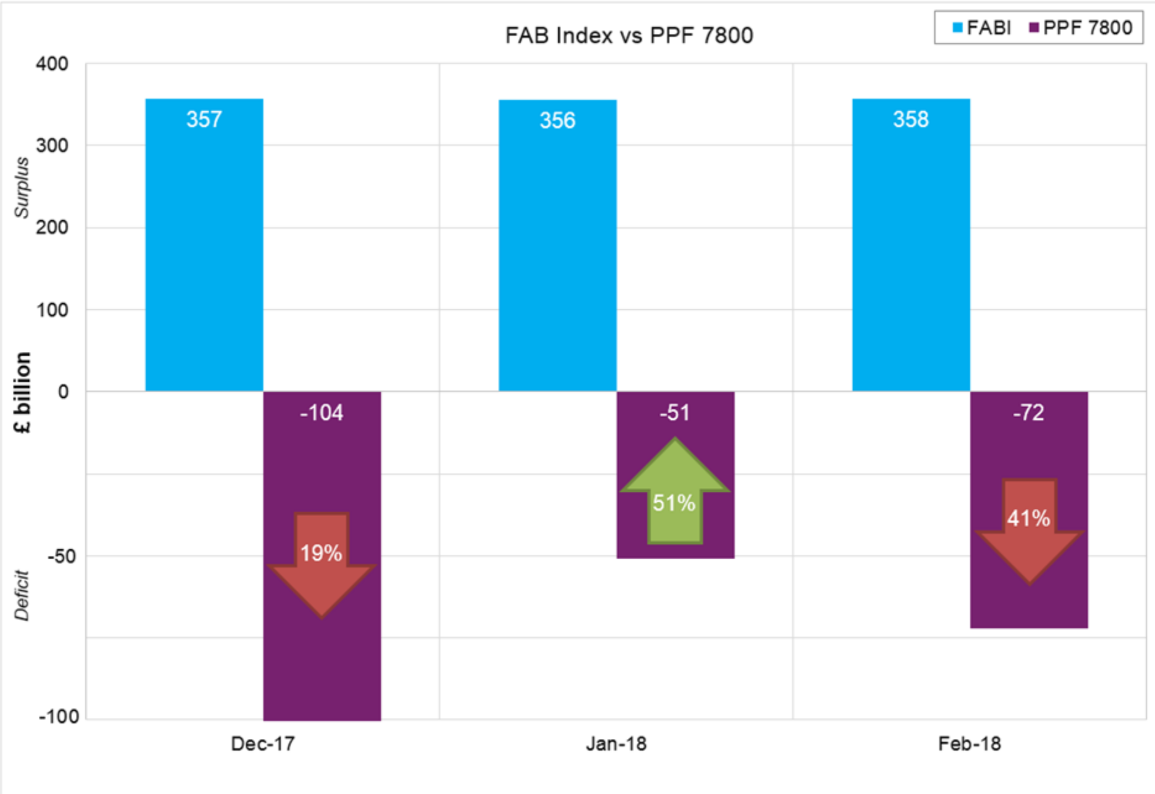
**** FAB INDEX – PRESS RELEASE ****

Return of the pensions ‘yo-yo’, as the FAB Index remains stable

The pensions ‘yo-yo’ surfaced again in February 2018, with the PPF 7800 Index falling back from its near 4-year record high last month. In contrast, First Actuarial’s Best estimate (FAB) Index remained stable for the fourth consecutive month.

The aggregate shortfall of the UK’s 6,000 defined benefit (DB) pension schemes measured on the Pension Protection Fund’s (PPF) basis worsened by 41% from £51bn to £72bn. This followed a 51% improvement in January and a 19% worsening in December.

In sharp contrast, the FAB Index – which provides the aggregate position of the UK’s 6,000 DB pension schemes calculated using the best estimate expected return on the assets held by those schemes – remained strong over February, with a month-end surplus of £358bn, and a healthy 130% funding ratio.



First Actuarial Partner Rob Hammond said:

“Last month’s PPF 7800 improvement led to one newspaper proclaiming on its front-page of a ‘Pensions boost for millions: Relief as deficits in final salary schemes halve in a month’. It’s only a matter of time before the same, usually pessimistic, newspaper declares a ‘pensions disaster’. This yo-yo effect does nothing to restore people’s confidence in pensions.”

Hammond added:

“There are lots of different measures of pension scheme liabilities. The PPF 7800 Index is just one of them. The FAB Index is another. Neither of them is used to value pension schemes in company accounts, nor are they appropriate for prudent funding, which is why context needs to be given when quoting such numbers.”

The technical bit…

Over the month to 28 February 2018, First Actuarial's Best estimate (FAB) Index improved slightly, with the surplus in the UK's 6,000 defined benefit (DB) pension schemes increasing from £356bn to £358bn.

The deficit on the PPF 7800 Index deteriorated over February from £51.0bn to £72.1bn.

These are the underlying numbers used to calculate the FAB Index.

FAB Index over the last 3 months	Assets	Liabilities	Surplus	Funding Ratio	'Breakeven' (real) investment return
28 February 2018	£1,568bn	£1,210bn	£358bn	130%	-0.8% pa
31 January 2018	£1,576bn	£1,220bn	£356bn	129%	-0.8% pa
31 December 2017	£1,590bn	£1,233bn	£357bn	129%	-0.9% pa

The overall investment return required for the UK's 6,000 DB pension schemes to be 100% funded on a best estimate basis – the so called 'breakeven' (real) investment return – has remained at minus 0.8% pa. That means the schemes need an overall actual (nominal) return of 2.8% pa for the assets to meet the liabilities.

The assumptions underlying the FAB Index are shown below:

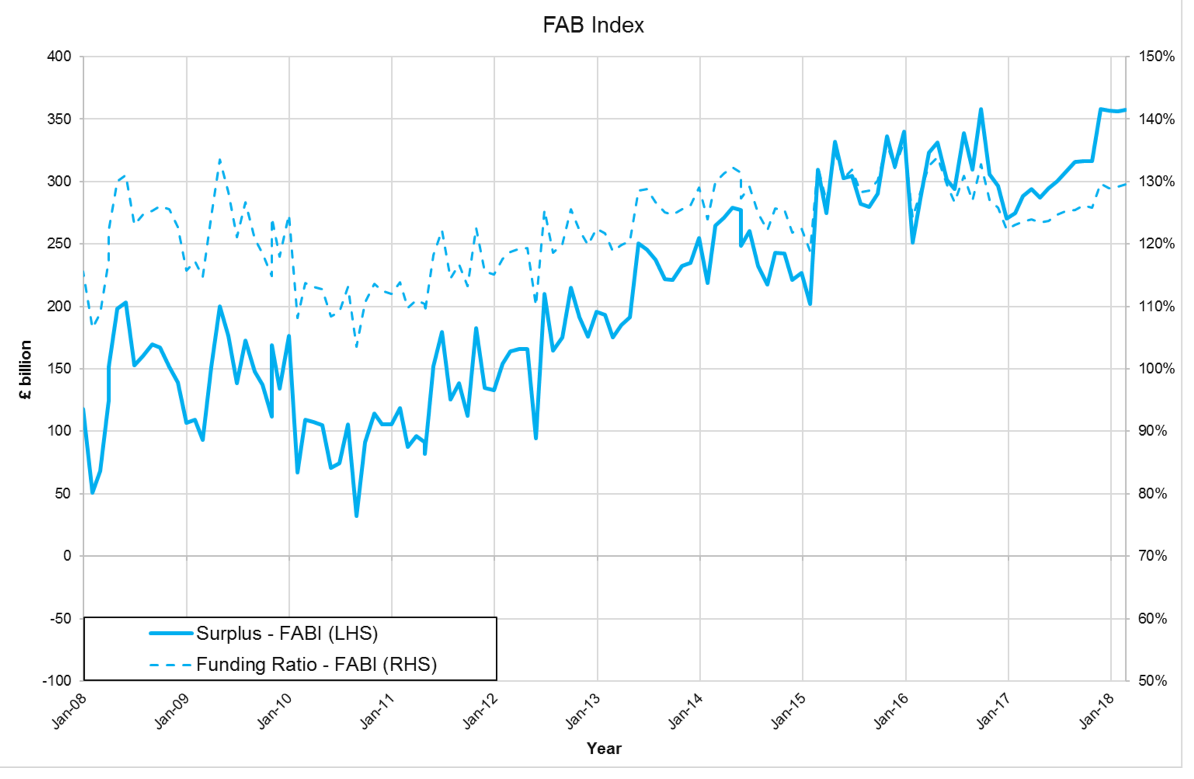
Assumptions	Expected future inflation (RPI)	Expected future inflation (CPI)	Weighted-average investment return
28 February 2018	3.6% pa	2.6% pa	4.2% pa
31 January 2018	3.6% pa	2.6% pa	4.2% pa
31 December 2017	3.6% pa	2.6% pa	4.0% pa

Ends

Notes to editors

The FAB Index is calculated using publicly available data underlying the PPF 7800 Index which aggregates the funding position of 5,588 UK DB pension schemes on a section 179 basis, together with data taken from The Purple Book, jointly published by the PPF and the Pensions Regulator.

The FAB Index will be updated on a monthly basis, providing a comparator measure of the financial position of UK DB pension schemes.



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About First Actuarial

First Actuarial is a consultancy providing pension scheme administration, actuarial, investment and consultancy services to a wide range of clients across the UK.

We advise a mixture of open and closed defined benefit schemes with our clients concentrated in the small to medium end of the pension scheme market. Our clients range across a number of sectors including manufacturing, financial services, not for profit organisations and those providing services previously in the public sector.