

FAB INDEX

The technical bit...

Over the month to 31 October 2019, First Actuarial's Best estimate (FAB) Index remained broadly stable, with the surplus in the UK's 5,450 Defined Benefit (DB) pension schemes decreasing slightly from £415bn to £414bn.

The deficit on the PPF 7800 Index improved during October 2019, decreasing from £149.0bn to £103.6bn, with the funding ratio increasing from 92% to 94%.

The underlying numbers used to calculate the FAB Index are as follows:

FAB Index	Assets	Liabilities	Surplus	Funding Ratio	'Breakeven' (real) investment return
31 October 2019	£1,740bn	£1,326bn	£414bn	131%	-1.5%
30 September 2019	£1,769bn	£1,354bn	£415bn	131%	-1.7%
31 August 2019	£1,756bn	£1,347bn	£409bn	130%	-1.6%

The overall investment return required for the UK's 5,450 DB pension schemes to be 100% funded on a best-estimate basis – the so called 'breakeven' (real) investment return – has increased slightly to minus 1.5% pa. This means the schemes need an overall actual (nominal) return of 1.8% pa for their assets to meet liabilities.

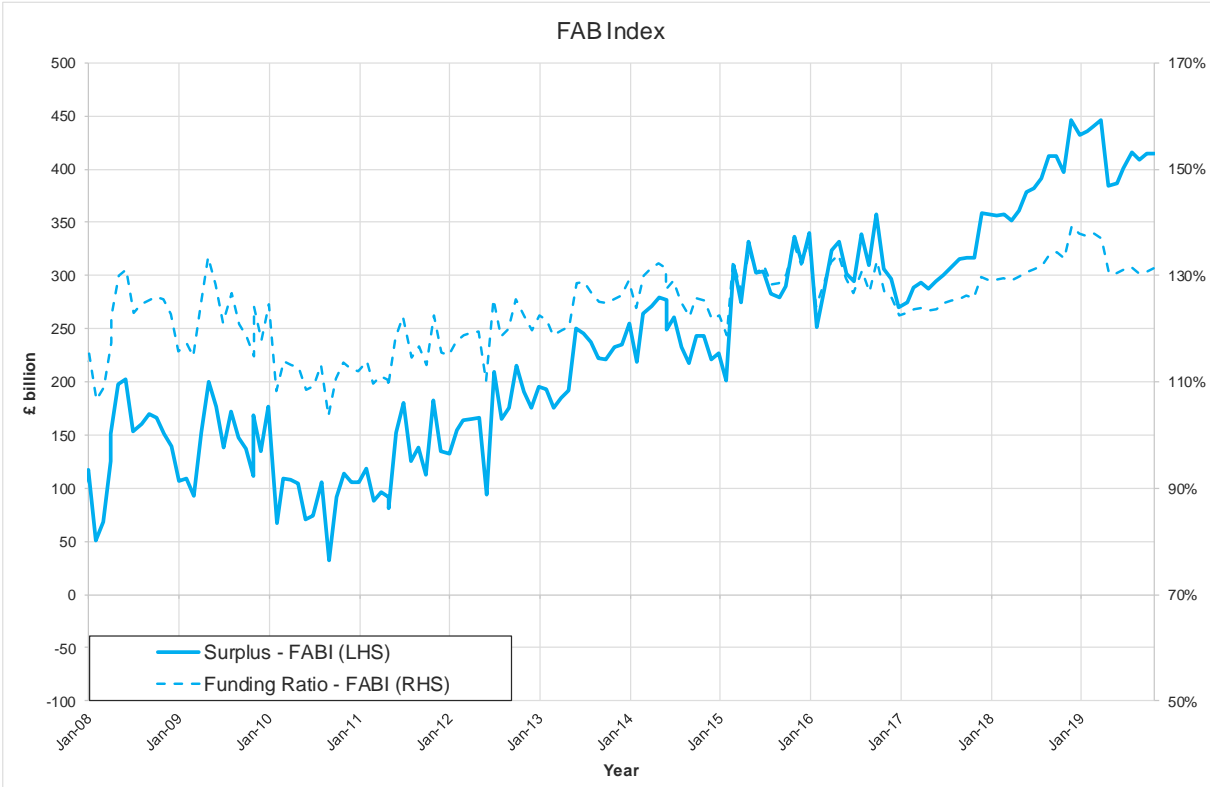
The assumptions underlying the FAB Index are shown below:

Assumptions	Expected future inflation (RPI)	Expected future inflation (CPI)	Weighted-average investment return
31 October 2019	3.3% pa	2.3% pa	3.2% pa
30 September 2019	3.6% pa	2.6% pa	3.3% pa
31 August 2019	3.5% pa	2.5% pa	3.3% pa

Notes

The FAB Index is calculated using publicly-available data underpinning the PPF 7800 Index – which aggregates the funding position of 5,450 UK DB pension schemes on a section 179 basis – together with data taken from The Purple Book, published jointly by the Pension Protection Fund (PPF) and The Pensions Regulator.

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



Rob Hammond is available for interview. Please contact:

Rob Hammond on 0161 348 7440 or rob.hammond@firstactuarial.co.uk, or Jane Douglas on 0161 348 7463 or jane.douglas@firstactuarial.co.uk.

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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 DB schemes, with our clients concentrated in the small to medium end of the pension scheme market. Our client base covers diverse sectors, including manufacturing, financial services, not-for-profit organisations and those running services previously provided by the public sector.