

This is the Trustee's Financial Management Plan Monitoring report which is used by the Trustee to track the financial development of the Scheme. It is published on our website for information only and is not intended to provide sufficient information to support any decision making

## FMP Monitoring - End January 2021

Technical Provisions Deficit (FBB)		Future Service Cost (FBB)		Self-Sufficiency Deficit	
<b>£25.0bn</b>		<b>45.4%</b>		<b>£40.0bn</b>	
Valuation date (31/03/2018)	£3.6bn	Valuation date (31/03/2018)	28.7%	Valuation date (31/03/2018)	£20.8bn
Required outperformance (% of gap between expected return and discount rate)	229%	FS Contribution coverage ratio (FS Contribution / Best Estimate FS Cost)	87%	Affordability ratio (Ratio of SS deficit to value of 10% of pay for 30 years)	99%
Valuation date (31/03/2018)	0%	Valuation date (31/03/2018)	135%	Valuation date (31/03/2018)	67%
TP Deficit:	Red			SS Absolute Deficit:	Amber
Required outperformance:	Red	FSC:	Red	Affordability ratio:	Red
Assets		Real Gilt Yield - ILG 20 year		Discount Rate (FBB)	
<b>£80.2bn</b>		<b>-2.41%</b>		<b>Gilts + 0.75%</b> <b>CPI - 0.75%</b>	
Valuation date (31/03/2018)	£63.7bn	Valuation date (31/03/2018)	-1.68%	Valuation date (31/03/2018)	Gilts + 1.33%
					CPI + 0.92%
Assets:	Green			Gilts+ Discount rate:	Red

### Covenant

## Strong (Negative Watch)

Valuation date (31/03/2018) Strong

Covenant: Amber

The monitoring figures in this report are based on the 2018 valuation methodology apart from the inflation (CPI) assumption. Since the 2018 valuation, the UK Statistics Authority has reviewed the basis of RPI and as such the 2018 methodology now understates expected CPI. The CPI assumption has been replaced with an approach advised by the Scheme Actuary which reflects that review and is consistent with the 2020 valuation approach. It should also be noted the FBB discount rate has fallen since 31 March 2018 due to a fall in government bonds yields and lower expected equity returns.

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## **RAG rating definitions and notes**

### **Technical Provisions Deficit**

- Green Deficit (on FBB basis) is within 1 standard deviation of the expected path
- Amber Deficit is outside one standard deviation but within the 95th percentile of the expected path
- Red Deficit is outside the 95th percentile of the expected path

### **Required outperformance**

Based on the percentage of the excess return between the Best Estimate and Technical Provisions assumed returns:

- Green Required outperformance relative to Technical Provisions is under 25%
- Amber Required outperformance relative to Technical Provisions is between 25% and 50%
- Red Required outperformance relative to Technical Provisions is greater than 50%

### **Future service contribution**

- Green The ratio of the future service contribution relative to best estimate FSC is greater than 125%
- Amber The ratio of the future service contribution relative to best estimate FSC is between 115% and 125%
- Red The ratio of the future service contribution relative to best estimate FSC is less than 115%

### **Self-sufficiency absolute deficit**

- Green Self-sufficiency Deficit is less than £35bn
- Amber Self-sufficiency Deficit is between £35bn and £40bn
- Red Self-sufficiency Deficit exceeds £40bn

### **Affordability ratio**

- Green Self-sufficiency Deficit is less than 75% of the value of 10% of pay for 30 years
- Amber Self-sufficiency Deficit is between 75% and 85% of the value of 10% of pay for 30 years
- Red Self-sufficiency Deficit exceeds 85% of the value of 10% of pay for 30 years

### **Assets**

- Green Higher than the expected value
- Amber Within one standard deviation below the expected value
- Red Outside one standard deviation below the expected value

### **Discount rate**

- Green The single equivalent rate above gilts is within 15 bps of its value on the valuation date
- Amber The single equivalent rate above gilts is between 15 and 30 bps of its value on the valuation date
- Red The single equivalent rate above gilts is greater than 30 bps of its value on the valuation date

### **Covenant**

- Furthermo “Strong”, as assessed by the covenant advisor
- Amber “Strong” but on negative watch
- Red “Tending to Strong” or lower

*The figures in this report have been derived for the Trustee, for the purpose of its monitoring of the movement in funding of the Scheme over time. The approach adopted is not as accurate as when determining the liabilities in a one-off calculation and therefore these figures are not intended to be used as a basis for advice without further consideration. Before taking any action the Trustee will seek advice from the Scheme Actuary. This document is published for information only and is not intended to be used as the basis for any decisions.*

Note: All figures are preliminary and subject to change.