

PPF 7800 index 31 January 2025

The PPF 7800 index (the index) tracks the funding status of the PPF-eligible universe of defined benefit pension schemes. A monthly update of numbers first featured in the PPF's annual Purple Book publications¹, the index uses the latest scheme return information provided to The Pensions Regulator (TPR) and a roll-forward methodology to estimate figures as at the latest month-end.

From the Purple Book 2024 – although we've restated PPF 7800 figures from March 2023 onwards – this roll-forward methodology uses the more granular asset allocation data collected in annual scheme returns by TPR, applying a wider range of relevant market indices in our asset calculations. The roll-forward includes estimates of cashflows in and out of schemes – such as benefit payments – over the period of roll-forward calculation. More information can be found in the 30 November 2024 edition of the PPF 7800 index.

Highlights

Item	Last month	This month	Change
Aggregate funding position	£226.2bn surplus	£239.0bn surplus	+ £12.8bn
Funding ratio	125.7%	127.0%	+ 1.3pp
Total scheme assets	£1,105.0bn	£1,125.1bn	+ 1.8%
Total scheme liabilities	£878.8bn	£886.1bn	+ 0.8%
Deficit of schemes in deficit	£25.6bn	£24.1bn	- £1.5bn
Number of schemes in universe	4,969	4,969	No change

A running history of the monthly changes to the index is available via the link to the index history on our PPF 7800 index home page.²

Note: Liability values in the index are according to the section 179 (s179) measure. S179 liabilities represent, broadly speaking, what would have to be paid to an insurance company to take on the payment of PPF levels of compensation (rather than full scheme benefits).

¹ <https://ppf.co.uk/Purple-Book>

² <https://ppf.co.uk/ppf-7800-index>

7800 statistics

Item	One year ago	Last month	This month	Change over the...	
				Month	Year
Aggregate funding position	£243.4bn surplus	£226.2bn surplus	£239.0bn surplus	+ £12.8bn	- £4.4bn
Funding ratio	125.5%	125.7%	127.0%	+ 1.3pp	+ 1.5pp
Total scheme assets	£1,198.4bn	£1,105.0bn	£1,125.1bn	+ £20.1bn / 1.8%	- £73.3bn / 6.1%
Total scheme liabilities	£955.0bn	£878.8bn	£886.1bn	+ £7.3bn / 0.8%	- £68.9bn / 7.2%
Deficit of schemes in deficit	£36.9bn	£25.6bn	£24.1bn	- £1.5bn	- £12.8bn
Total number of schemes	5,050	4,969		No change	- 81
Number / % of schemes in deficit	1,457 / 28.9%	1,294 / 26.0%	1,237 / 24.9%	- 57 / 1.1pp	- 220 / 4pp
Number / % of schemes in surplus	3,593 / 71.1%	3,675 / 74.0%	3,732 / 75.1%	+ 57 / 1.1pp	+ 139 / 4pp
Dataset / assumptions	Purple 23 / A11	Purple 24 / A11		No change	New dataset

Market movements

Equity markets and gilt yields are the main drivers of funding positions. S179 liabilities are sensitive to the yields available on a range of fixed-interest and index-linked gilts. Liability values are time-sensitive in that, even if gilt yields were unchanged, and ignoring the impact of scheme cashflows and PPF drift (see note 4 on page 6 for more information), they increase as the point of payment approaches. This unwinding-of-discounting effect amounts to around 0.3 to 0.4 per cent a month in the current environment.

The value of scheme assets is affected by the change in prices of all asset classes, but owing to the volume invested and the volatility, equities and bonds are the biggest drivers behind changes – bonds dominate the asset allocation, but equities tend to be more volatile.

The following table sets out the changes in some of the key market indicators in the month and year to 31 January 2025.

Market indicator	Change over the...	
	Month	Year
10-year fixed-interest gilt yield*	-5bps	67bps
15-year fixed-interest gilt yield*	-3bps	65bps
20-year fixed-interest gilt yield*	-2bps	63bps
5-15-year index-linked gilt yield*	-11bps	50bps
FTSE All-Share Total Return Index	5.5%	17.1%
FTSE All-World Ex-UK Total Return Index	4.1%	24.1%

* FTSE Actuaries UK gilt yields

Chart 1: Movements in UK gilt yields (source: LSEG)

15-year FI gilt yields have been above 4% pa since April 2023

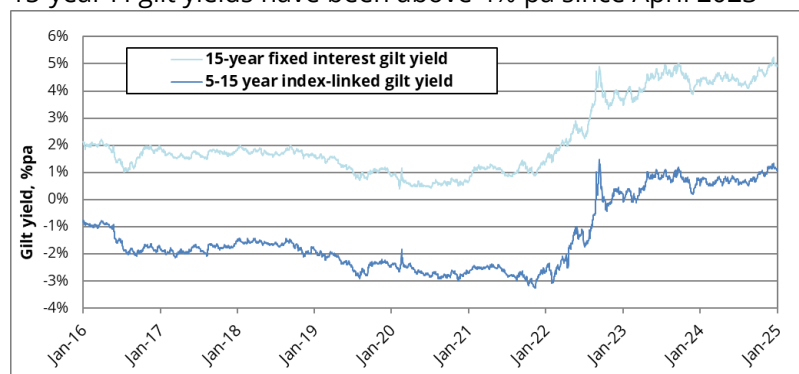
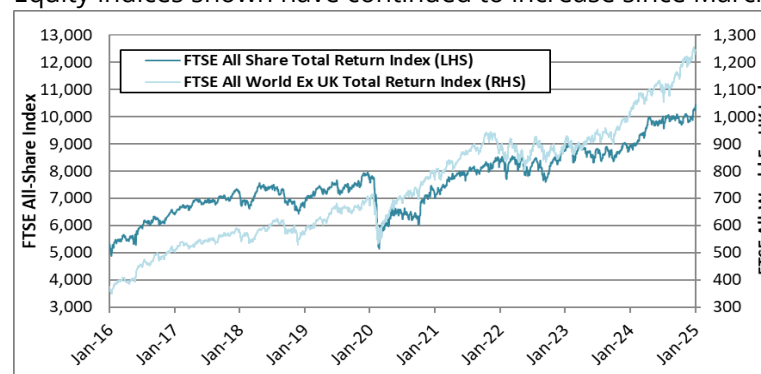


Chart 2: Movements in equity indices (source: LSEG)

Equity indices shown have continued to increase since March 2020



7800 charts

Chart 3: Historical aggregate funding position³ and funding ratio⁴ of the PPF universe

Aggregate funding levels have been stable since March 2024⁵

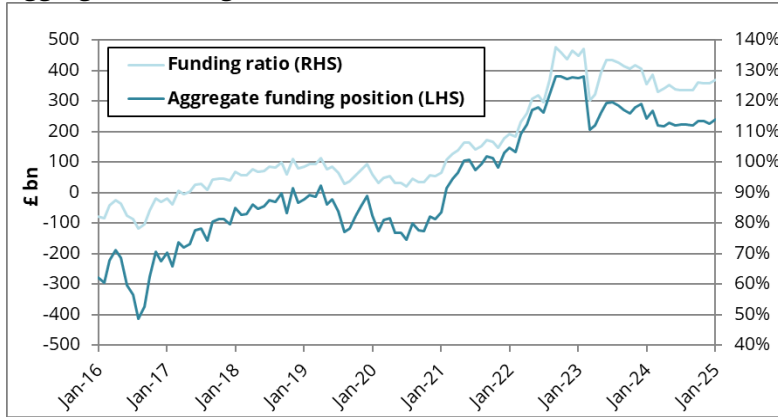


Chart 4: Historical aggregate assets and liability values

Current asset and liability values are similar to those in mid 2023⁵

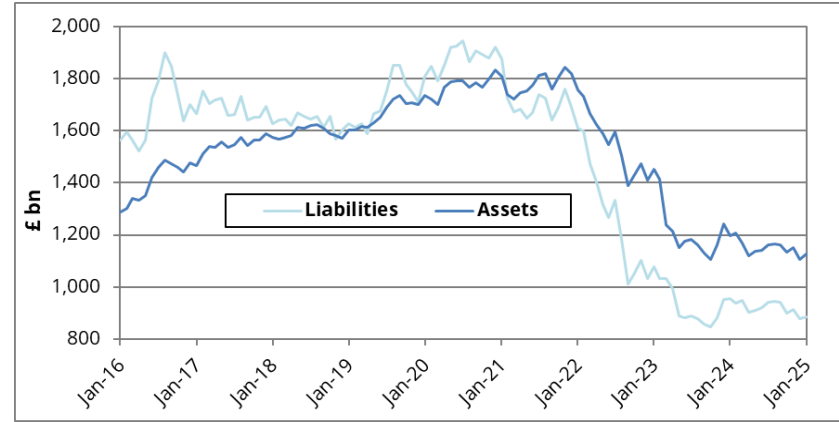


Chart 5: Distribution of liability values, by funding ratio

Around 20% of scheme liabilities relate to underfunded schemes

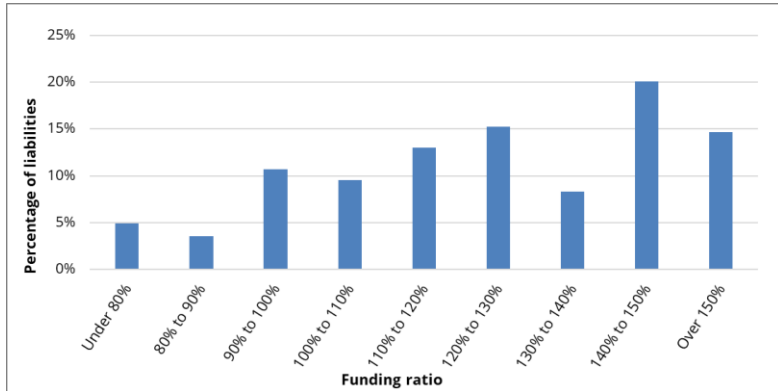
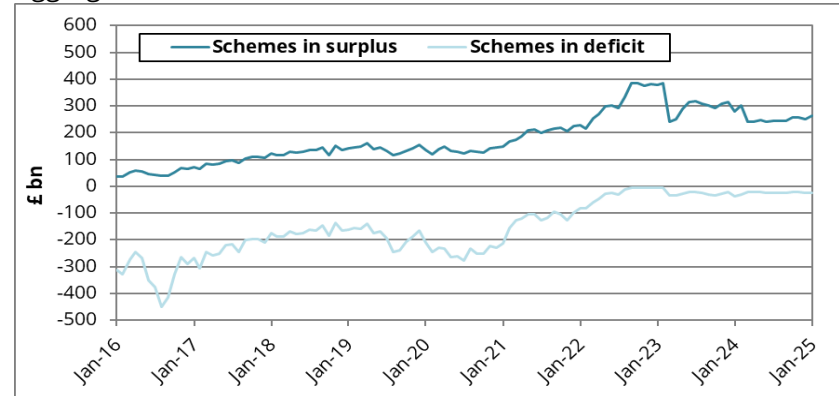


Chart 6: Historical s179 deficit (surplus) for schemes in deficit (surplus)

Aggregate deficit of schemes in deficit has been under £50bn for 2 years⁵



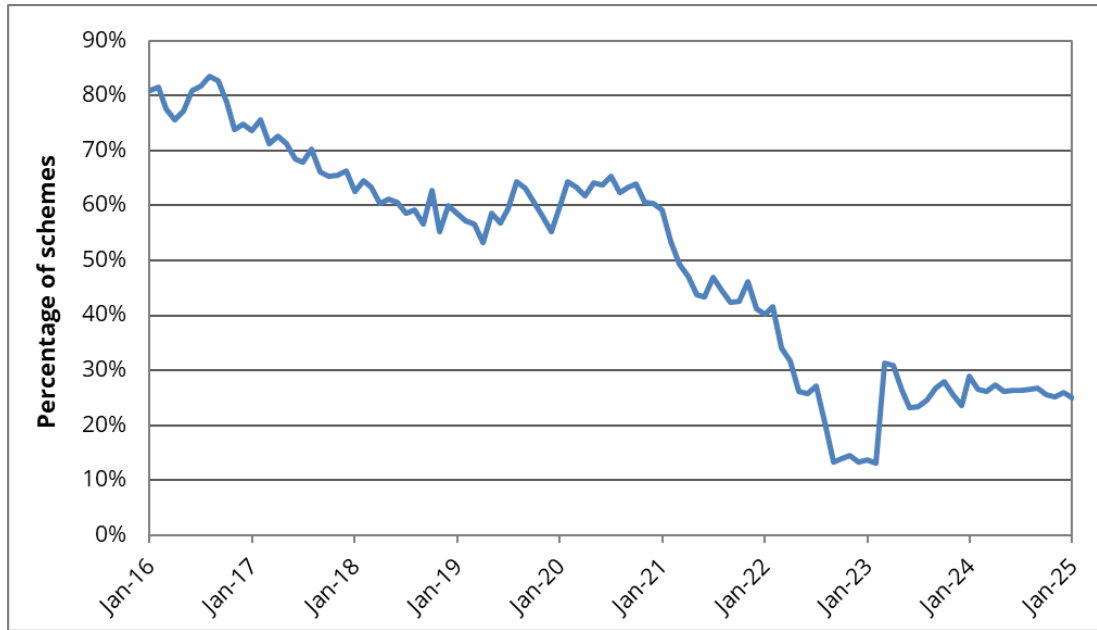
³ The difference between assets and liabilities

⁴ Assets as a percentage of liabilities

⁵ Note figures are calculated under the new roll-forward methodology from March 2023

Chart 7: Historical percentage of schemes in deficit on an s179 basis

Around a quarter of schemes are in deficit, down from over 60 per cent five years ago. ⁵



Note: From time to time, we make changes to the actuarial assumptions used to value schemes on an s179 measure. The most recent change was made in May 2023 and implemented in the end of May 2023 PPF 7800 index. This served to reduce the number of schemes in deficit by 129 (2.6 per cent of the number of schemes in the universe).

We produce the PPF 7800 in accordance with the UK Statistics Authority Code for official statistics which came into force in February 2009.

Press enquiries

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Notes

1. The PPF universe

The PPF covers certain occupational defined benefit pension schemes and defined benefit elements of hybrid schemes. More information about eligible schemes is on our website at: <https://www.ppf.co.uk/levy-payers/what-levy-and-who-has-pay-it/your-scheme-eligible>

2. PPF compensation

For members who have reached their scheme's normal pension age or are already in receipt of a survivor's pension or pension on the grounds of ill health, the PPF will generally pay compensation at the 100 per cent level, i.e., these members will not see any reduction in retirement income when their scheme's sponsor becomes insolvent. For most people below their scheme's normal pension age the PPF will generally pay compensation at the 90 per cent level. Increases in future payments for members may not be as much as they would have been under the original pension schemes. More information about PPF compensation is on our website at: <https://www.ppf.co.uk/what-it-means-ppf>

3. s179 – one of many different funding measures

s179 is one particular measure of funding. The change in the deficit of schemes in deficit on an s179 basis is an illustration of the impact of changes in financial markets on the PPF's total exposure. Schemes in surplus on an s179 basis at the time of insolvency usually do not enter the PPF.

In addition to s179, there are many different measures of a scheme's funding position. Among the other common measures are full buy-out (what would have to be paid to an insurance company for it to take on the payment of full scheme benefits), IAS19 or FRS102 (the measures used in UK company accounts), and Technical Provisions (as used in the UK's scheme funding regime). The different measures can give different levels of scheme funding at any point in time and move differently over time.

4. Methodology (asset and liability roll-forward)

The figures shown throughout this document are based on adjusting the scheme valuation data supplied to TPR as part of schemes' annual scheme returns, including Deficit Reduction Contribution (DRC) certificates. We roll the asset and s179 liability values forward in the following way.

- We roll forward asset values using the submitted asset split information and the change in benchmark asset indices over the period.
 - We use a range of indices here to better match the more granular asset categorisation captured in the scheme returns. This is not the same as the methodology used in the PPF levy calculations. This methodology will generally only allow for unfunded LDI arrangements, such as interest rate swaps, to the extent that the exposure is reflected in the asset split information submitted. However, our updated modelling includes some broad assumptions about short-duration bond indices not reducing the hedging of long-liability-duration schemes.

- We add DRCs that have been submitted by schemes for levy purposes⁶ to the asset values submitted in s179 valuations. These DRCs represent the contributions made by the sponsoring employer between the s179 valuation date and 31 March 2024 after allowing for deductions for items such as additional benefit accrual and benefit augmentations.
- Additionally, we make allowance for benefits paid out and contributions made over the roll-forward period, including for DRCs since those certified in the scheme return. In some cases we produce our own estimates and compare these to ONS data, in others we use ONS data directly.
- We roll forward the s179 liability values to, and convert to the version of the s179 assumptions in force at, a particular date, according to changes in reference gilt yields over the period.
 - Similarly to assets, the liability roll-forward includes an allowance for benefits paid out, as well as for the estimated cost of new benefit accrual.
 - In addition, the liability calculations allow for actual inflation differing from expected and PPF drift over the roll-forward period.⁷

Regardless of these features, our roll-forward methodology remains approximate in nature and the modelling necessarily features a number of estimations and judgements.

5. Estimating the impact of changes in market conditions on the PPF 7800 index

We have developed a number of ‘rules of thumb’ to estimate the impact of changes in asset prices and gilt yields on scheme assets and s179 liabilities. For example:

- A 7.5 per cent rise in equity markets boosts aggregate scheme assets by 1.4 per cent while a 0.3 percentage point rise in gilt yields reduces scheme assets by 3.7 per cent.
- A 0.3 percentage point rise in gilt yields reduces aggregate scheme liabilities by 4.0 per cent.

Strictly speaking, the rules of thumb only apply to small changes from the level as at 31 March 2024. More information can be found in Chapter 5 (Funding sensitivities) of the Purple Book 2024.

6. The Purple Book 2024 dataset

The schemes in the Purple Book 2024 dataset are estimated to include over 99 per cent of liabilities of PPF eligible schemes. We update this dataset annually, through a standard procedure, in each Purple Book and subsequent 7800 index publications.

⁶ For more information see the 2023/24 DRC appendix and guidance on our website: <https://www.ppf.co.uk/levy-payers/levy-2023-24>

⁷ The definition of PPF drift can be found on page 42 of the glossary in the Purple Book 2024.

The PPF 7800 monthly results are shared in advance of publication with the following list of relevant parties, in line with the Pre-release Access to Official Statistics Order 2008:

- The office of the Pensions Minister (DWP)
- Defined Benefit Pensions Policy leads and economists, Pensions and Later Life Analysis (DWP)
- Actuarial leads - strategy, policy and analysis (TPR)