

# Current issues for the Pension Protection Fund

Occupational Pensioners' Alliance – 18 February 2010

*Paul Reynolds – Director of Corporate Affairs*



# Current key themes for the PPF

Pension  
Protection  
Fund

- What does the PPF mean for scheme members?
- PPF resilience in the downturn
- The challenge of scheme data



# What does the PPF mean for scheme members?

Overview of what we do

Pension  
Protection  
Fund

*The Pension Protection Fund was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.*

→ Also manage the FAS and FCF

# What does the PPF mean for scheme members?

Gwendolen Holloway

Pension  
Protection  
Fund



*"Keep faith with the PPF is my advice to anybody who is lucky enough to be taken under their wing"*

- Gwendolen is 88 years old and lives in Hove, East Sussex
- She work for Garrard for 14 years until she retied at the age of 65
- Her pension scheme, the Asprey Group Pension Scheme, had 1,163 members and transferred to the PPF in August 2008
- She visited the PPF in January 2009 for our first Member Day



# What does the PPF mean for scheme members?

Current key statistics

Pension  
Protection  
Fund

- Over 12 million scheme members, in c.7,400 schemes, protected
- 188 cases with over 34,000 members have completed assessment
- 357 cases with just over 200,000 members in the assessment period
- 100,000 receiving PPF benefits (either from PPF or trustees)



# PPF Resilience in the downturn

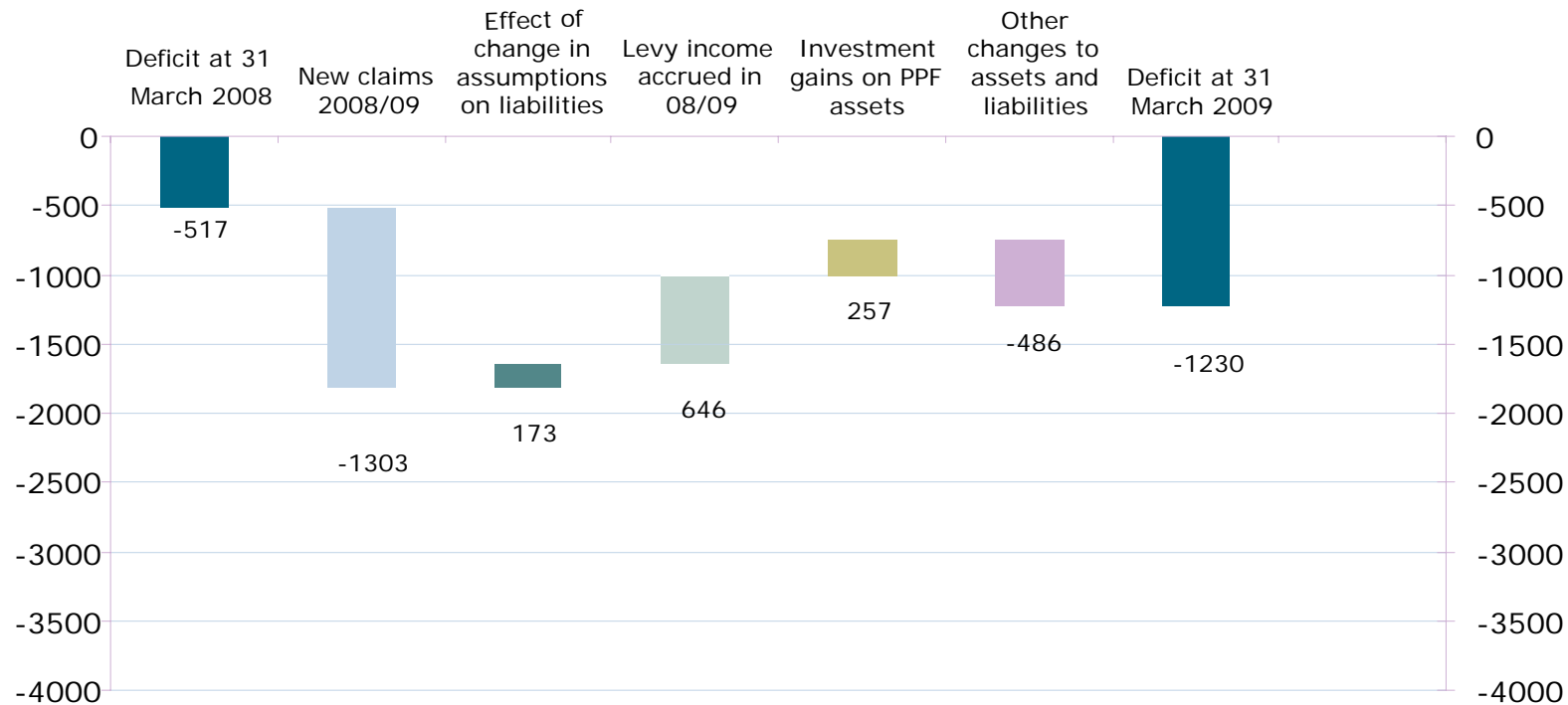
## Financial Highlights

Pension  
Protection  
Fund

- Deficit as at 31 March 2009 £1.23bn (88% funding ratio)
  - Includes schemes in assessment at that date
- PPF's defensive investment approach yielded a return of 13.4% (including hedge)
- Estimated deficit has moved since 31 March 2009
  - Investment returns
  - Changes in liabilities
  - Impact of new claims

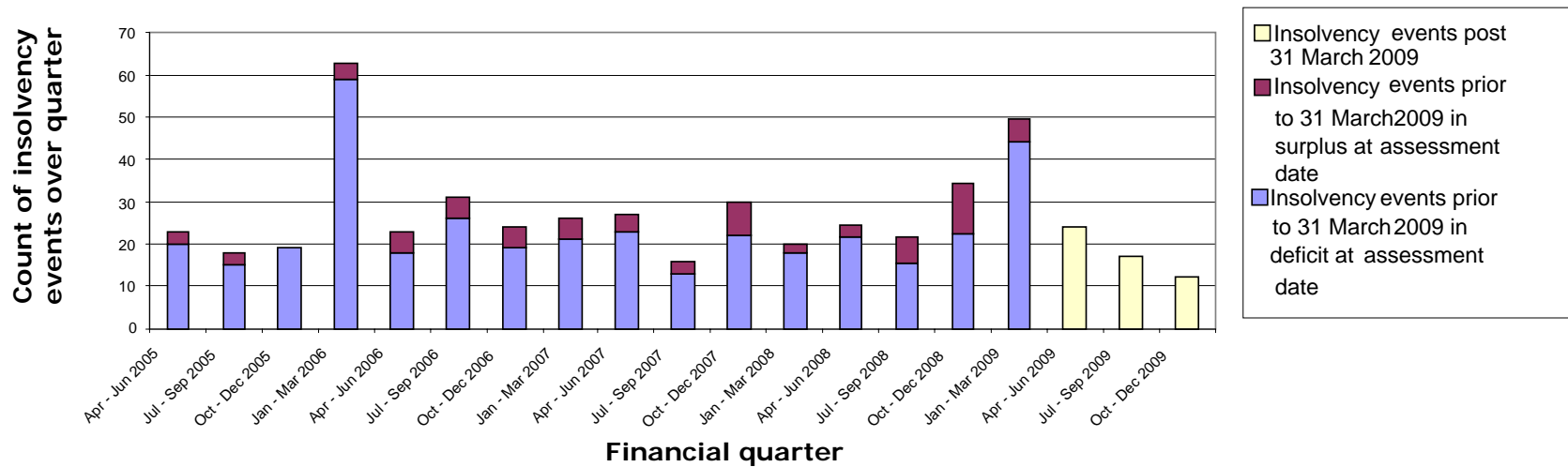
# Movement in the PPF Deficit during 2008/09

Movement in PPF deficit from 31 March 2008 to 31 March 2009



# PPF Claims Characteristics

Number of schemes or segregated parts having entered an assessment period





# PPF Resilience in the downturn

Modelling financial futures

Pension  
Protection  
Fund

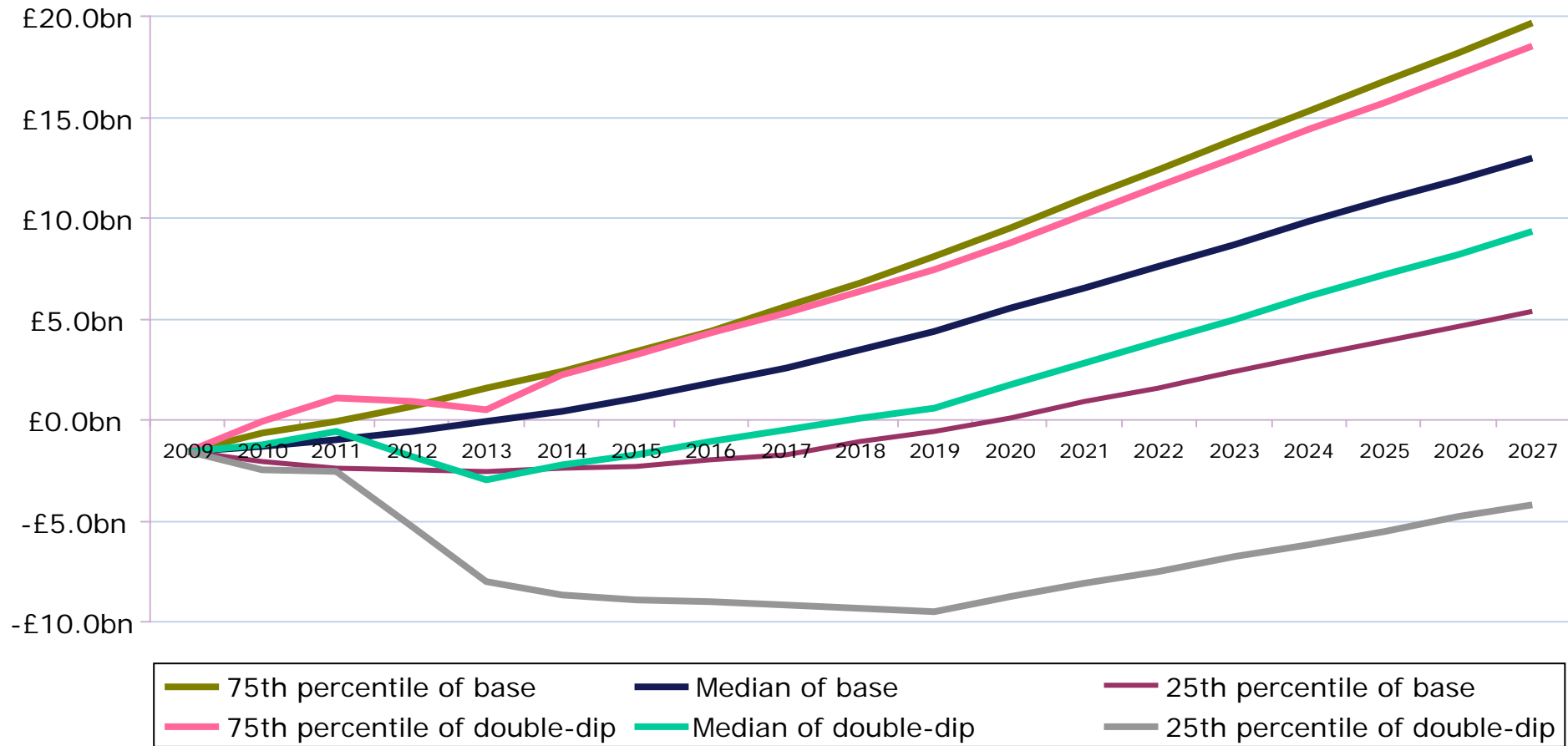
- PPF confident of long term ability to pay compensation
- Context of the funding ratio

	2005/06	2006/07	2007/08	2008/09
Assets	£2,086m	£4,409m	£5,554m	£9,330m
Liabilities	£2,429m	£5,018m	£6,071m	£10,560m
Funding Ratio	86%	88%	91%	88%

- Continuing development of the PPF's Long Term Risk Model

# Recovery Profiles of the PPF

Pension  
Protection  
Fund





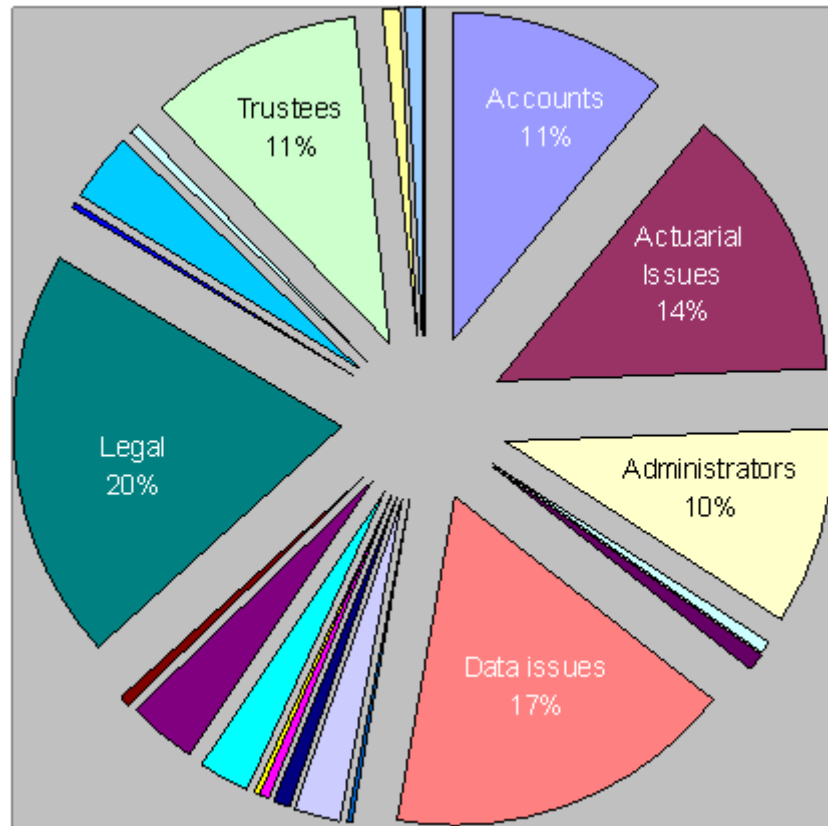
# The challenge of scheme data

## Background

Pension  
Protection  
Fund

- Poor scheme data significant challenge for the PPF (and FAS)
- Data about member records, scheme records and scheme rules
- Delays to the Assessment Process create uncertainty for scheme members and costs to levy payers
- Most ongoing schemes only consider data when a member retires; often not a priority

# Why are schemes taking more than 2 years to complete the assessment period?

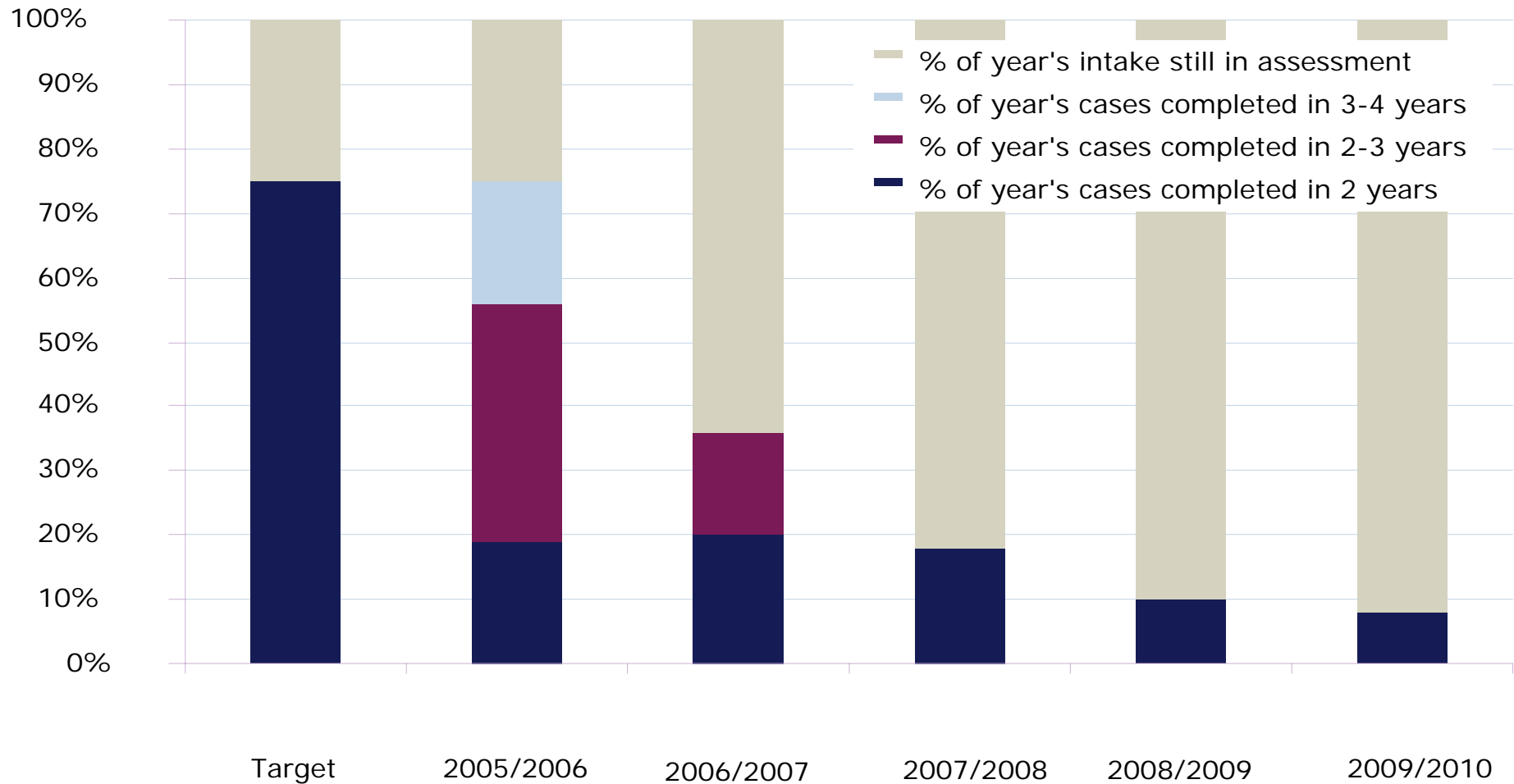


- Overarching theme of data quality
- Key reasons are:
  - Legal issues
  - Member data issues
  - Repeated s143 valuations required
  - Non-performing trustees or administrators
- Average of 9 iterations over 8 months to complete data interface for transferring schemes



# Progress of schemes through assessment

Pension  
Protection  
Fund





# The challenge of scheme data

## Responses

Pension  
Protection  
Fund

- Industry wide issue
  - Only 19% of schemes have checked they have all fundamental common data for scheme members
  - Reports of 5% premium on buyout for poor data
  - Ombudsman has voiced concerns about data cases he sees
- Regulator consultation launched on 2 February
- Sets out standards for member records and steps for schemes that fall short

*'Trustees and those responsible for administering workplace pensions will need to improve standards of record keeping.'*

# Current issues for the Pension Protection Fund

Occupational Pensioners' Alliance – 18 February 2010

*Paul Reynolds – Director of Corporate Affairs*