



Annex B

B

# B

## Annex B: Risk developments

### B.1 Summary

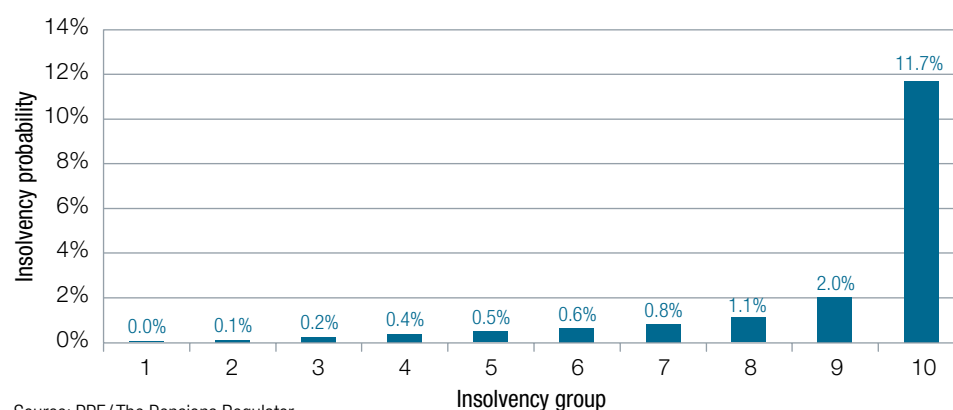
The weighted average insolvency probability (by section 179 (s179) liabilities) for schemes in the Purple 2009 dataset excluding those in assessment is 0.2 per cent. This compares with 0.4 per cent for the Purple dataset as a whole, as reported in Chapter 6, Insolvency Risk. From a risk point of view, it is appropriate to exclude schemes in assessment since they have been taken into account in arriving at the PPF's balance sheet published in the Annual Report and Accounts 2008/09.

### B.2 Insolvency risks of schemes in the sample

The average insolvency probability on an unweighted basis for the Purple 2009 sample excluding schemes in assessment is 0.6 per cent. The weighted average insolvency probability (by s179 liabilities) for these schemes is 0.2 per cent. Further analysis of scheme insolvency probabilities for all schemes in the Purple 2009 dataset is given in Chapter 6, Insolvency risk.

Chart B1 shows an unweighted average insolvency probability of 11.7 per cent for schemes in insolvency Group 10.<sup>54</sup> The other nine groups have relatively low average insolvency probabilities in comparison with Group 10, with the next highest average insolvency probability being 2.0 per cent.

**Chart B1** | Average unweighted insolvency probability by insolvency group

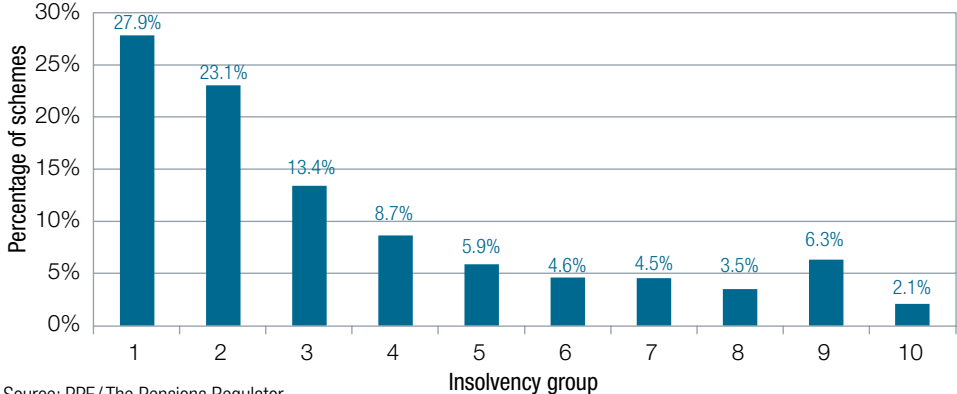


Source: PPF/The Pensions Regulator

<sup>54</sup> See Chapter 8, Risk developments for insolvency and underfunding groupings.

Chart B2 illustrates that the distribution of schemes in the Purple 2009 dataset, excluding schemes in assessment is skewed towards the lower insolvency groups. Fifty-one per cent of schemes in the sample fell into insolvency groups 1 and 2.

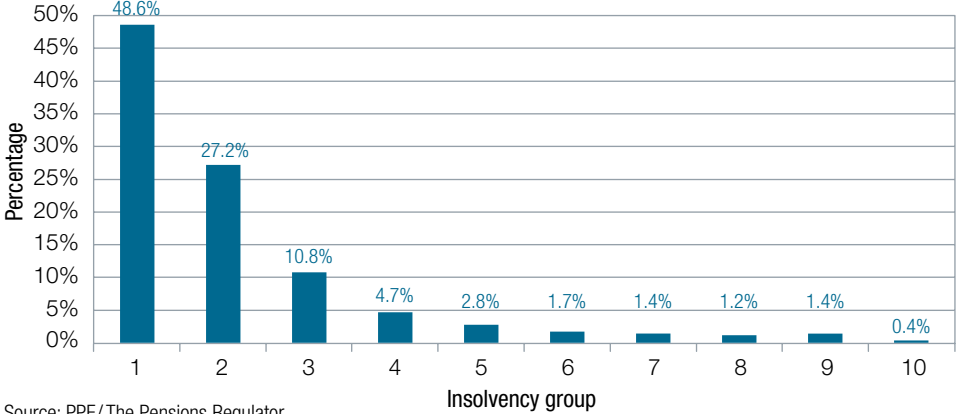
**Chart B2 | Percentage of schemes by insolvency group**



Source: PPF/The Pensions Regulator

On average, the larger schemes by liabilities tend to inhabit the lower insolvency risk groups, with 48.6 per cent of liabilities in insolvency Group 1 and 75.8 per cent in Groups 1 and 2 (see Chart B3).

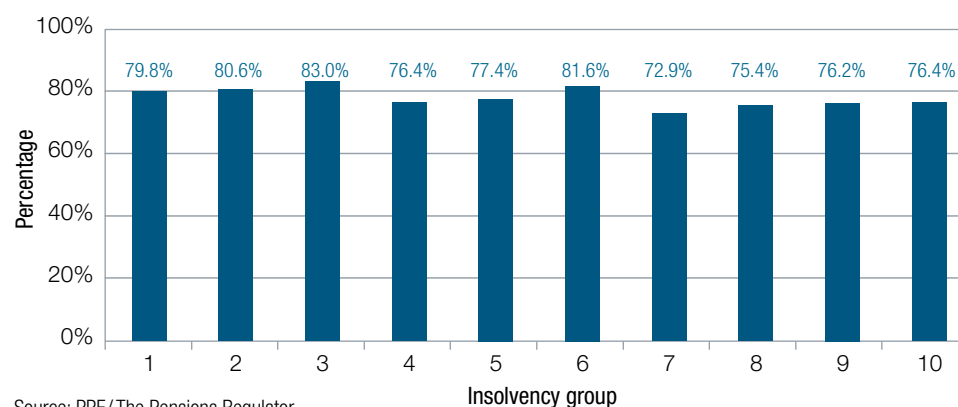
**Chart B3 | Percentage of total scheme s179 liabilities by insolvency group**



Source: PPF/The Pensions Regulator

A scheme's funding position is calculated as the ratio of its assets (including deficit reduction contributions) to its liabilities. Broadly speaking, for the Purple 2009 dataset excluding schemes in assessment, the funding positions of schemes in the higher insolvency groups are slightly weaker than that for those in the lower groups (see Chart B4). That said, the best funded insolvency group is not Group 1, but rather Group 3 with 83.0 per cent average funding. Furthermore, the variation in funding across groups is smaller than in 2008. For all groups funding is substantially below that in 2008.

**Chart B4 | Funding position on a s179 basis by insolvency group**

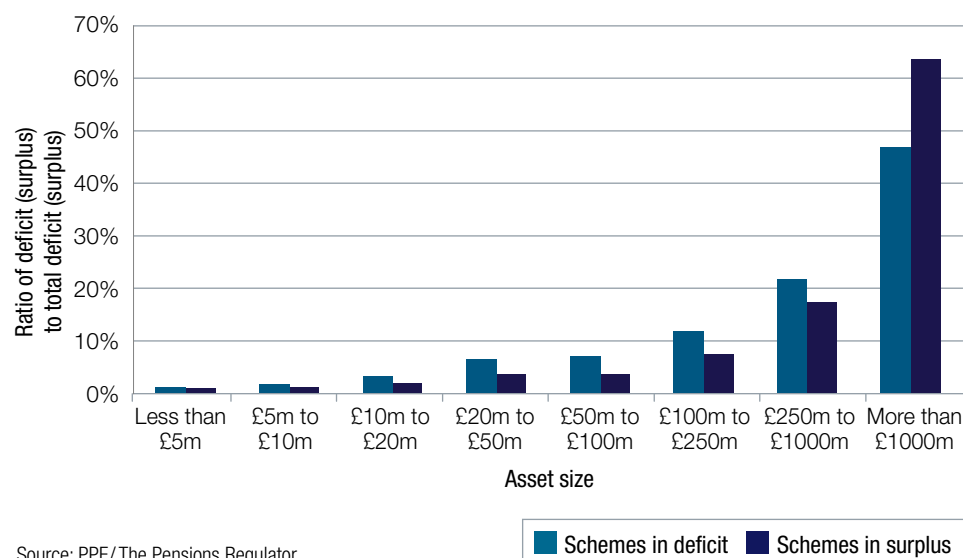


Source: PPF/The Pensions Regulator

### B.3 Schemes in deficit and surplus

Categorising schemes by size of assets, Chart B5 shows that s179 surpluses in the largest asset group represent 63.3 per cent of total surpluses and s179 deficits represent 46.9 per cent of total deficits.

**Chart B5 | Share of s179 surplus and deficit by asset size**

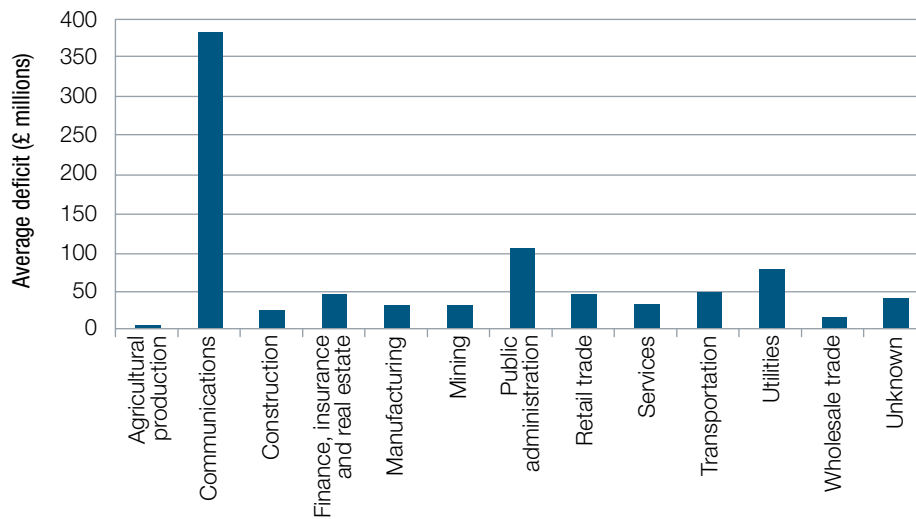


Source: PPF/The Pensions Regulator

## B.4 Weighted deficit concentration by industry

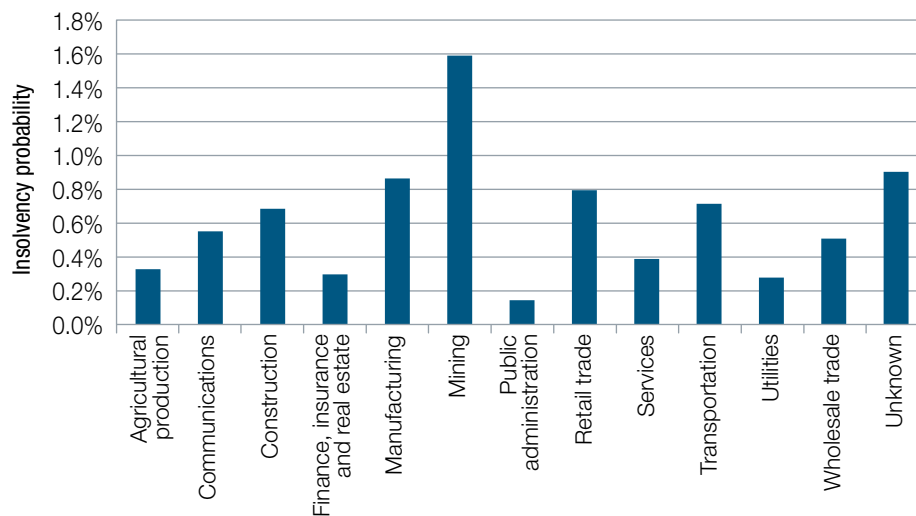
Average scheme deficits were largest in communications (Chart B6) followed by public administration and utilities, while average insolvency probabilities were highest in mining, manufacturing and retail trade (Chart B7). Note that while manufacturing presents by far the largest total weighted deficit (see Chart 8.4), it exhibits a relatively low average deficit (see Chart B6). This low average deficit derives from the large number of small schemes with manufacturing firms as sponsors.

**Chart B6 | Average s179 deficit by industry (for schemes in deficit)**



Source: PPF/The Pensions Regulator

**Chart B7 | Average insolvency probability by industry (for schemes in deficit)**



Source: PPF/The Pensions Regulator