



The data

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2.1 Summary

- The main body of the analysis in the Purple Book 2009 ('Purple 2009') is based on new scheme returns for a dataset of 6,885 defined benefit (DB) schemes predominantly in the private sector.
- The dataset covers 97 per cent of schemes in the estimated PPF-eligible universe of around 7,100 schemes, and 99 per cent of the total estimated section 179 (s179) liabilities, and 12.4 million memberships.
- The dataset is similar in size to that used in the Purple Book 2008 (6,898, 93 per cent of the eligible universe) and significantly larger than those used in Purple 2006 and Purple 2007, 5,772 and 5,892 schemes respectively.
- Analysis of the expanded 2008 dataset of 7,262 PPF-eligible DB schemes shows that most findings are little affected, reflecting the fact that the original dataset covered a very high share of total liabilities.

2.2 Introduction

The PPF covers certain defined benefit (DB) occupational schemes and DB elements of hybrid schemes. Some DB schemes will be exempt from the PPF, including:

- unfunded public service schemes;
- public sector schemes providing pensions to local government employees;
- schemes to which a Minister of the Crown has given a guarantee; and
- schemes which began to wind up, or were completely wound up, prior to 6 April 2005.

For a more comprehensive list see 'eligible schemes' on the PPF's website at: www.pensionprotectionfund.org.uk/About-Us/eligibility/Pages/Eligibility.aspx

Purple 2009 uses a dataset of 6,885 PPF-eligible schemes. The dataset is drawn from the universe of DB schemes eligible for protection by the PPF and liable to pay the PPF levies. The members of such schemes may be entitled to compensation should an insolvency event occur in relation to a scheme's employer.

This 2009 dataset covers around 97 per cent of the estimated total PPF-eligible DB universe in terms of numbers of schemes and 99 per cent in terms of liabilities. It covers all large schemes and around 95 per cent of small schemes (under 100 members). The dataset used this year is similar in size to that in 2008 and larger than those used in the 2006 and 2007 Purple Books (5,722 and 5,892 respectively). The availability of a larger sample in 2008 and 2009 reflects such factors as an improved design of the scheme return to include better validation on completion of the form (thereby reducing the need for subsequent correction), together with greater understanding of the data.

The eligible universe in 2009 is now estimated at around 7,100 schemes, down from around 7,300 in 2008 and 7,500 in 2007. The fall in the size of the universe reflects such factors as scheme mergers, schemes' buying out benefits with an insurance company, and schemes' transferring to the PPF.

Purple 2009
is based on a
sample of 6,885
schemes.

2.3 Primary sources

The information used in Chapters 3 to 8 of this publication comes from three primary sources, as described below.

Scheme returns provided to the Pensions Regulator

The scheme returns include valuation information on scheme assets and liabilities, asset allocation, employers, scheme type and status, membership details, trustees and their advisers. The scheme returns for this year and last give more detailed information on asset allocation, for example on the split of equities between domestic and overseas, and the division of fixed interest between government bonds, corporate bonds and index-linked.

Most of the analysis in this year's publication is based on new scheme returns issued in December 2008 and January 2009 and returned by 31 March 2009. The 2009/10 levy invoices will, in most cases, be based on information submitted before 1 April 2009.

In this publication, there are also comparisons with the information from the scheme returns:

- issued between June 2005 and June 2006, which formed the basis for the 2006/07 levy and most of the analysis in Purple 2006;
- issued in autumn 2006, which formed the basis for the 2007/08 levy and most of the analysis in Purple 2007; and
- issued between December 2007 and January 2008, which formed the basis for the 2008/09 levy and most of the analysis in Purple 2008.

The returns issued since autumn 2006 have had to be returned by end-March of the following year.

Voluntary form reporting

Electronic forms are available on the Pensions Regulator's website for pension schemes to provide data regarding contingent assets (CAs), valuation results on a s179 basis, deficit reduction contributions (DRCs) and the s179 valuation results following block transfers. The total value of DRC certificates certified before 7 April 2009 included in the funding estimates in Purple 2009 is £26.5 billion, which would raise total scheme assets by around 3 per cent at 31 March 2009. 587 CAs were in place of relevance to the 2009/10 levy with 83 per cent of them being Type A. More information on DRCs and CAs is given in Chapter 12, Risk reduction.

Insolvency failure scores supplied by Dun & Bradstreet (D&B)

D&B failure scores (running from 1 to 100), which cover all the scheme sponsors of PPF-eligible DB schemes, are designed to predict the likelihood that a sponsor will cease operations without paying all creditors over the next 12 months. For each score there is a corresponding probability of insolvency, which is used in the PPF's risk-based levy calculations, (more details on the D&B scores are given in Chapter 6, Insolvency risk.) Internally, the regulator and the PPF employ a wide range of approaches to risk and insolvency probabilities. However, in Purple 2009 the main focus is on D&B failure scores as they are available for the widest range of companies and organisations in the PPF-eligible universe.

The data used in Chapter 9, Levy payments, Chapter 10, Schemes in assessment, Chapter 11, PPF compensation are not based on the scheme return information but are derived from the PPF's business operations.

Scheme returns
are the main
primary data
source.

The PPF-eligible universe is estimated to contain around 7,100 schemes in 2009.

2.4 The PPF-eligible DB universe

In Purple 2006, the PPF-eligible DB universe was estimated to be 10,800 schemes (based mainly on numbers from the regulator's scheme return register). In Purple 2007, the universe was revised down to 7,800 schemes because review processes (such as preparation for levy invoicing) revealed a large number of schemes that did not fulfil the PPF-eligibility criteria. The two most common reasons for which schemes were determined to be ineligible were: defined contribution (DC) schemes being erroneously described as DB, and schemes in the register having begun or completed wind-up prior to the PPF's commencement in April 2005. Full information on invoices issued and payments made suggested universes in 2007 and 2008 of around 7,500 and 7,300 respectively. Assuming a similar downward trend in the universe in the latest year would point to a 2009 universe of around 7,100. Table 2.1 illustrates how each of the four datasets and universes are split by scheme size (as defined by number of members).

Annex A compares some of the key analyses using the original Purple 2008 dataset of 6,898 schemes and the extended Purple 2008 dataset of 7,262 schemes. The move to the extended dataset has a smaller impact this year than last year, when moving from the Purple 2007 dataset to the extended 2007 dataset, because the Purple 2008 dataset was much more comprehensive. The general conclusion is that most of the findings using aggregates and weighted averages are little affected, reflecting the fact that the original dataset covered a very high share of total liabilities. There were some small effects on simple averages due to the extended data comprising the addition of schemes that were smaller than average. For example, the average scheme membership size fell from nearly 1,800 to around 1,740.

Table 2.1 | Distribution of schemes by scheme size (number of members)

Number of members	Less than 100	100-999	1,000-4,999	5,000-9,999	More than 10,000	Total schemes*
Estimated 2006 DB PPF-eligible universe	5,900	3,500	950	200	250	10,800 (7,800)
Purple 2006 dataset	1,812	2,799	756	175	230	5,772
Estimated 2007 DB PPF-eligible universe	2,840	3,570	930	210	250	7800 (7,500)
Purple 2007 dataset	1,858	2,877	802	160	195	5,892
Estimated 2008 DB PPF-eligible universe	2,724	3,341	919	192	224	7400 (7,300)
Purple 2008 dataset	2,468	3,132	884	191	223	6,898
Estimated 2009 DB PPF-eligible universe	2,566	3,226	893	188	227	7,100
Purple 2009 dataset	2,439	3,162	877	180	227	6,885
Purple 2009 dataset as a percentage of 2009 PPF-eligible universe	95.1%	98.0%	98.2%	95.7%	100.0%	97.0%

Source: PPF/The Pensions Regulator

* Final estimates in brackets.

Purple 2009 covers around 97 per cent of schemes and 99 per cent of liabilities.

Table 2.2 | Distribution of s179 liabilities (£ billion) by scheme size*

Number of members	Less than 100	100-999	1,000-4,999	5,000-9,999	More than 10,000	Total liabilities (£ billion)
Estimated 2006 DB PPF-eligible universe	25	82	128	57	464	776
Purple 2006 dataset	8	66	102	67	427	669
Estimated 2007 DB PPF-eligible universe	11	79	118	84	498	790
Purple 2007 dataset	8	70	113	72	448	711
Estimated 2008 DB PPF-eligible universe	12	84	133	92	513	833
Purple 2008 dataset	9	77	130	92	503	811
Estimated 2009 DB PPF-eligible universe	10	79	134	91	519	833
Purple 2009 dataset	9	78	132	87	519	825
Purple 2009 dataset as a percentage of 2009 PPF-eligible universe	95.1%	98.0%	98.2%	95.7%	100.0%	99.0%

Source: PPF/The Pensions Regulator

*All liabilities are calculated on a s179 basis as at 31 March 2006. Caution should be exercised in comparing liabilities due to differences in roll forward methodologies.

NB: The different compositions of schemes in each membership size group means care should be taken in comparing results from the Purple 2006, 2007, 2008 and Purple 2009 datasets.

2.5 Funding estimates

This publication uses data that, as far as possible, reflect the position at a common date, 31 March 2009, for comparison with the position presented at end March in the previous three Purple Books. As explained in Chapter 4, funding comparisons between the Purple 2009, 2008, 2007, and 2006 datasets would be misleading due to the different schemes those datasets include. Consequently, to compare funding positions, Chapter 4, Scheme funding, utilises the Purple 2009 dataset as at 31 March 2009 and the Purple 2009 dataset 'rolled back' to 31 March 2008, 30 March 2007 and 31 March 2006.

The bulk of the analysis uses funding estimates on a section 179 (s179) funding basis. This is, broadly speaking, what would have to be paid to an insurance company to take on the payment of PPF levels of compensation.²

For the purpose of this publication, actuaries at the PPF and the Pensions Regulator have also produced FRS17 and full buy-out estimates of the funding position for the Purple 2009 dataset as at the end of March in 2006, 2007, 2008 and 2009. As was the case last year, liabilities and deficits have also been estimated using the Technical Provisions measure. More information on the methodology used in deriving the various estimates is given in Chapter 4, Scheme funding.

² For calculation of the 2009/10 risk-based levy, the PPF uses estimates of the scheme's funding position on a s179 basis as at 31 March 2008.