

# PPF bulletin

PPF's bi-monthly electronic newsletter February 2010

issue 3

## Time is ticking away...

Key deadlines for the 2010/11 and 2011/12 levies are fast approaching. To make sure that you don't miss these important deadlines for the submission of information used in the calculation of your levy, please visit our 'Data Deadlines' section on our website at:

<http://www.pensionprotectionfund.org.uk/levy/howthelevyworks/Pages/datadeadlines.aspx>

### The 2011/12 levy

On 28 January, the PPF published the '2011/12 Pension Protection Levy Consultation Policy Statement: Insolvency Risk'. We have made the following changes for this year and all schemes and employers should take note of them and act as soon as possible before the 31 March 2010.

The full document is available on the main Levy page on the PPF website:  
<http://www.pensionprotectionfund.org.uk/levy/Pages/PensionProtectionLevy.aspx>

- D&B will collect accounts from the Charity Commission. Employers filing accounts with the Charity Commission will now have them automatically picked up by D&B up until 30 March 2010. But if you are in any doubt that D&B will pick up your accounts from the Charity Commission website, we recommend you send them directly to D&B.
- A new attribute called 'nationwide' will be introduced for businesses with three or more branches in different UK regions which will mean they are assessed as a national rather than regional employer.
- If you think you may be affected by this change, you should contact D&B as soon as possible to ensure they hold the correct information on your branch locations. This attribute cannot be appealed after 31 March 2010.

A new probability of insolvency table for 2011/12 has also been published. This will affect all schemes' levies. We recommend speaking to D&B as soon as possible to see if there's any information you can provide that will affect your score.

### Other changes to be aware of

- PPF-compliant contingent assets will be excluded by D&B in their scores. This means that the PPF will inform D&B about which employers have pledged contingent assets.
- When measuring the failure score of a subsidiary whose ultimate parent company is at substantial risk of going bust, the score of the subsidiary will be that of the parent. A parent at severe risk is one with a failure score between 1 and 10. We recommend you ensure D&B have the correct information on your group structure.
- Employers that seek changes to their industry sector or geographical region will need to provide evidence to support that change. If you think you have been assigned to the wrong sector or employer, contact D&B to find out the evidence required.

If you have any questions, please call our Stakeholder Support Team on: 0845 600 2541.

# Levy Statement and Final Determination published

The Pension Protection Fund (PPF) has published the 2010/11 Pension Protection Levy Policy Statement.

The document sets out:

- that the Board aims to collect an overall levy of £720 million
- the levy scaling factor has been set at 1.64
- a risk-based levy cap of 0.5 per cent of liabilities, to protect the most vulnerable 10 per cent of schemes
- a change to the way probabilities of insolvency for foreign employers are calculated
- simpler requirements for certification of block transfers, and
- a 9 April 2010 deadline for the certification of deficit reduction contributions.

As part of this package, the PPF published the Final Levy Determination for 2010/11. All documents can be found on the 2010/11 Determination page of the website.

## Global equity managers recruited

The PPF has recruited seven global equity managers to complement its existing manager structure.

Longview Partners; Arrowstreet Capital and RCM (UK) Ltd are positioned for immediate appointment. While, Investec Management, MFS International (UK) Ltd, Sarasin & Partners LLP and Lazard Asset Management are placed on deferred appointment.

The PPF has sought to recruit additional global equity managers to help extend its existing structure during 2010 and beyond.

Details of PPF's current asset allocation can be found on the website.

## Key statistics

- 109 schemes are now in the PPF
- 32,889 people are receiving or will receive compensation in the future
- The PPF paid out around 10 million in compensation between 1 December and 31 December 2009
- The average yearly compensation payment is around £4,000 per person
- The oldest recipient is 104 years and the youngest is seven years old
- The PPF now has a total of 363 schemes in the assessment period representing a total of 203,077 members.

Full details can be found on the website.

## Webinar launched at PPF

The PPF ran a webinar on 25 November 2009 covering valuation guidance for actuaries of FAS qualifying schemes.

Attendees of the webinar submitted a number of questions which were answered orally on the day. Questions were also posted on an online discussion forum which followed the webinar. For reference, we have provided written answers to a selection of these questions on a new page, which can be found in "Information for Pensions Professionals" in the FAS area of the site.

## Five more schemes transfer over to the PPF

The PPF took three schemes in November and two in December. Butler Pension Scheme, Clarke and Co (Engineers Grimsby) Pension Scheme, and Clarke and Co (Womersley Road) Pension Scheme transferred over in November.

And, Champion Pension Scheme and Gilbraith Tankers Limited Pension Scheme transferred over in December.

## PPF publishes annual report

A rise in the number – and value – of pension schemes claiming on the PPF resulted in its deficit increasing from £517 million as at 31 March 2008 to £1.2 billion as at 31 March 2009.

The 2008/09 annual report also reveals a funding ratio figure of 88 per cent, a reduction of 91 per cent from the previous year.

PPF Chairman, Lawrence Churchill, said: “The economic downturn has highlighted how vital the PPF protection has been. None of us would want to go back to an era where people lost their pension as well as their jobs.

“We expected that this year’s claims would be larger than our levy so we were not surprised by these figures which have been impacted by market volatility and low interest rates.

“More importantly, the pension protection framework has proved resilient in testing times and our confidence that we can continue to pay our members the compensation they are due is undiminished. The liquidity of the PPF remains strong and we have kept our levy unchanged in real terms for next year.”

PPF Chief Executive, Alan Rubenstein, added that the PPF, both in its own right and through schemes being assessed for entry, is becoming a significant investor, with a portfolio of about £3 billion, as at March 2009.

“We have benefited from our sophisticated hedging strategy which resulted in the growing portfolio achieving a return of 13.4 per cent on our invested assets.

“Our priority remains to maximise returns on our investments but without taking undue risk to make sure we continue to fulfil our obligations to our members.

“But the lack of big claims and market improvements since March means we estimate that, by the end of September, our deficit had fallen back below the £1 billion mark and our funding ratio had returned to more than 90 per cent. Yet, we cannot afford to be complacent. Our position could yet be affected by increases in claims or by future movements in the financial markets between now and next March.

**A copy of the full annual report can be downloaded from our website.**

## Fourth Purple Book Published

In-depth analysis of how the UK’s defined benefit pension schemes fared during the economic turbulence experienced in 2008/09 has been jointly published by the PPF and the Pensions Regulator (the regulator).

The Purple Book – the fourth to be published – uses information relating to 97 per cent of the defined benefit schemes eligible for PPF compensation (6,885 schemes, representing some 12 million defined benefit pensions) and 99 per cent of their estimated total liabilities.

Much of the analysis in the Purple Book 2009 is based on new information contained in the returns which schemes provided to the regulator by the end of March 2009. These returns contain details about such things as scheme valuation, asset allocation and membership.

PPF Chief Executive, Alan Rubenstein, said: “This year’s Purple Book highlights how the dramatic deterioration in the economic and financial environment during 2008/09, not just for the UK but for most major economies, led to heightened risk for the schemes in the PPF universe.

“The Purple Book continues to provide important information on trends in defined benefit pension schemes illustrating the risk these schemes pose to the PPF, in terms of underfunding levels and the likelihood of claims on us.”

Highlights of The Purple Book 2009 are included in the Executive Summary and copies of the full document can be found on the PPF website.

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## PPF 7800 Index - End December 2009

### Highlights

- The aggregate funding position (total assets minus total liabilities) of almost 7,400 DB funds is estimated to have improved over the month to a deficit of £32.6 billion at end-December 2009, from a deficit of £92.5 billion at end-November 2009. Scheme funding is better than it was a year previously (there was a deficit of £190.6 billion in December 2008).
- The total deficit of schemes in deficit in December 2009 is estimated to have improved to £90.7 billion from £132.9 billion at the end of November 2009. In December 2008, the aggregate deficit of all schemes in deficit stood at £208.7 billion.
- In December 2009, the total surpluses of schemes in surplus increased to £58.1 billion from £40.4 billion at the end of November 2009. In December 2008, the total surplus of all schemes in surplus stood at £18.1 billion. A full report is available from our website.