

# PPF bulletin

● issue 4

PPF's bi-monthly electronic newsletter May 2010

## Independent steering group sets out ideas for future of the levy

An independent steering group published a paper setting out its ideas for the long-term future of the PPF levy.

The group, which was set up by the PPF last year, submitted the paper to us in March. An additional paper summarising the analysis provided, supporting the steering group's work, has also been published (full details can be found on our website).

We are now considering the ideas put forward by the steering group and looking at how they would work in practice. We will publish our thinking in the autumn.

### Important dates for your diary:

#### 2010/11 levy

- 30 June 2010 at 5pm - the deadline for certification of full block transfers that have taken place up to and including 31 March 2010.
- Autumn 2010 - invoicing is scheduled to begin.

#### 2011/12 levy

- 30 June 2010 at 5pm – the deadline for certification of partial block transfers that have taken place up to and including 31 March 2010.
- Autumn 2010 - consultation on the rules for the levy. Plus, levy estimate and levy scaling factor to be published.
- Winter 2010 – the final determination and scaling factor to be published.

## New PPF Chairman appointed



Lady Barbara Judge has been appointed the new Chairman of the PPF. The appointment takes effect from 1 July 2010 and will be for three years. Lady Judge will join us from the UK Atomic Energy Authority.

Lady Judge said: "I am delighted to be appointed as Chairman of the PPF. The PPF is crucial in continuing to provide confidence and stability in pensions in the coming years and I am looking forward to having the opportunity to contribute to this important part of the pension protection system."

## PPF publishes Management Plan

We have published our Management Plan 2010/11 – 2012/13 incorporating Business Plan 2010/11.

The Management Plan outlines our strategic objectives for the next three years and our key performance indicators for the year ahead.

The plan can be downloaded from our website.

## Focus on investment

# New investment strategy unveiled

In March, we announced a new Statement of Investment Principles (SIP) which aims to bring greater returns by investing in a broader range of assets – but without increasing the PPF's level of risk.

We will diversify our return-seeking assets which, in the short to medium term, will mean less investment in listed equities and a new allocation to private equity and infrastructure investments and a more global approach generally.

The aim is to outperform our benchmarks during the year by 1.8 per cent, rather than the current target of 1.4 per cent.

Our Chief Executive, Alan Rubenstein, said: "The PPF now has almost £4 billion in assets. Some investment markets are easier to access if you are a larger investor and the costs of that access come down too. These managers will allow us the flexibility to take advantage of secondary market opportunities as they arise.

Our priority is to maximise the impact of our investments so that we get more return by diversifying into additional asset classes but with the same level of risk as before.

Alan Rubenstein added: "A higher long-term performance is clearly in the best interests of those people who receive our compensation and of our levy payers".

Importantly, we will continue with our hedging strategy which seeks to mitigate the risk of a fall in assets against liabilities.

We have also stressed that we will maintain a low-risk approach to investments. At least 65 per cent of the portfolio will remain invested in cash and bonds.

## Private Equity Secondary Managers recruited

We recruited seven Private Equity Secondary Managers to a panel for potential future investment.

The successful managers are: Goldman Sachs; Hamilton Lane; Lexington Partners; LGT Capital; Partners Group; Pantheon Ventures and RREEF.

With almost £4 billion in assets, these managers will allow us the flexibility to take advantage of secondary market opportunities as they arise.

## Responsible Investment principles extended

As part of the revised Statement of Investment principles, we have also taken the opportunity to extend our commitment to Responsible Investment across all assets, including any new asset classes in which we invest. Before, the principles only applied to our UK equities.

Copies of our new Statement of Investment Principles can be found on our website.

## Key statistics

- 150 schemes are now in the PPF.
- 46,393 people are receiving or will receive compensation in the future.
- We paid out around £19 million in compensation between 1 – 30 April 2010.
- The average yearly compensation is £4,000 per person.
- The oldest recipient is 110 years old and the youngest is four.
- We now have a total of 348 schemes in the assessment period representing a total of 195,436 members.

For details of the schemes please visit our website.

## In brief

# Guidance on onerous contracts

Guidance for trustees and counterparties on our power to modify and disclaim onerous contracts under section 161 and schedule 6 of the Pension Act 2004 has now been published.

The guidance includes:

- an explanation of how we intend to use our power to disclaim onerous contracts
- proposed standard wording to include in ISDA contracts between trustees and counterparties, that specifies when an Additional Termination Event will arise, and
- a template of the Deed that we will issue to notify counterparties that we will not exercise our powers to disclaim any of the terms of the specified contract.

For further information, view our consultation response and guidance document on our website.

## Revised actuarial factors

Revised Commutation factors, Compensation Cap factors and Early Retirement factors have now been published.

The new factors should be used for all calculations with an effective date on or after 1 April for the Compensation Cap factors, and 6 April for the Commutation and Early Retirement factors.

The Compensation Cap from 1 April will be £33,054.09 at the age of 65. This equates to £29,748.68 once the 90 per cent cap has been applied.

The factors can be found on the Technical Guidance section of the website.

## Sign up to our *Technical News* updates

We have published the first of a regular series of *Technical News* updates about practical issues that affect schemes in the PPF assessment period. The update is available from the Technical Guidance page of our website and there is also links on the Trustee and Pensions Professional pages.

Our processes are constantly evolving and we are always interested to hear your views – your comments are welcome.

## Financial Assistance Scheme news

### What the new FAS regulations mean for you

On 6 May, we held a webinar to highlight our guidance to trustees and scheme administrators about the new FAS regulations.

Sixty five companies watched the webinar and took part in questions.

For trustees - the FAS relationship team at the PPF talked through the end-to-end valuation process, the lessons that have already been learnt and the reporting requirements.

For administrators – the team provided an overview of the asset transfer, data and financial requirements, where to find advice and guidance on the changes to the S1 forms, the need for data quality and how to help scheme members.

If you missed out and would like to watch it, click on the link on the homepage of our website.

### Guidance on the transfer of scheme assets to government

The Financial Assistance Scheme (Miscellaneous Amendments) Regulations 2010 came into force on 2 April. They include provision for the assets remaining in relevant FAS qualifying schemes to transfer to Government.

The Regulations provide that guidance may be published by the Secretary of State for Work and

Pensions in relation to the valuation of assets and liabilities of relevant schemes and how individual asset shares are to be calculated for scheme beneficiaries.

Guidance issued by the PPF, in relation to FAS valuations, can be found on the FAS section of our website