

# PPF bulletin

PPF's bi-monthly electronic newsletter September 2009

## latest news

issue 1

### The future development of the PPF Levy

A group of senior business figures and others will be appointed to look at formulating revised proposals for a new levy formula.

The group will also be supported by a second group of technical experts who will help the PPF and the steering group explore the practical issues of formula design.

This move is in response to industry reaction to the proposals which were first published for consultation last November.

Once the group has reached its conclusions, the PPF will publish the revised proposals for consultation in early 2010.

Any new proposals for the levy will not be implemented until 2012/13 at the earliest.

### Early announcement of levy

The estimate for the 2010/11 PPF levy has been set at £700 million, indexed to wages.

This is in line with the promise that the PPF made about keeping the levy stable for three years.

The PPF will publish the actual levy estimate by the end of September, using Office for National Statistics published wages indexation figures. Schemes will be able to work out their individual levies when the PPF announces the levy scaling factor – the mechanism used to calculate bills - in the autumn.

### Changes to valuation assumptions

Following recent developments in the buy-out market, the PPF is considering – subject to consultation – making some changes to the assumptions used for pension scheme valuations under section 143 and section 179 of the Pensions Act 2004, in line with pricing in the buy-out market.

These new assumptions will be introduced from 31 October 2009.

Interested parties have until 11 September 2009 to make their submissions.

### Compensation cap for 2009/10 set

The compensation payable to defined pension scheme members, whose employers have gone bust, has been capped this year at £31,936.32 for people aged 65.

The compensation cap for those scheme members who have taken early retirement has also increased by the same percentage.

Under PPF rules, those people who are already retired when their employer went bust receive 100 per cent compensation of what they were entitled to. But those who have yet to retire will receive 90 per cent of what they are entitled to, their compensation will be capped at 90 per cent level, ie £28,742.68.

Currently, the average payout to people whose schemes have transferred to the PPF is £4,000 a year.

Full details on the specific cap factors used to adjust the compensation cap can be found on the PPF's website.

## PPF manages FAS

From July, the PPF took over the administrative reins of the Financial Assistance Scheme (FAS).

Much like the PPF, FAS offers help to some people who have lost out on their pension – prior to the PPF being set up.

Although run by the PPF, FAS will remain financially independent from the PPF. Payments to members are administered separately and funded through government.

## PPF updates Statement of Investment Principles (SIP)

This summer the PPF published its updated SIP, setting out revised principles and policies governing the investment of its funds. The revised SIP has been updated to reflect a co-ordinated investment approach to working with schemes going through the assessment period, as well as the introduction of Global Tactical Asset Allocation.

## Global bond managers appointed

The PPF has appointed four more global bond managers to give the PPF the flexibility to cope with the anticipated growth and bring the benefits of further fund manager diversification. They are: Mondrian Investment Partners Limited, Rogge Global Partners Plc, Credit Agricole Asset Management and Wellington Management International.

## Management Plan published

PPF's Management Plan 2009/10 – 2011/12 incorporating the 2009/10 business plan is now available to download from the website.

[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## PPF key statistics: at-a-glance

The PPF currently has:

- 30,445 members (either receiving or due to receive compensation)
- 101 pension schemes under its wing
- 327 schemes in the assessment period
- 195,773 members in the assessment period
- Paid out more than £85 million in compensation since it was set up.

## PPF 7800 Index

On the second Tuesday of every month, the PPF publishes the latest estimated funding position, on a s179 basis, for the defined benefit schemes in its eligible universe.

The updates from the end of March 2009 are based on more up-to-date scheme data than used in earlier estimates, and use the same actuarial assumptions for s179 valuations in place since the end of March 2008. The impact of the new scheme data is to improve funding by about £15bn compared with estimates based on the earlier data set. The new data set covers around 7,400 schemes somewhat lower than almost 7,800 in the earlier updates.

## Coming up...

September/ October: 2010/11 – Levy Consultation | December: 2010/11 – Consultation response