

# The clock is ticking for scheme returns



To ensure that your pension protection levy is calculated correctly, it is important that you complete your scheme return accurately by the due date on your scheme return notice. In addition, you must — by law — submit your first section 179 valuation by the 31 March 2008, unless you are a new scheme (see page 3 for more details).

## Scheme returns made simpler

The Pensions Regulator has set up an online system, with clear guidance and information, that will make scheme returns easier to complete. The new system not only requires significantly less data input, but also includes pre-populated data previously supplied by schemes to the PPF and the Pensions Regulator.

## Why is the 31 March 2008 deadline so important?

This is the date the PPF will extract data from the Pension Regulator's online database to calculate individual scheme levy invoices. Pension schemes will not be allowed to make corrections to scheme return data held by the Pensions Regulator after 31 March 2008 for the 2008/09 and 2009/10 levy years.

Your voluntary information is also now due. All Contingent Asset, Block Transfer and Deficit Reduction Contribution certificates must be submitted directly to the PPF. The submission dates for the 2008/09 levy year are:

- Contingent Assets — midnight on 31 March 2008
- Deficit Reduction and Block Transfer certificates — midnight on 7 April 2008.

All voluntary certificates must be completed using the Board's standard forms. These are available on the PPF website.

## Make sure D&B have accurate and up-to-date information

We also urge you to work with your advisors and Dun & Bradstreet (D&B) to ensure that your insolvency risk is calculated on the fullest, most up-to-date and accurate data available. Your 31 March 2008 insolvency probability will be used in the calculation of your 2008/09 and 2009/10 levies.

For further information on scheme returns contact the Pensions Regulator directly on: 0870 606 3636 (select option 2) or by email: [schemereturns@thepensionsregulator.gov.uk](mailto:schemereturns@thepensionsregulator.gov.uk)

If you have any other questions, please contact the PPF stakeholder support team directly on: 0845 600 2541 (lines will be open until midnight on 31 March and 7 April).

# News from the Chief Executive



## Welcome to the fourth edition of the Pension Protection Fund's newsletter

As we approach our third anniversary, we can look back at what has been a demanding period since we opened our doors to business in 2005. But clearly we still have an enormous amount to do which, I'm sure, will make 2008 one of our busiest years yet.

For a start, we face paying compensation to an increasing number of members as more schemes transfer to the PPF. At the time of writing, we have 17 schemes under our wing and are paying out over £750,000 in compensation every month. This means that more than 8,000 people are either receiving compensation from us at the moment — or will receive it in the future. We also have more than 120,000 members in assessment.

We now have the task of transferring around 40 more schemes over the next few months which will provide a stern test for PPF staff managing this task.

Because of the increased emphasis on this part of our business, we will be looking at — and consulting on — how we can improve the assessment process so we can continue to transfer schemes within our own two year targets.

This reinforces the need for the PPF to remain a stable and financially resilient organisation. To achieve this, we will be specifically focusing this year on recognising and managing our long-term risk and it is essential that we work closely with industry as we develop our thinking on this.

We want to ensure that the levy is distributed more fairly across schemes and that it reflects the long-term risk that we face. We received more than 50 responses to our most recent levy consultation and over 500 people attended our levy roadshow events last summer, demonstrating that people want to have their say on this important issue. As we don't have the monopoly on good ideas, we look forward to their continued input as we develop our thinking further on the levy.

Also, we will be undertaking two consultations which may have important implications for scheme trustees. We have already published proposals to change the assumptions used to calculate s143 and s179 valuations — and will be soon setting out how we want to equalise Guaranteed Minimum Pensions (GMP) for schemes entering the assessment period, a complex and challenging task.



Finally, a reminder that by the end of May 2008, we will be publishing the levy scaling factor which will help levy payers calculate their individual levy bills.

As I say, a busy time ahead but I am confident that we are now better equipped than ever to build on the success we have achieved during the last three years.

**Partha Dasgupta**  
Chief Executive



## Second edition of the Purple Book published

For the second year running, we worked with the Pensions Regulator to produce the Pensions Universe Risk Profile (Purple Book).

Published in December 2007, Purple is the most up-to-date picture of the UK's final salary pensions universe — which covers almost 12 million people.

It pulls together the latest data and analysis of the final salary pension landscape, including areas such as scheme size, industry type, funding levels, rates of insolvency and the way assets are invested.

This latest edition also contains new information about the number and size of claims on the PPF; a breakdown of levy payments made by eligible schemes; and the number of people benefiting from PPF protection.

Last year, almost 150,000 copies of the Purple Book were downloaded by the pensions industry. Advisors and analysts have found it an invaluable and unique source of information.



A factsheet 'The Purple Book 2007 — highlights' can be found on the PPF website at: [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## Deadline for s179 valuations is looming

Schemes should be aware that the statutory deadline to submit an initial section 179 valuation is midnight on 31 March 2008, or within 15 months of the effective valuation date for new schemes.

The Pensions Regulator is now collecting section 179 valuation information on behalf of PPF. For that valuation to be taken into account for the 2008/09 levy and 2009/10 levy calculation, you will need to submit it as part of your Scheme Return online.

If you require further information, please contact the Pensions Regulator at: [schemereturns@thepensionsregulator.gov.uk](mailto:schemereturns@thepensionsregulator.gov.uk) or on 0870 606 3636 (select option 2) or visit the Pension Regulator's online scheme return service: [www.thepensionsregulator.gov.uk/onlineServices/exchange/index.aspx](http://www.thepensionsregulator.gov.uk/onlineServices/exchange/index.aspx)

Schemes which fail to submit by the deadline will have a disincentive applied to their levy calculation. For further information visit: [www.pensionprotectionfund.org.uk/index/faqs/section\\_179\\_faqs.htm](http://www.pensionprotectionfund.org.uk/index/faqs/section_179_faqs.htm)

## Model unveiled to help calculate long-term risk

A computer model that will help us quantify the risks we face in years to come was unveiled last year.

The Long Term Risk Model will help the organisation build on its long-term stability. It will help us to work out and understand how much risk we will face over the next decade. It therefore provides a key input into the setting of the levy estimate.

Working in partnership with experts in the fields of credit and investment risk, actuarial science and fund management, we are able to produce a model that forecasts the level of risk we could face in various economic conditions. The possibilities modelled include a major stock market crash, or, in more favourable conditions, the failure of one or more employers with a large pension scheme.

## PPF shares key information with pensions industry

The PPF has, since July 2007, published monthly updates of the latest estimated funding position, on a s179 basis, of almost 7,800 predominantly private sector defined benefit (DB) pension schemes in the UK. This is called the PPF7800 Index and can be found on our website: [www.pensionprotectionfund.org.uk/index/ppf\\_7800\\_index.htm](http://www.pensionprotectionfund.org.uk/index/ppf_7800_index.htm)

The Index illustrates the volatility of scheme funding that results from movements in financial markets. For example, in January 2008 there is estimated to have been an aggregate deficit of just over £60bn compared with a surplus of almost £100bn in March 2007.

We use information from The Purple Book and data on changes in bond and equity markets to produce monthly estimates of scheme funding, from December 2002 to the latest month. It shows:

- aggregate funding position (total assets minus liabilities)
- total deficits of schemes in deficit — with monthly and annual comparisons
- total surpluses of schemes in surplus — with monthly and annual comparisons, and
- total scheme assets and total scheme liabilities.

## D&B's new methodology

The new Dun & Bradstreet methodology released in summer 2007 will be used for the 2008/09 and 2009/10 risk-based levy. Many of the refinements made to this methodology address issues raised by schemes and employers.

The changes mean that:

- the failure score is no longer overridden where a company has negative tangible net worth
- rules concerning County Court Judgements have been amended broadly as per the approach taken by the PPF in 2007/08
- non-commercial organisations — such as charities — are now rated using a new methodology specific to them
- finer grading is applied to those employers that represent the lowest insolvency risk.

For further details on these changes please see: 'The Consultation on the Future Development of the Pension Protection Levy' at: [www.pensionprotectionfund.org.uk/levy\\_consultation\\_aug\\_07.pdf](http://www.pensionprotectionfund.org.uk/levy_consultation_aug_07.pdf)

To obtain your failure score phone D&B's customer service team on: 0870 850 6209.

# In brief



## New faces on the Board

Sir Anthony Holland and Ann Berresford joined the Board of the PPF as non-executive members in September 2007.



Sir Anthony is a former President of The Law Society and is currently the Independent Complaints Commissioner at the Financial Services Authority and the Chairman of the Standards Board for England.



Ann was Finance Director for the Bank of Ireland's UK Financial Services Division and Bristol & West plc until 2006. She was also a Board member of Bristol & West Pension Trustees Ltd from 2001 to 2006. She is now an independent trustee to the local government Avon Pension Fund.



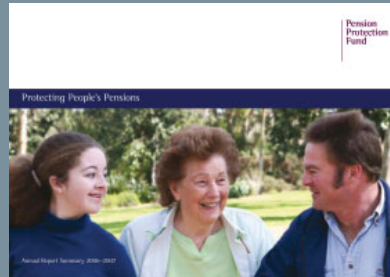
In October, Peter Walker was appointed as Director of Delivery, to oversee the compensation and assessment processes of the PPF. Peter was previously the PPF's Chief Operating Officer.

## Latest schemes to transfer to the PPF

At the time of writing, six new schemes transferred to the PPF. These were: the Walsall Print Group Pension Scheme; the Instem Technologies Pension Scheme; the Marlow Ropes Pension Scheme; the JW Arrowsmith Ltd Pension and Life Assurance Scheme; the Pattern Equipment Company Ltd Pension and Life Assurance Scheme; and Waddie Company Pension and Life scheme.

This means that 17 schemes have now transferred into the PPF. 2008 pensioners are receiving payments from us, and we have 6300 deferred members.

## Annual Report sets out challenges



The Annual Report and Accounts for 2006/07 was published in October, setting out the highlights of the year,

as well as the looking to the future. Highlights included a funding position of 88 per cent, and £432 million worth of scheme assets being transferred to the PPF during the reporting period. A summary document (pictured) was published alongside the main report, which includes the highlights of the year. Both documents can be found on our website.

## Consumer booklets explain the PPF

Two more consumer booklets have been published in the 'Protecting People's Pensions' series.

The first, 'Your Journey to Becoming a Member of the PPF' explains the assessment process and spells out what members can expect while their scheme is in the assessment period.

'Ten Things You Need to Know About the PPF' gives some key facts about what we do and dispels some of the misconceptions that people may have. This will be sent out to PPF members in welcome packs when their scheme transfers.

Both documents are available on our website, and hard copies can be ordered from our document centre at: [pensionprotectionfund@ecgroup.uk.com](mailto:pensionprotectionfund@ecgroup.uk.com)

## Useful links



### Top ten tips for actuaries

A new, simple factsheet for actuaries preparing s143 valuations is available by calling our stakeholder support team direct on: 0845 600 2541.

### Levy Policy and Invoicing 2008/09

For the latest news about the levy policy and invoicing process for the 2008/2009 levy, please visit: [www.pensionprotectionfund.org.uk/index/pension\\_protection\\_levy-2.htm](http://www.pensionprotectionfund.org.uk/index/pension_protection_levy-2.htm)

## Information for pension scheme members

PPF members can now log in to view their personal compensation details and history, and download their documents. To access this facility, or to download copies of our 'Protecting People's Pensions' booklets please follow the links from our main site at: [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## Frequently Asked Questions (FAQs)

Some of the questions we are most frequently asked can be found on our website. They have been divided into general questions, and those relating to scheme members and industry professionals. Further information can be found on: [www.pensionprotectionfund.org.uk/index/faqs.htm](http://www.pensionprotectionfund.org.uk/index/faqs.htm)

## Sign up for our email alerts

Be one of the first to find out what is happening at the PPF by signing up to our email alert service. Currently, more than 5,500 people have already done so.

To receive new information as it is published on our website, simply visit our website, and register your details.

## Stakeholder Support Team

PPF has a dedicated team of experts who can help out with enquiries. You can contact our Stakeholder Support Team directly on: 0845 600 2541.

## Contact us

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