

Pension Protection Fund Annual Report and Accounts 2005/06

**Lawrence Churchill – Chairman
Partha Dasgupta – Chief Executive**

www.pensionprotectionfund.org.uk

- **Providing real protection for 43,000 pension scheme members**
- **98 schemes in assessment – levels lower than expected**
- **Developed and introduced the risk based levy – a world first**
- **Committed to living our values**
 - Transparency
 - Team work and partnership
 - Proportionality

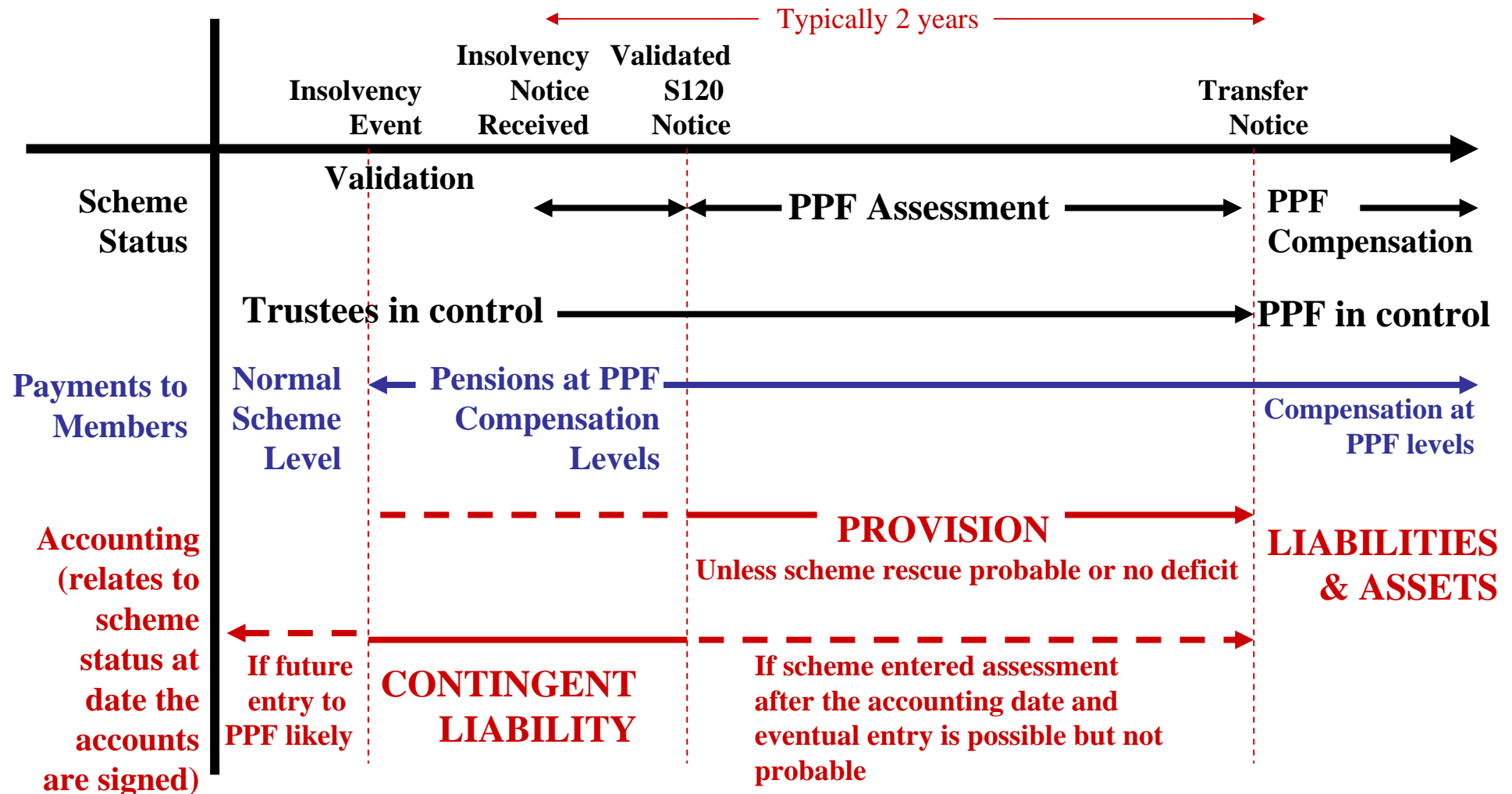
Delivering on our objectives

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- **Working with trustees to assist smooth transfer through assessment**
- **10,000 pensioners receiving benefits at PPF levels**
- **Collected and invested first year's levy**
- **Leveraging market solutions and innovation where appropriate**
- **Incentivising risk reduction**
- **Open and transparent communication**
- **Encouraged by the positive feedback from our stakeholders**
- **Continuing to develop internal capability**
- **Effective and robust systems of governance in place**

Accounting for claims on the PPF

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PPF accounting basics

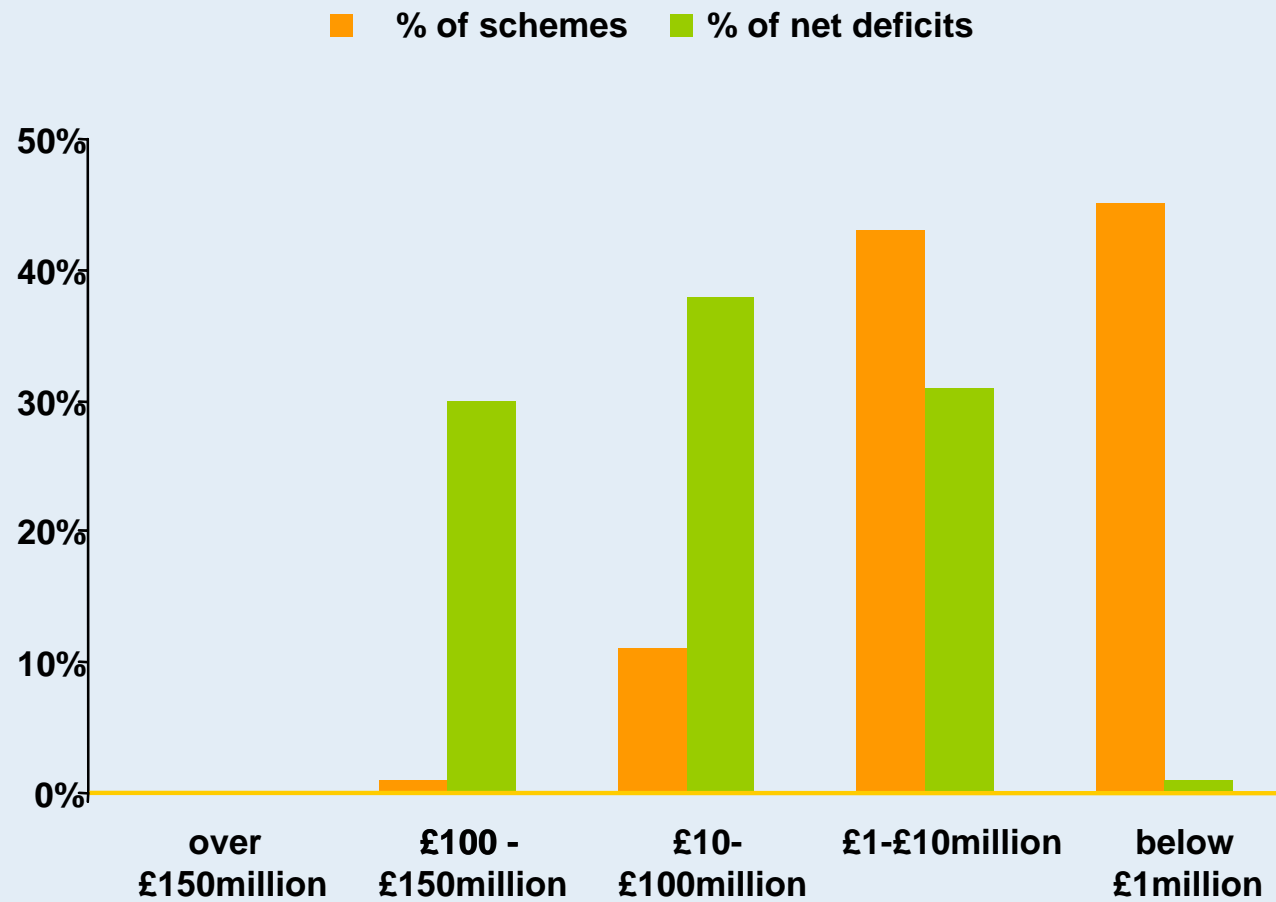
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	Liability	Provision	Contingent Liability	Contingent Assets	Assets
PPF Example	NPV of scheme liabilities after Transfer Notice	Claims (i.e. the deficit) for schemes whose entry into the PPF is probable	Claims (i.e. the deficit) for schemes where eventual entry to PPF is possible	Future streams of levy income	Levy – receipts invested Scheme assets after transfer to PPF
Where in the Accounts?	Balance Sheet	Balance Sheet	Notes to the Accounts	Not to be included	Balance Sheet
Basis	NPV	Net deficit of NPV of scheme liabilities over current scheme assets	Net deficit of NPV of scheme liabilities over current scheme assets	N/A	Fair value
Required by	Accrual Accounting	FRS 12	FRS 12	FRS 12	FRS 13

- **Work within the UK GAAP framework and the actuarial profession's conduct standards**
- **Provisions in respect of schemes with an insolvency event before 31 March 2006**
- **Only summary membership details available for those schemes so:**
 - Roll-forward of section 179 or MFR valuation to 31 March 2006
- **Basis 1 is the set of assumptions used to calculate provisions 'on-going basis'**
 - based on swap yields and best estimate mortality
 - Enables us to match compensation cash-flows closely
- **Basis 2 is a set of assumptions that provides a buy-out comparator 'buy-out basis'**
 - Based on section 179 assumptions incorporating best estimate mortality

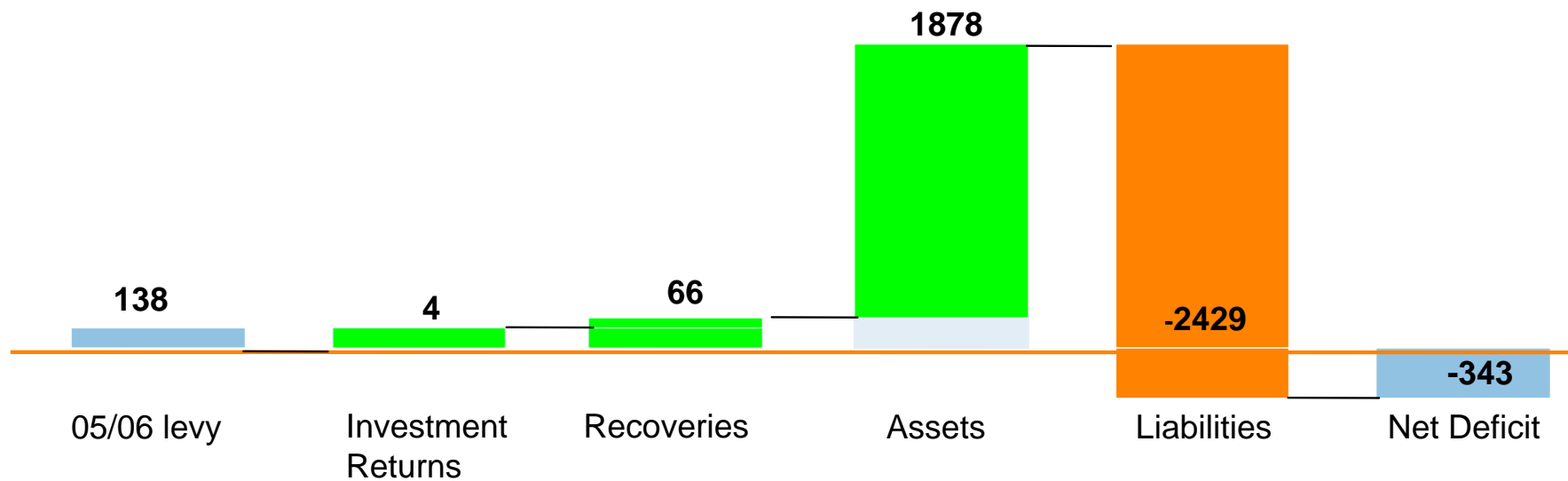
Net claims profile

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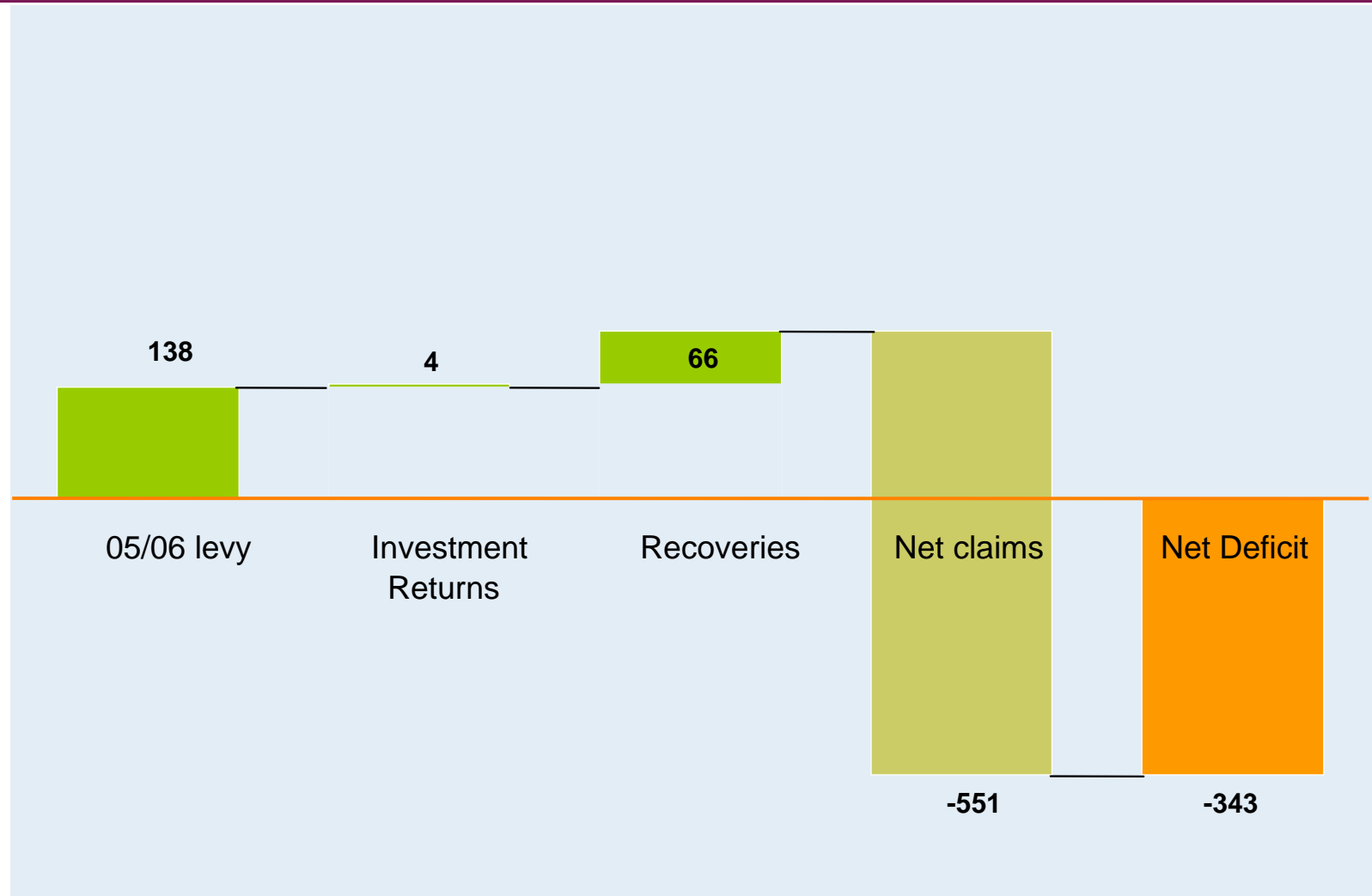
Financial results 2005/06 (£M)

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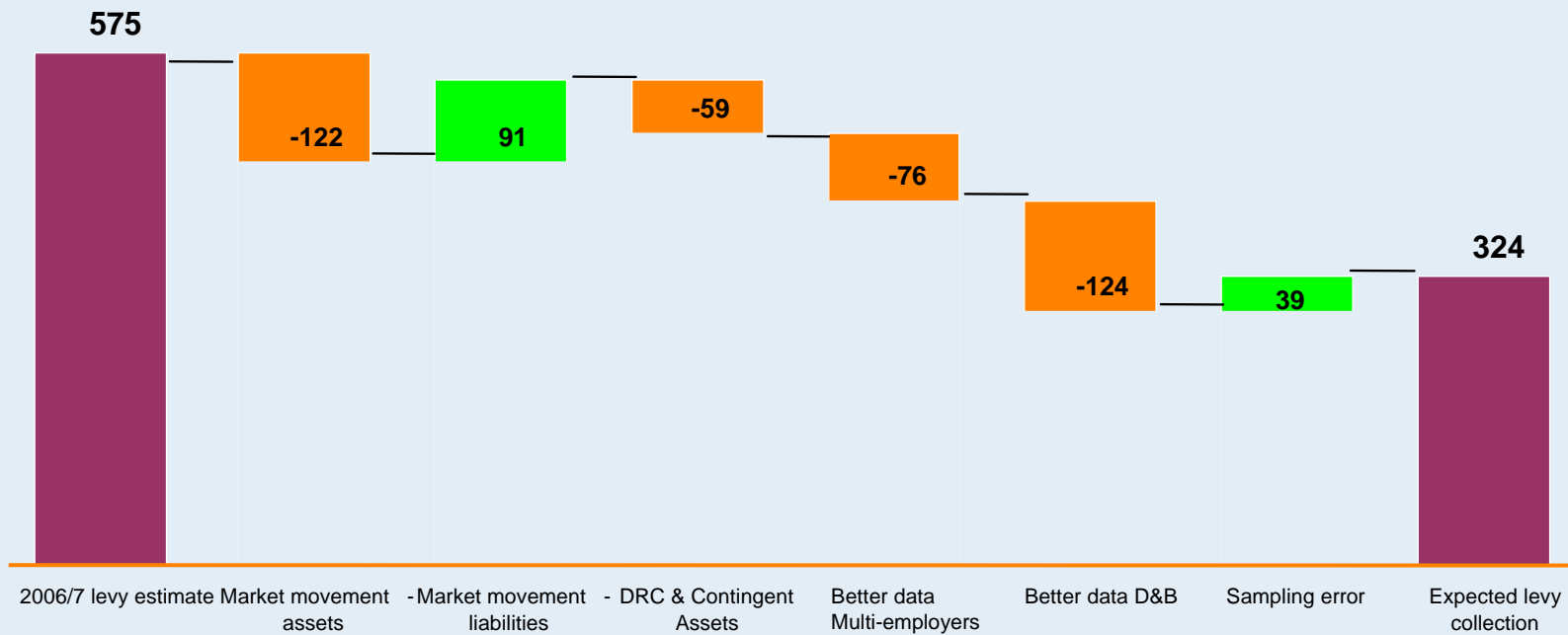
Financial results 2005/06 (£M)

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2006/7 levy estimate (£m)

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- **£575m estimate v £324m likely collection**
- **Fixing the scaling factor in December 2005 has led to the difference due to factors changing significantly**
- **In future years the scaling factor will be based on a formula to allow for changes in factors**

PPF Administration Fund (£m)

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	Actual 2005/06	Forecast 2006/07	Budget 2007/08
Staff Costs	3,619	6,292	7,547
Other Costs	3,259	6,084	6,627
Depreciation and Impairment charges	109	319	1,119
Total Operating Expenses	6,987	12,695	15,293
Average headcount	58	92	111
Qualifying insolvency notices received	953	1,300	1,400
No. of members of schemes in assessment	43,362	100,000	110,000
No. of members in compensation at year-end	0	7,000	35,000
Cost per member in assessment or in compensation (£)	182	126 (-31%)	111 (-12%)

- **Transitioning scheme assets and members into the PPF**
- **Investing scheme assets and levies in line with our revised SIP**
- **Paying right amount to right people at right time**
- **Innovating**
- **Communicating**

- **Revolution to evolution**
- **Solid foundations in place for an organisation that is growing into its role**
- **First schemes transferring in by end of 2006, and first 10 by end of financial year**
- **111 schemes in assessment providing security in retirement for over 90,000 scheme members to date**
- **Positive action by companies and schemes to reduce short term risks**
- **£50m risk based levy already collected**
- **Need to focus on reducing long-term risks**
- **Filling the data void – PURPLE**
- **Committed to working with industry to deliver real security**