

The PPF – Delivery and strategy

March 2007

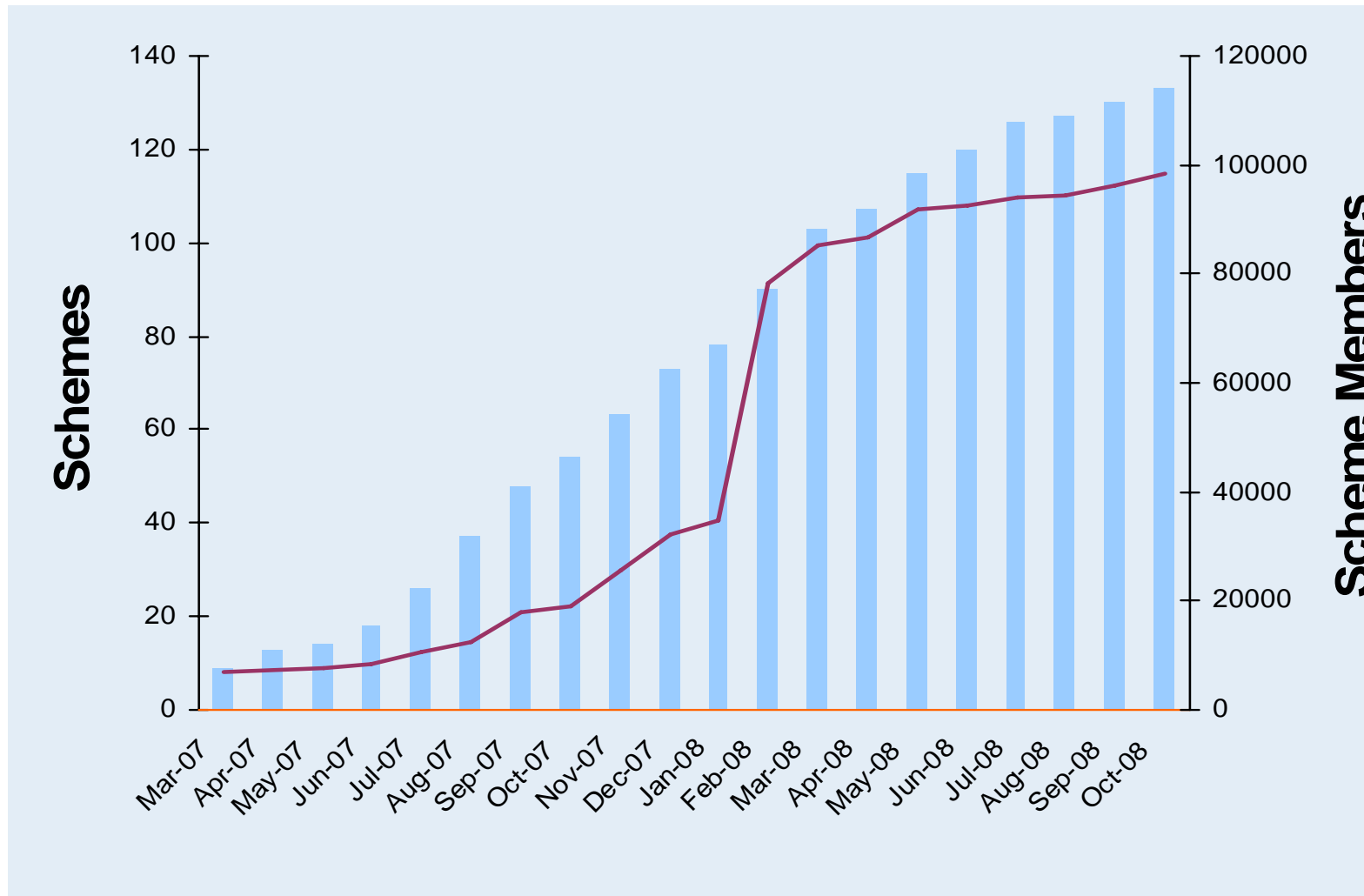
Partha Dasgupta – Chief Executive

www.pensionprotectionfund.org.uk

- **Maturity**
 - 2005/06 Prototype
 - 2006/07 Design
 - 2007/08 Production
- **Shift in Focus**
 - Business to individual
 - Cost to benefit
 - Levy to investments

Schemes entering compensation or withdrawing (planned)

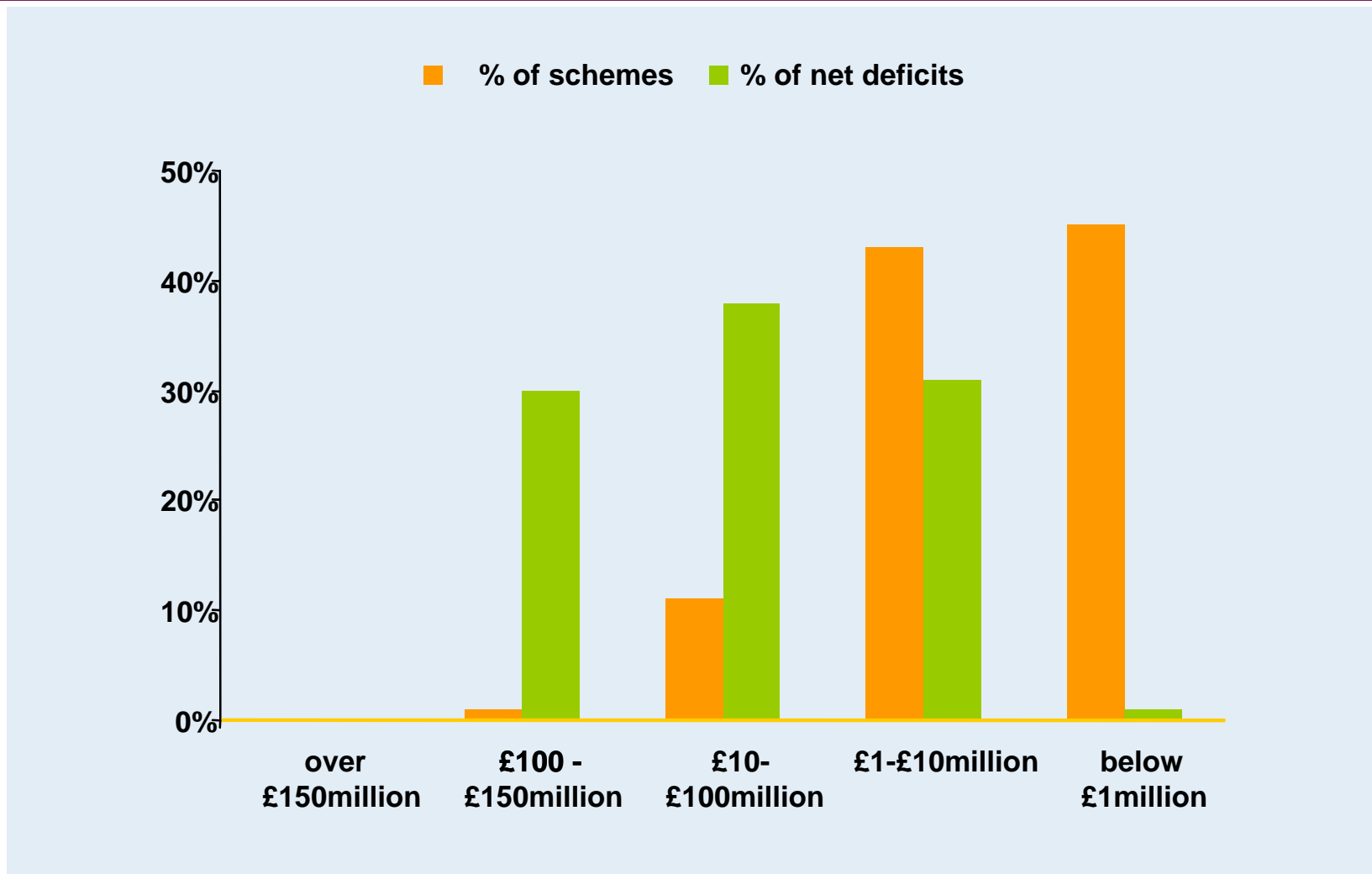
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- **Working with trustees to assist smooth transfer through assessment**
- **Second wave of schemes transferred: Over 1000 pensioners receiving compensation from the PPF**
- **Pricing the risk in the system**
- **Developed long term investment strategy**
- **Incentivising risk reduction**

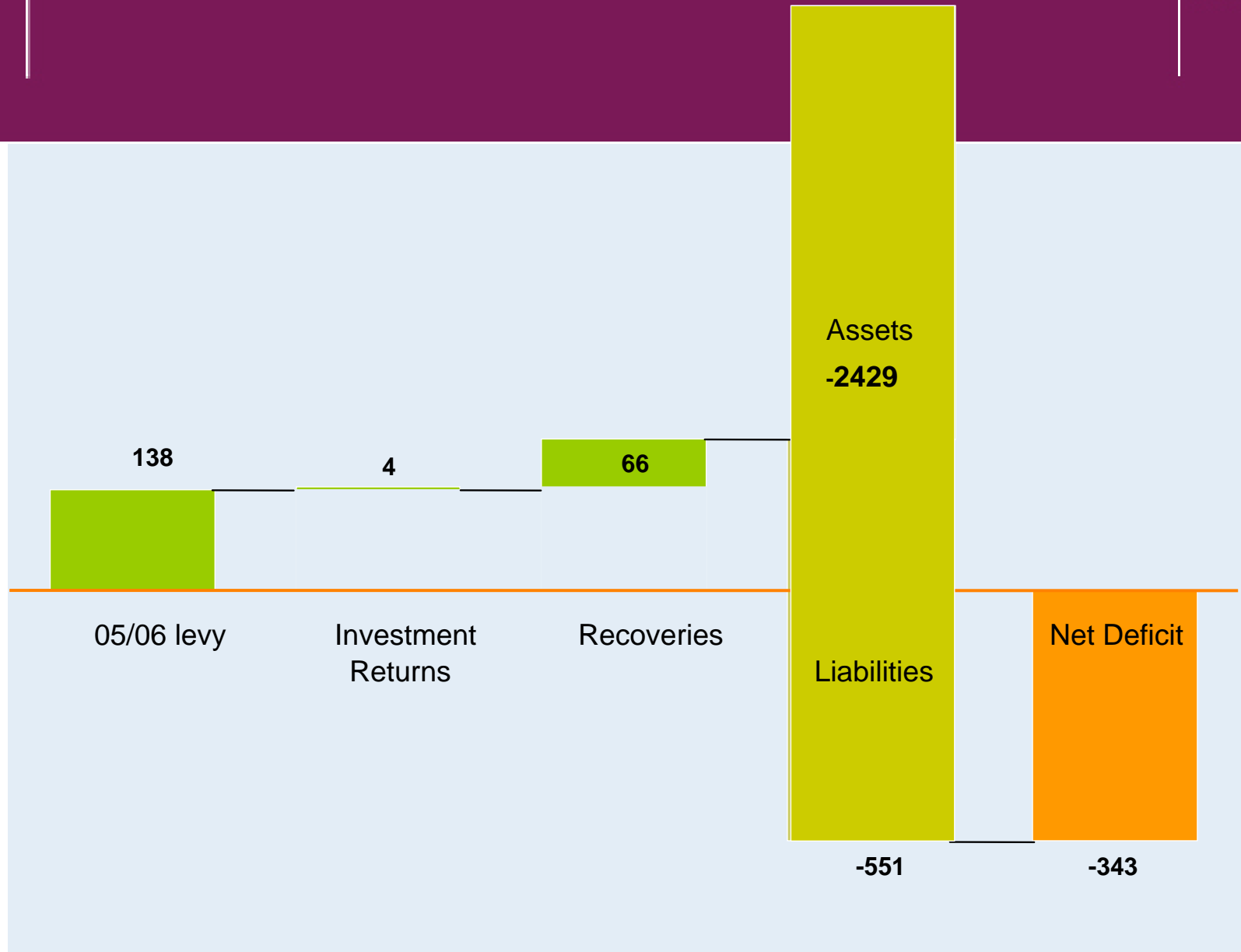
Net claims profile (year end 31 Mar 2006)

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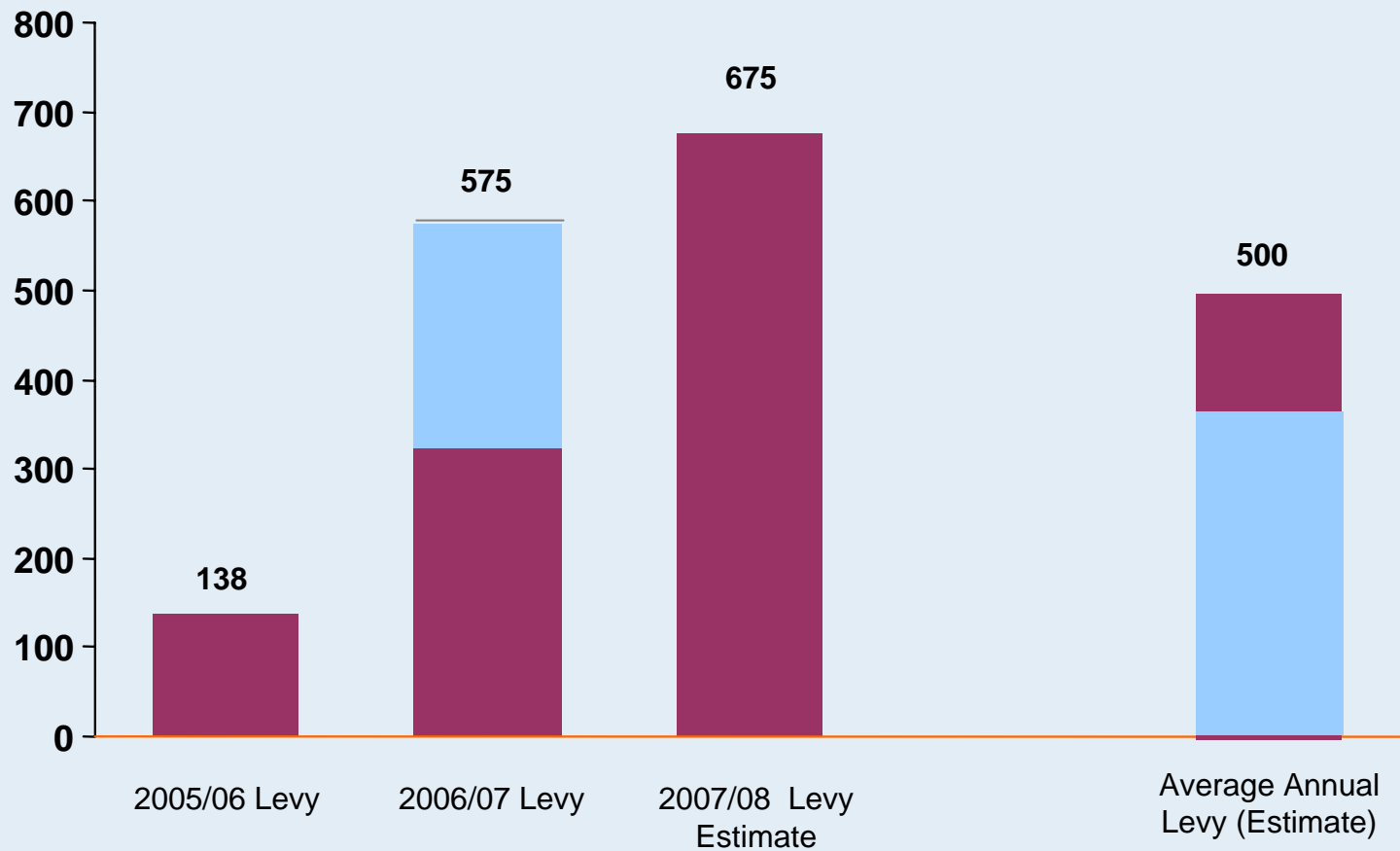
Financial results 2005/06 (£m)

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Levy levels (£m)

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- **Two recent consultations**
 - Investment risk as a risk factor in the calculation of the risk based levy
 - Levy determination for 2007/08
- **Investment Risk Consultation**
 - Investment risk is a factor that the Board can consider when setting the levy
 - Majority of scheme investment strategies broadly similar
 - Given relative impacts of risk only 3% of levy would be reallocated
 - Cost to pension schemes of introducing this approach would be £8m
 - Board therefore not minded to include this factor but consulted on issue and will monitor trends
 - Consultation responses agreed with this approach

- **Levy Determination: Estimate of £675m for 2007/08**
- **Changes to the risk based levy**
 - revised approach to CCJs in respect of failure scores
 - revised standard documentation on contingent assets
 - some changes to guidance on section 179 valuations
 - scheme underfunding to be calculated as at 31 October 2006
- **A proportionate approach to risk**
 - Schemes that are more than 125% funded at PPF levels exempt from risk based levy
 - Cap for weakest 5% of schemes

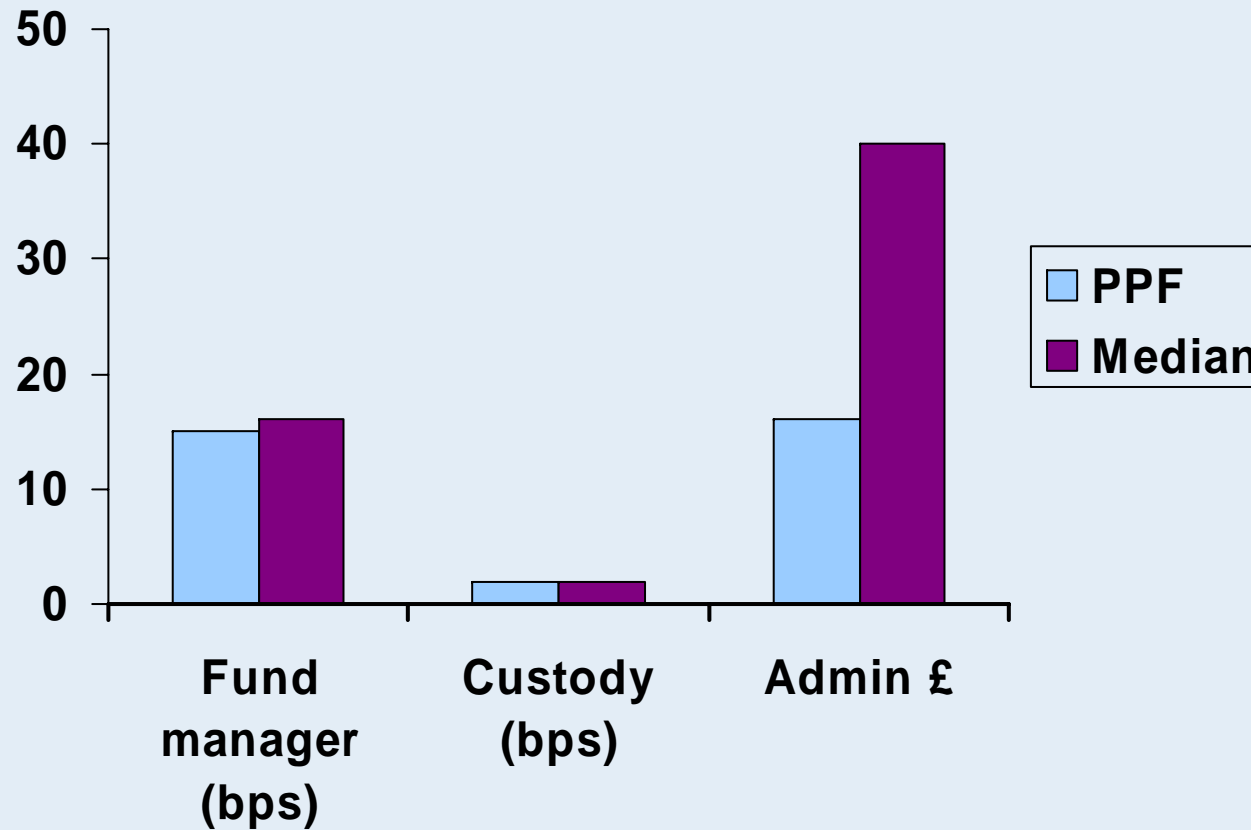
Investment fund set to grow to £5bn by 2009

- PPF investment strategy splits unrewarded risks from the portfolio mandates
- Active programme regularly rebalancing a swap overlay to the changing liability profile of transferring schemes
- Residual portfolio designed to achieve performance against low risk budget by diversification of asset classes and, where appropriate, managers
- Strategy optimisation using risk measurement tools

- **Challenges of preparing scheme data**
- **First schemes successfully transferred in December 2006; further wave transferred in last week**
- **13 Schemes have now completed the assessment period**
- **Average time to complete assessment has been 19.5 months**
- **Aim of having 65 schemes transferred or ready to transfer over the coming year**

Operational efficiency

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The PPF in 2007 and beyond

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- **Nearly 150 schemes in assessment providing security in retirement for over 90,000 scheme members to date**
 - Transitioning around 60 schemes per year
- **By 2009/10 PPF will rank amongst the largest carriers of financial risk in the UK**
 - £7bn assets would rank PPF in top 30 pension schemes
 - Risk transfer programme equivalent to a medium sized bank
- **Significant investor in capital markets and hedging products**

Committed to delivering real security in retirement