Member Focus

Pension Protection Fund

Our annual look at the performance of the Pension Protection Fund

December 2012

A word from our Chief Executive, Alan Rubenstein ...

Alan Rubenstein
Chief Executive

We aim to put you, our members, at the heart of everything we do as an organisation.

This has never been more important as almost 150,000 of you have now transferred to the PPF after your employers, or former employers, went bust, leaving your pension schemes unable to pay the pensions you were promised.

Our Member Focus publication looks at what we achieved on your behalf during 2011/12, and beyond.

The difficult economic conditions we experienced – and, indeed, continue to experience – meant testing times throughout the year but we still saw significant progress.

So, let me tell you about some of the highlights.

- To date, we have almost **150,000** members.
- We have assets worth more than **£12 billion**.
- Our assets grew by **25 per cent** in 2011/12.
- And, we reported a surplus – that is the value of our assets over the cost of providing your compensation – of more than **£1 billion**, an increase of about **£390 million** on the previous year.

But, I don’t want to give you the impression that everything in the garden is rosy. We must acknowledge the challenging economic conditions we still find ourselves in.

Since March 2012, we have seen large, high-value schemes with combined deficits of £700 million entering our assessment period – and we saw the funding levels of all the UK pension schemes we protect fall during the same period.

While these factors clearly need close monitoring, I want to reassure you that we remain on track to meet our key target of being financially self-sufficient in 2030 – and, importantly, confident that we will pay your compensation for as long as you, and your dependants, are entitled.

Please take some time to read this Member Focus as it should give you a clear picture about how well the PPF is performing and some of our plans for the future.

Putting our members first

We now have about 150,000 members who have transferred to the PPF since we began in April 2005.

We are set to grow significantly over the next few years and we continue to put our members first in everything we do.

To make sure we have greater control and flexibility over the services we provide, we have decided to bring our member administration services in-house.

This means that, from 2014, we will directly employ the people who make sure you get your payments on time.

This will be a significant two-year project and we will tell you more about the new services as we get closer to their start date. In the meantime, you will continue to receive your payments as usual and all contact details remain the same.

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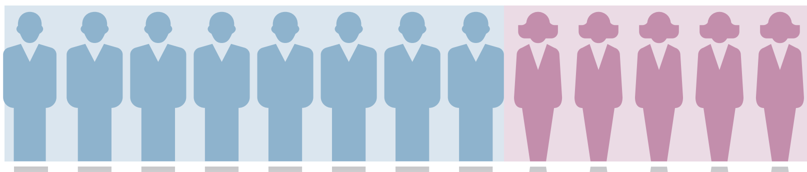
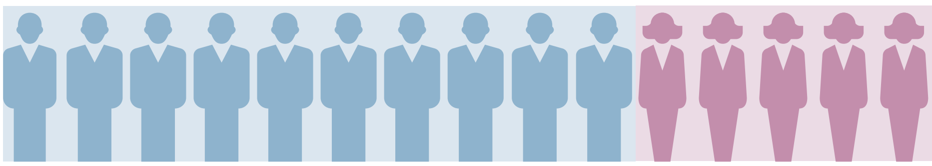
Membership facts and figures

Pensioners: 67,533



Male: **42,142** Female: **25,391**

Deferred: 78,146

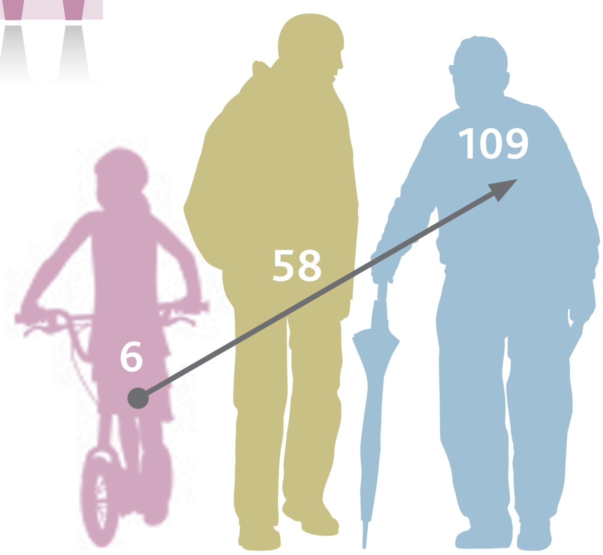


Male: **52,542** Female: **25,604**

We now have about **150,000** members who have transferred to PPF since we began in April 2005.

Age span

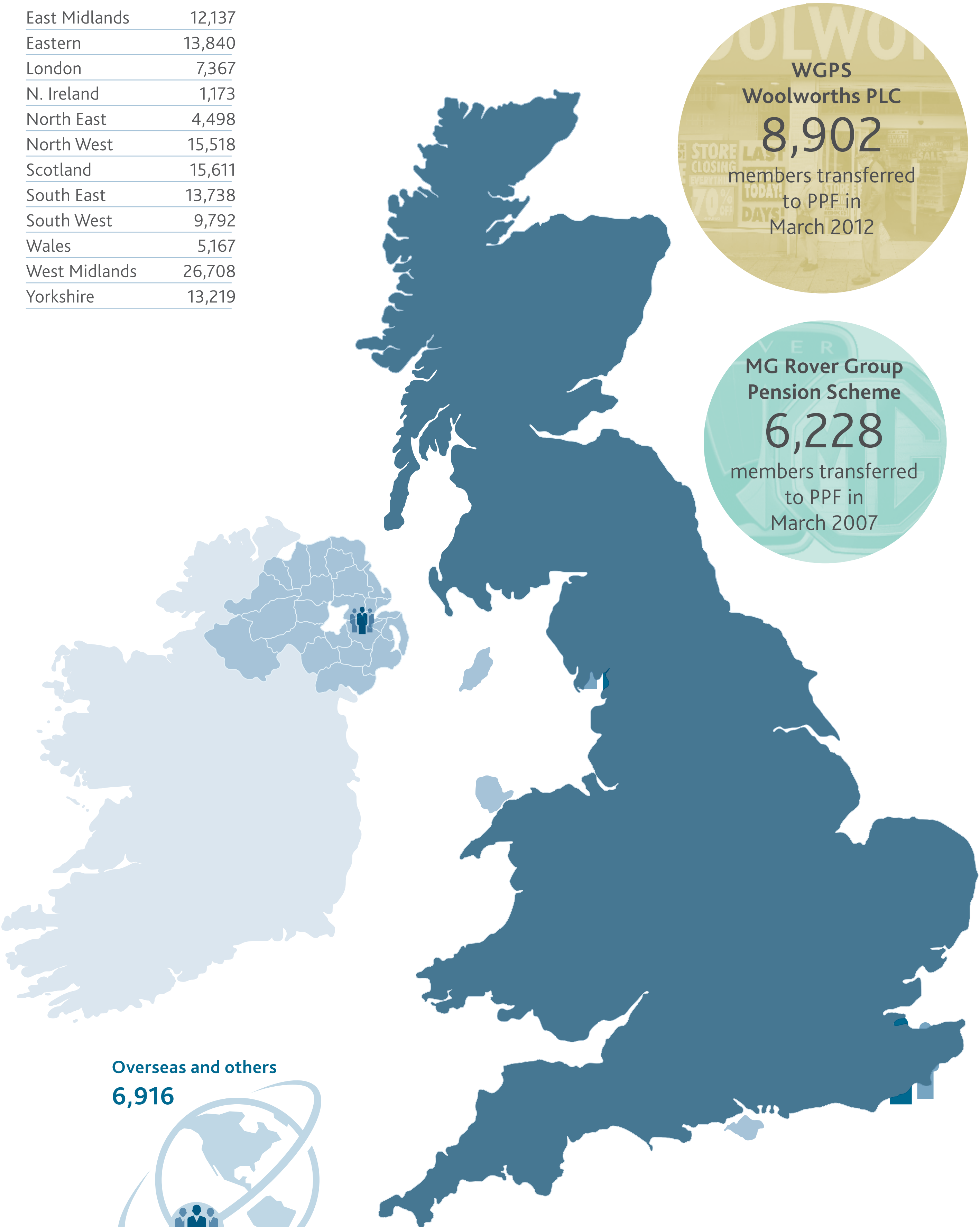
Youngest: Female **6 years** old
Average: **58 years** old
Oldest: Male **109 years** old



UK spread of membership

East Midlands	12,137
Eastern	13,840
London	7,367
N. Ireland	1,173
North East	4,498
North West	15,518
Scotland	15,611
South East	13,738
South West	9,792
Wales	5,167
West Midlands	26,708
Yorkshire	13,219

Two biggest schemes



Overseas and others

6,916

Funding for your future

Key to our success is the ability to pay all of you the compensation you are due for as long as you are entitled. One of our key measures of success is our target of being financially self-sufficient by 2030.

By this, we mean that we will no longer have to charge the pension schemes we protect a levy to fund ourselves, as we do now. Instead, we will fund all compensation payments through our own investment returns.

It also means that we will be protected from sudden changes in the financial markets. We will have also made provisions for the need to take on further pension schemes in the future – and the likelihood of people living longer than we might currently expect.

We are on track to achieve our target and we constantly monitor our position to make sure we remain on course.

Transferred scheme assets
2.5
£s billion

Investment returns
1.7
£s billion

Levy charged
601
£s million

Recoveries
284
£s million

There are **four ways** we fund your compensation.

- **We charge a levy on the 6,350 UK pension schemes which benefit from our protection.**
- **We make returns on our own investments.**
- **We take on cash and other assets from schemes which transfer to the PPF.**
- **We recover what cash and assets we can from companies which have gone bust and where we act as a creditor on behalf of the company pension scheme.**

Making the most of our investments

The amount of money we make from our own investments has again increased significantly.

This was largely down to our investment performance which saw a return of more than 25 per cent, equivalent to £1.7 billion – a solid performance bearing in mind the turbulent financial markets we have been experiencing and the state of the economy generally.

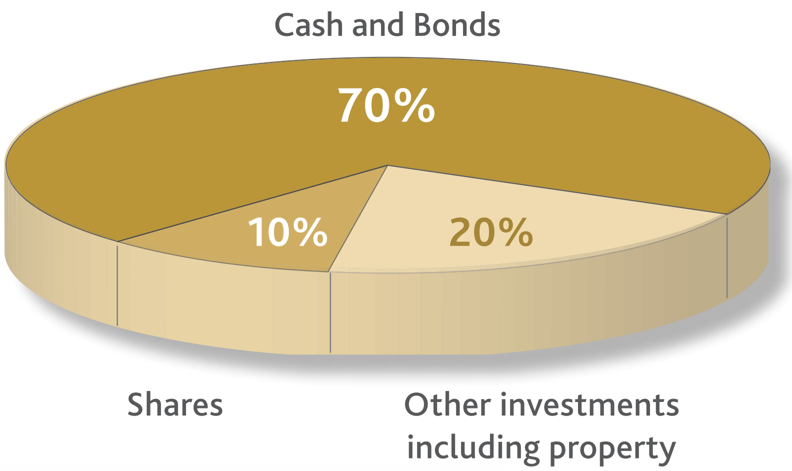
The level of return was achieved because of an investment strategy which protects us from the damaging effect that falling interest rates would otherwise have had on our funding.

Between April 2011 and the end of 2012, our assets grew from **£6.4 billion** to more than **£12 billion**.

Our work received three seals of approval in 2011/12. We were awarded the Best Innovation Prize at the 2011 IPE European Pension Funds Awards. We also received awards for Best Investment Strategy (DB) from Financial News and for Portfolio Construction from Portfolio Institutional magazine.

We remain committed to being a responsible and vigilant asset owner which means we will exercise our rights, including voting rights, to safeguard sustainable returns in the long-term.

How our assets are invested



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All about the pension protection levy

All pension schemes whose members are eligible for our protection must pay us a levy each year, much like an insurance premium.

Although income from our own investments has become increasingly important to our future, the money we raise from the levy remains essential to fund the compensation we pay you.

In 2011/12, we collected **£601 million** from eligible pension schemes.

And we expect to collect **£630 million** for the 2012/13 levy year.

In the current economic environment, we have been sensitive to the amount of levy which employers and pension schemes will find affordable. However, we have warned them that further levy increases are likely in the future if the current high risk conditions persist.

Our primary concern, at all times, is to make sure we have enough money to pay compensation in the long-term.

In 2011/12 we collected
601
£s million

Making a recovery

When a company with a pension scheme that we protect goes bust, we become a creditor acting on behalf of the scheme trustees. We then try to recover as much as we can – in the form of cash and assets from the insolvent employer to help reduce the pension deficit.

" Recoveries are an important source of money and we have now made, or expect to realise in the future, more than £1.3 billion since we were first set up."

Allders
EDINBURGH CRYSTAL
Allied CARPETS RUGS · WOODS · LAMINATES · VINYLS
Reader's Digest
Asprey LONDON

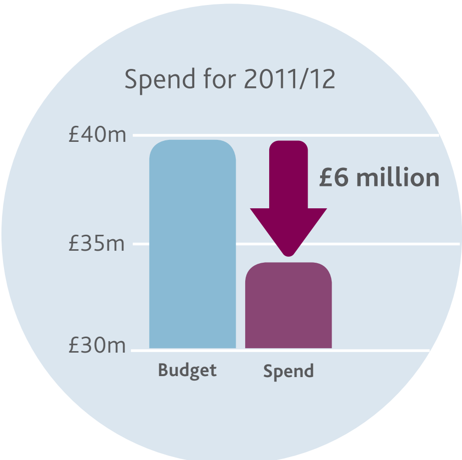
Taking on scheme assets

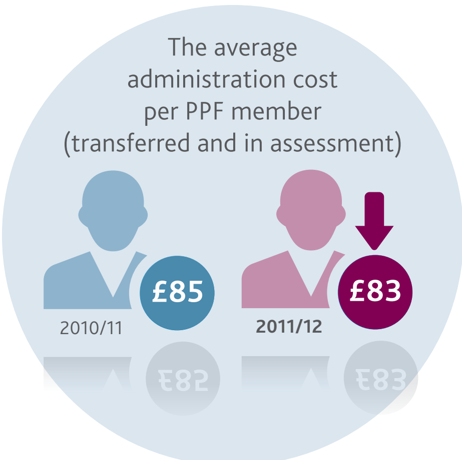
When a pension scheme transfers to the PPF, we not only begin paying compensation to its members – but we also take on the scheme's assets.

" During 2011/12, we collected £2.5 billion in cash and other assets from transferring schemes."

These assets will now be included in our investment portfolio and invested as part of our ongoing strategy.

Being an efficient organisation





Our people are our greatest asset and we want to create a working environment which gets the best from them.

That is why, during 2011/12, we embedded a high performance culture throughout the organisation, recognising and valuing individuals, leaders and teams who strive for excellence in all that they do.

But we also recognise that we are a public organisation, funded by pension schemes who receive our protection. Therefore, we need to demonstrate that we are being as efficient as we can in everything that we do.

- During the year, our efforts meant that we finished the year **£6 million under our £40 million budget**.
- An important measure of our efficiency is the average administration cost per PPF member. This figure fell from **£85 in 2010/11 to £83 in 2011/12.**
- By 31 March 2012, we had **224 people, down on last year's figure of 291.**

For the second year running, we were named in the

'One to watch'

category of the Best Companies to work for in the Public Sector

Managing the Financial Assistance Scheme

The Financial Assistance Scheme (FAS) was set up to help those people whose employers went bust before April 2005 while the PPF helps people whose employers went bust after that date.

We took over the management of FAS in July 2009, although it remains funded by the Department for Work and Pensions (DWP).

During the year, the number of people receiving FAS assistance increased from **16,917** to **22,844** and the FAS paid out **£74 million**.

FAS schemes have to complete an approval process before we can work out members' correct entitlement and put it into payment. We completed this process for **311** schemes in 2011/12, beating the target we set ourselves at the beginning of the year of 300.

The number of people receivin FAS assistance increased from 16,91

22,844

FAS paid out £74 million

Putting something back

We have always recognised that, as a responsible employer, we should put something back and contribute to the local community and beyond.

During the year, we took part in a charity abseil and decorated the flat of a woman and young son who were made homeless following the Croydon riots in August 2011. We also took part in two community days – serving Christmas dinner to members of a pensioners' drop-in centre and clearing a wildlife garden for a local primary school.

We also took part in a range of fundraising events for a range of charities including Help for Heroes, Epilepsy Action, Macmillan Cancer Support and Walk to the Stars – and raised some £4,000.

Keep us up-to-date

It's important that the information we hold about you is accurate and up-to-date.

It means that you will get the right amount of compensation at the right time.

Therefore, please let us know straight away if any of your personal circumstances change, eg you have moved home.

Call our operations team on **0845 603 7224** or email them on **members@ppfonline.co.uk** to let us know if any of your personal details have changed.

If you want to find out more

A full copy of our Annual Report and Accounts 2011/12 is available on our website at www.pensionprotectionfund.org.uk