

Member Focus

Pension
Protection
Fund

Our annual look at the performance of the Pension Protection Fund

December 2013

Here are the headlines...

More than
166,000
of you are
now members
of the PPF

And almost
80,000
of you are
already receiving
compensation
for your
lost pensions

We have paid
out more than
£1bn
in compensation
to date

We have
assets worth
more than
£15bn



Alan Rubenstein
Chief Executive

Our Chief Executive, Alan Rubenstein, says:

"The headlines say it all. We have seen rapid growth in the eight years since we were set up - and 2013 was no different.

"We grew not only in terms of member numbers but also by the size of our assets - £15 billion and counting! But it was also a year when we saw pension schemes with deficits of £1 billion enter the PPF – a record.

"So we still face challenges. We are not out of the economic woods, pension scheme funding generally remains very low and we may see more schemes entering the PPF with large deficits in the future.

"But, my message to you remains the same. We have the resources and the finances to make sure we will pay you your compensation for as long as you need it.

"Please take some time to read this update as it will give you a clear picture about how well we are performing and some of our plans for the future."

Let's talk about you, our members...

Membership facts and figures

Two biggest schemes

Pensioners: 79,871



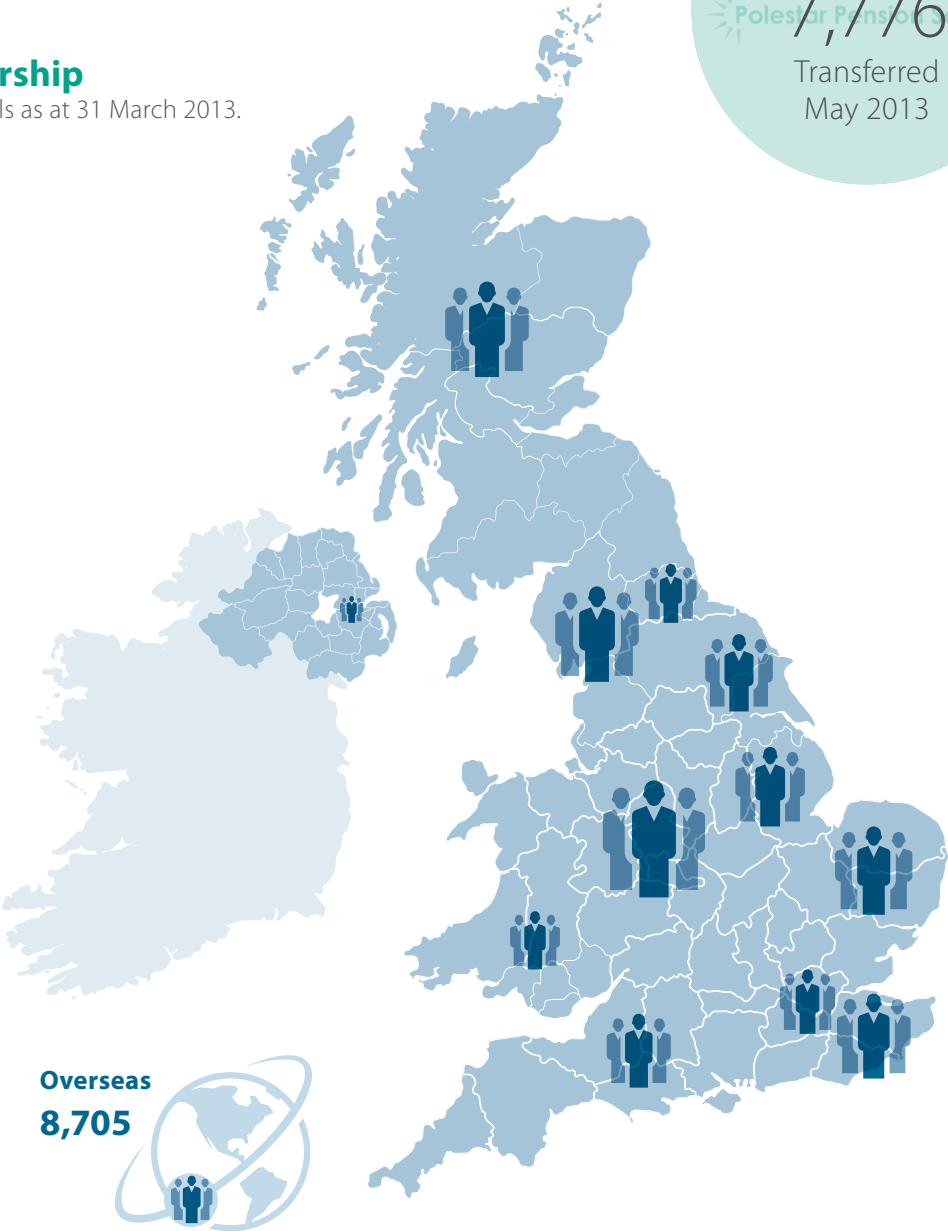
Deferred: 86,903



UK spread of membership

Geographical membership details as at 31 March 2013.

East Midlands	14,270
Eastern	15,173
London	8,646
N. Ireland	1,191
North East	5,159
North West	16,602
Scotland	16,823
South East	15,748
South West	11,000
Wales	5,615
West Midlands	32,528
Yorkshire	15,314



Bringing member services in-house

Sara Protheroe, Director of Customer Experience, explains what our project to bring member services in-house means for you...

"We want greater control and flexibility in relation to the services we provide. That's why we have decided to bring our member administration services in-house in 2014, rather than using an external supplier.

"This means that, for the first time, we will directly employ the people who make sure you get your payments on time and I wanted to take this opportunity to tell you what this move means for you, our members.

"Essentially, we want to make sure that you will always experience exceptional service from our team. This will mean

that you can trust us because we do what we say we'll do. You can choose how you interact with us. And you will receive accurate and relevant information that is easy to understand.

"We are making great progress. We have the computer systems we need and we have begun to recruit up to 100 people who we need to run the new service successfully.

"You will receive updates from us as we get closer to the starting date. But, in the meantime, you will continue to receive your payments as usual."

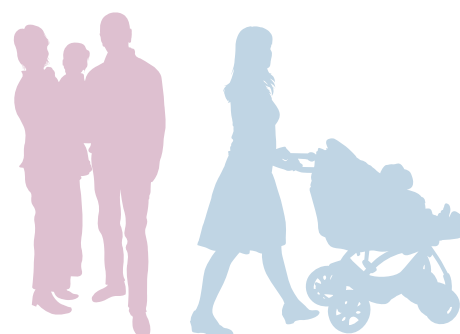


Sara Protheroe
Director of
Customer
Experience

For now, our contact details are the same.

Pension Protection Fund
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Mowden Hall
Darlington DL1 9DA.

Tel: 0845 603 7224
Email: members@ppfonline.org.uk



Moving on

Our Chief Operating Officer, David Heslop, says a few words about a big change for the organisation in 2014...

"Because we will be growing in size we decided that it would be timely and cost-effective to move into new offices in Croydon.

"We will be moving into the first two floors of Renaissance (pictured) by spring 2014. The building is the first development of its kind to be let in Croydon in the last decade.

"We are confident that these new offices will provide a long-term home which is fit-for-purpose and will help us to provide the excellent customer service we are striving for."



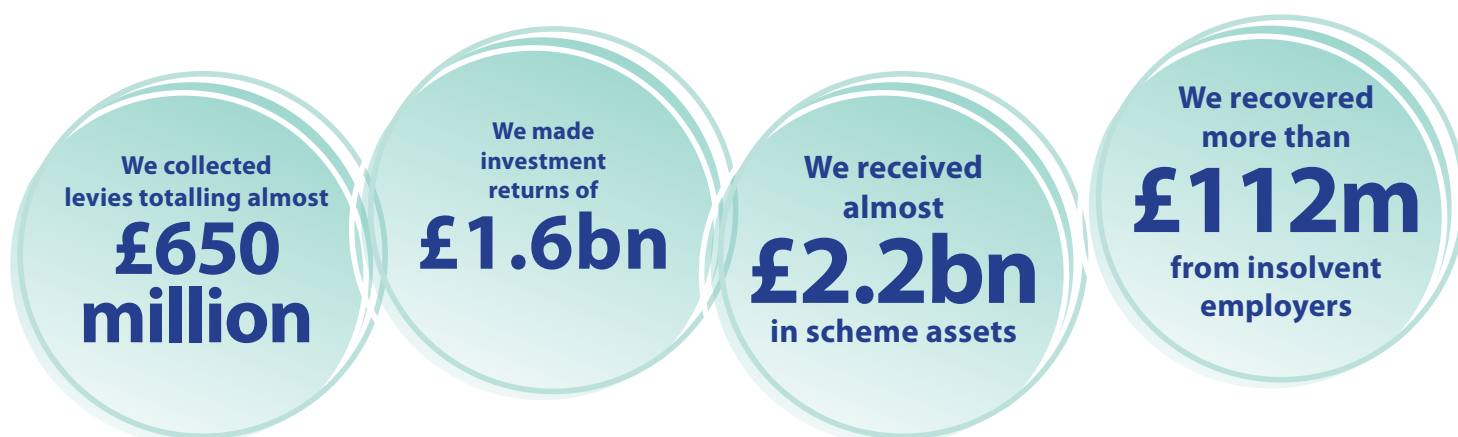
David Heslop
Chief
Operating
Officer

Just to remind you

...there are **four ways** we get the money we need to pay your compensation.

- We charge a levy, much like an insurance premium, on the 6,350 UK pension schemes which benefit from our protection.
- We make returns on our own investments.
- We get cash and other assets from the schemes we take on.
- We recover what cash and assets we can from companies which have gone bust by acting as a creditor for the company's pension scheme.

So, how did we do during 2012/13?



Funding for the future

Here, our Executive Director of Financial Risk, Martin Clarke, tells the story behind the numbers...

"We have a long-term target to be 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 at the moment. Instead, we will fund all compensation payments through our own investment returns.

"The chances of hitting this target increased from 84 per cent to 87 per cent during the year.

"That is why you should see this year's figures as a positive step to achieving self-sufficiency in just over 15 years' time.

"During the year our assets grew from £11 billion to £15 billion.

"Our investment strategy continued to deliver strong returns despite the continuing economic and financial pressures.

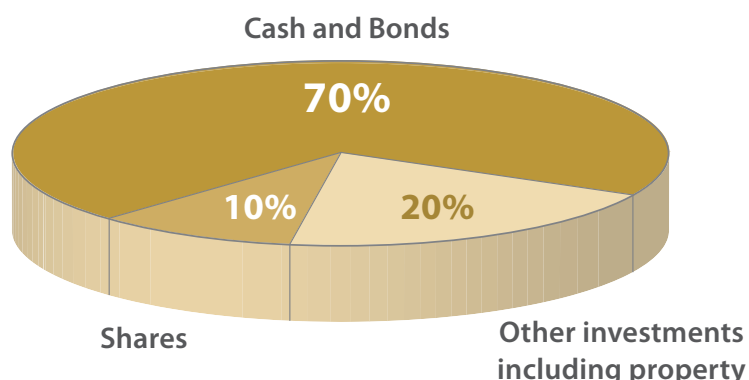
"Our overall return for the year was 11.1 per cent – equivalent to £1.6 billion. This was largely down to our hedging programme which protects us from the damaging effects that low interest rates would have had on our funding."



Martin Clarke
Executive Director
of Financial Risk

...We have a long-term target to be financially self-sufficient by 2030

How our assets are invested



PPF people

Katherine Easter, Director of HR and Organisational Development, talks about our developing organisation...

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

"That is why we spent a great deal of time and effort during the year looking at ways we can retain staff and improve the way we recruit new people.

"We worked hard at making it clear to people why the PPF is a great place to work and how the organisation supports its employees.

"An important measure of our success is what our own staff say about us. We were, therefore, pleased to be again named in the 'One to Watch' category of the Best Companies to Work for in the Public Sector.

"We showed encouraging progress but, while we have improved, we believe that by continuing to strengthen our employee engagement, we can do even better next year."

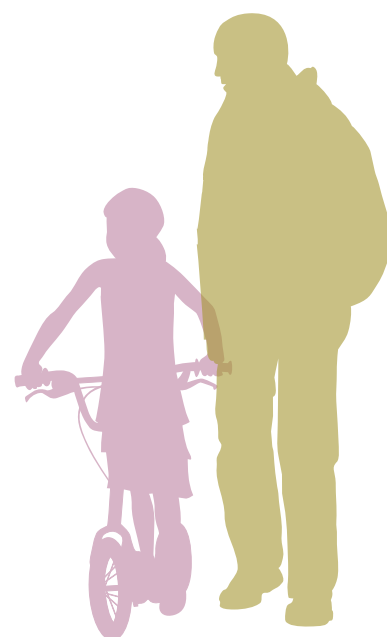
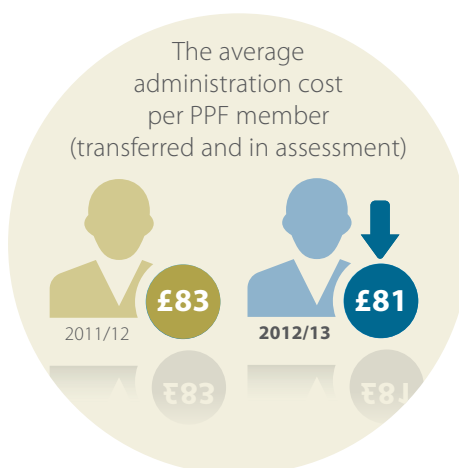
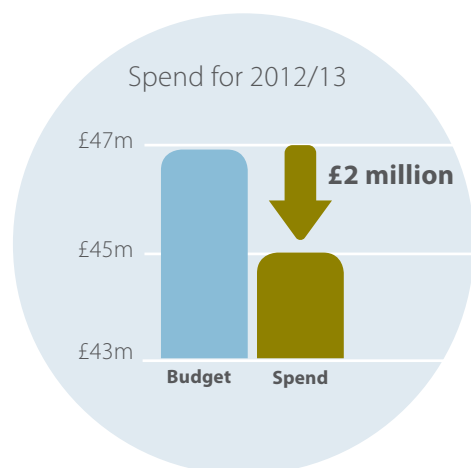


Katherine Easter
Director of HR and Organisational Development

Efficiencies

We recognise that we are a public organisation, funded by the pension schemes we protect. Therefore, we have to demonstrate that we are being as efficient as we can in everything that we do.

- During 2012/13, we spent £45 million, £2 million under budget
- An important measure of our efficiency is the average administration cost per PPF member. This figure fell from £83 in 2011/12 to £81 in 2012/13.



The pension protection levy

Chief Financial Officer, Andy McKinnon, explains the levy...

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

"And the money we raise from this levy remains essential to funding the compensation we pay you.

"In 2012/13, we collected cash totalling

almost £650 million from eligible pension schemes. And we expect to collect £630 million for the 2013/14 levy year.

"Again, we have set a levy which recognises the challenging economic environment that pension schemes still have to operate in while making sure we have enough money to pay your compensation for as long as you need it."



Andy McKinnon
Chief Financial Officer

Putting something back

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

During the year, we continued our membership of Croydon Commitment, a charitable business partnership.

Under its auspices, we undertook three community days, one of which was to prepare and serve Christmas dinner to 100 members of a local drop-in centre for older people – the fifth year running we have taken part in this event.

We also took part in a range of fundraising events, such as an abseil and a bike ride, for a number of charities and raised almost £6,500.



Managing the Financial Assistance Scheme

The Financial Assistance Scheme (FAS) was set up to help those people whose employers became insolvent before April 2005 while the PPF helps people whose employers became insolvent 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 2012/13, the number of people receiving FAS assistance increased from 22,844 to 30,927 and the FAS paid out nearly £111 million.

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Making a recovery

When a company with a pension scheme that we protect becomes insolvent, 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 scheme deficit.

Recoveries are an important source of money. During the year, we made recoveries of £122 million, resulting in a total of more than £1.4 billion since we were first set up.

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 2012/13, we collected £2.2 billion in cash and other assets from transferring schemes.

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



Keep in touch!



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

It means you will get the right money at the right time.

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

Call our operations team on **0845 603 7224** or email them on **members@ppfonline.org.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 for 2012/13 is available on our website at **www.pensionprotectionfund.org.uk**.