

10 years of the Pension Protection Fund

Andrew McKinnon – Chief Financial Officer
ACA Members' Gatwick Conference, 6 February 2015

10 years of the Pension Protection Fund



- Where we are today – the first ten years in numbers
- Our journey to self-sufficiency – the next fifteen years
- Lessons from the first ten years
- Where next?
- Questions

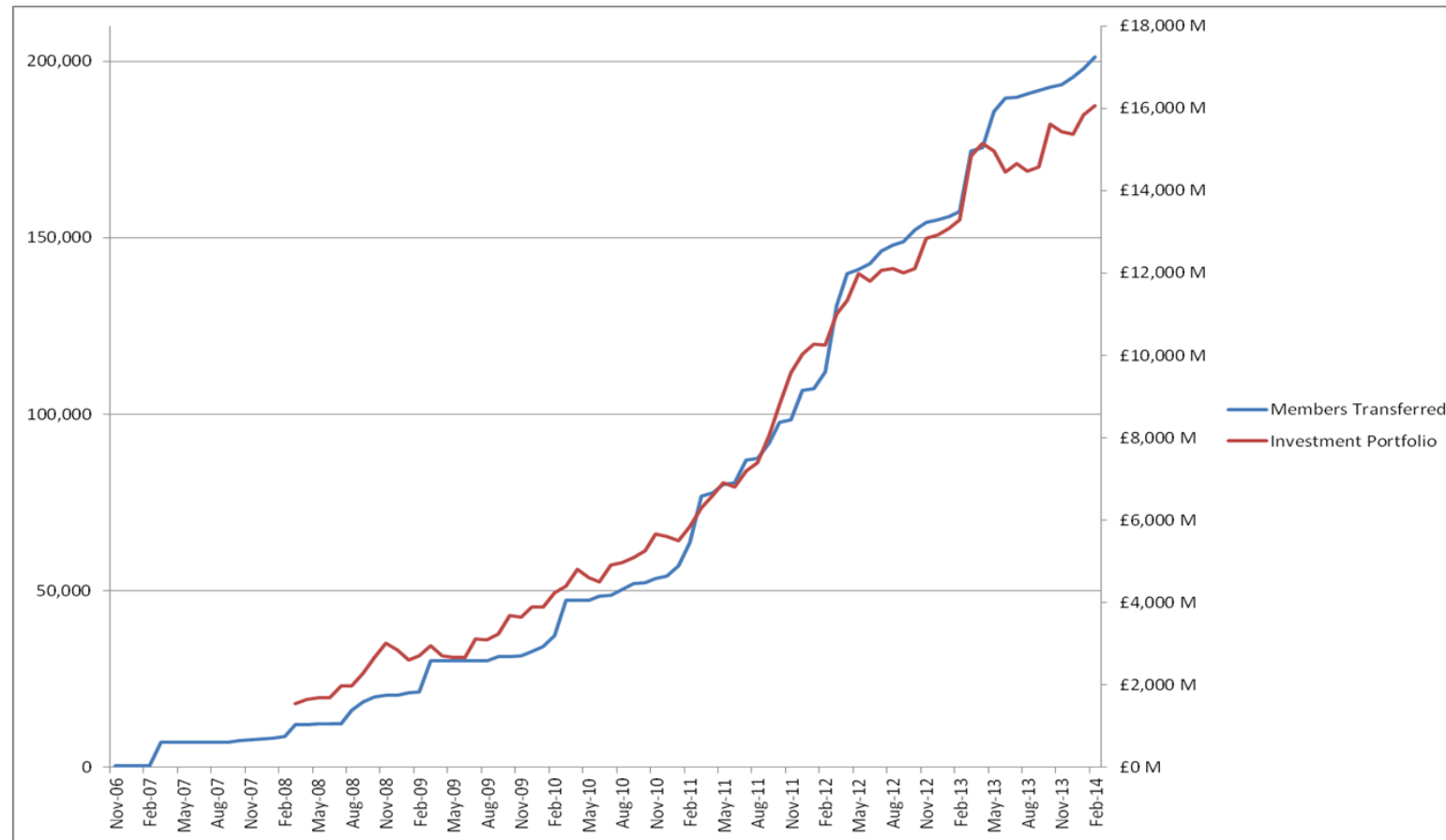
We've come a long way in ten years



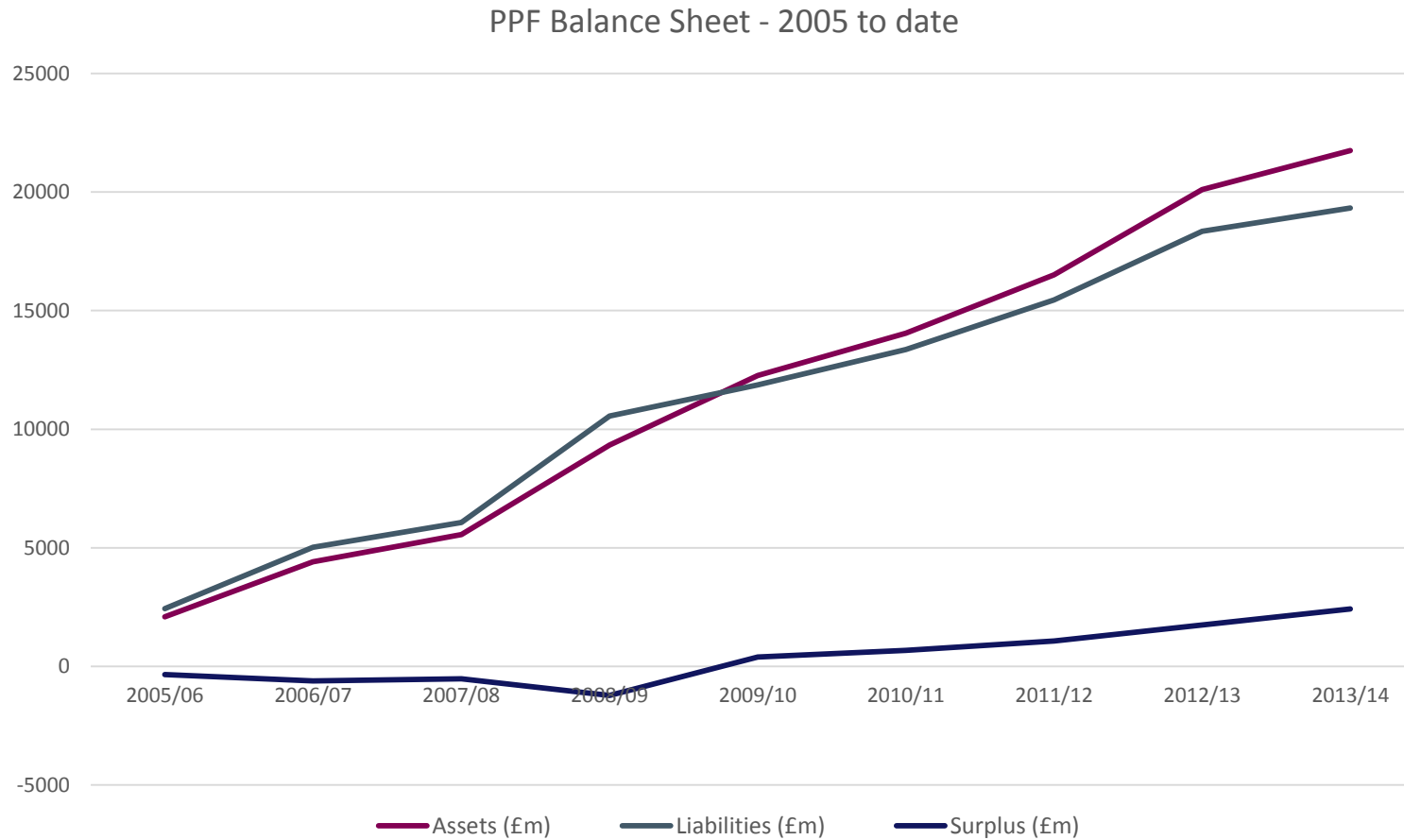
- PPF established by Pensions Act 2004
- Opened our doors in April 2005
- Took responsibility for the Financial Assistance Scheme in 2009



The first ten years in numbers (1)

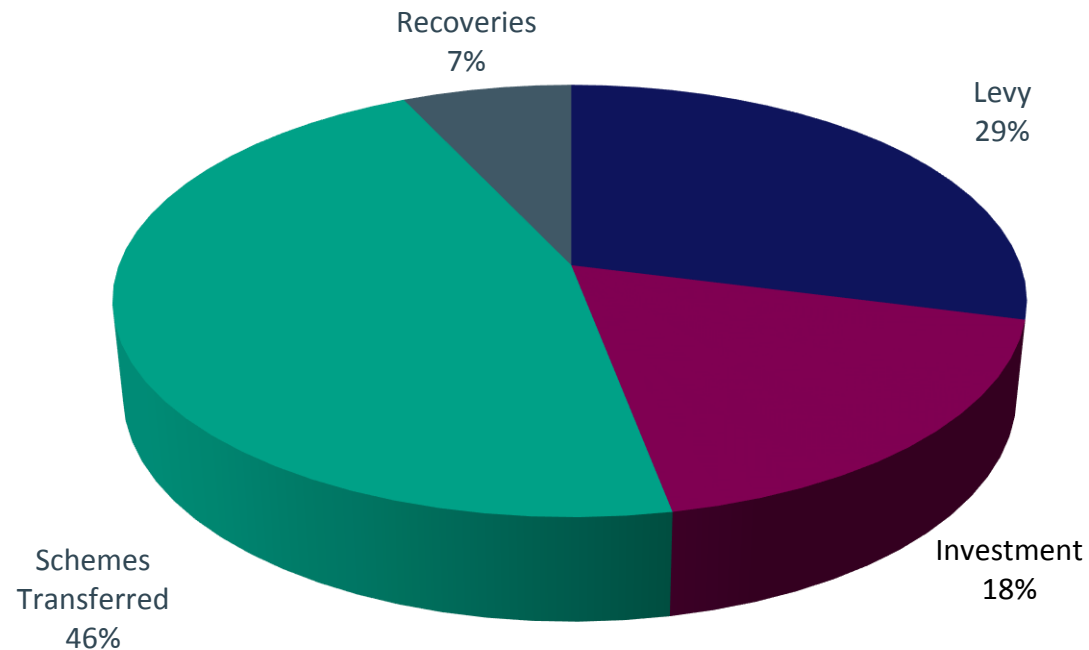


The first ten years in numbers (2)

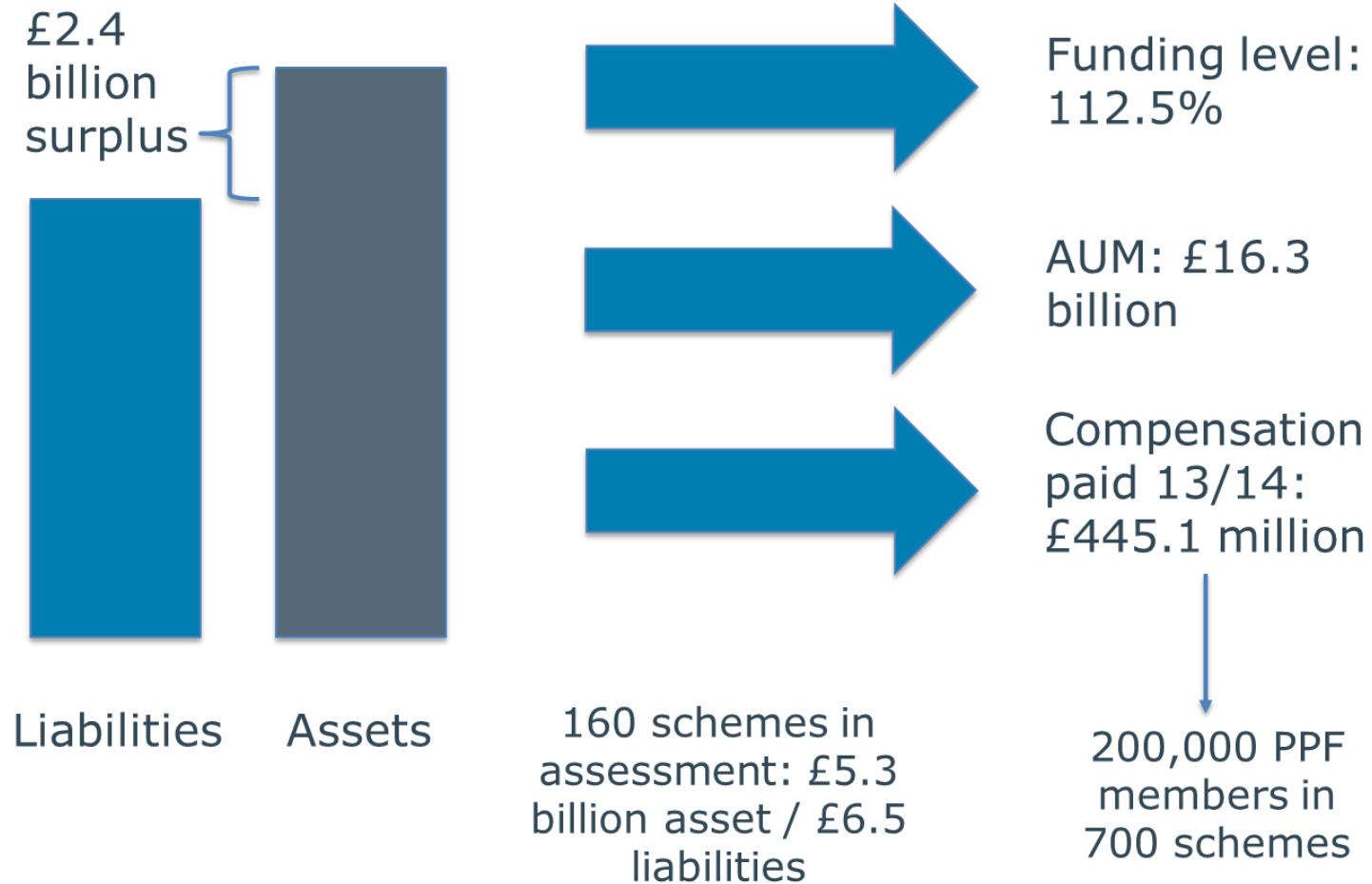


The first ten years in numbers (3)

Breakdown of sources of PPF assets as at 31 March 2014

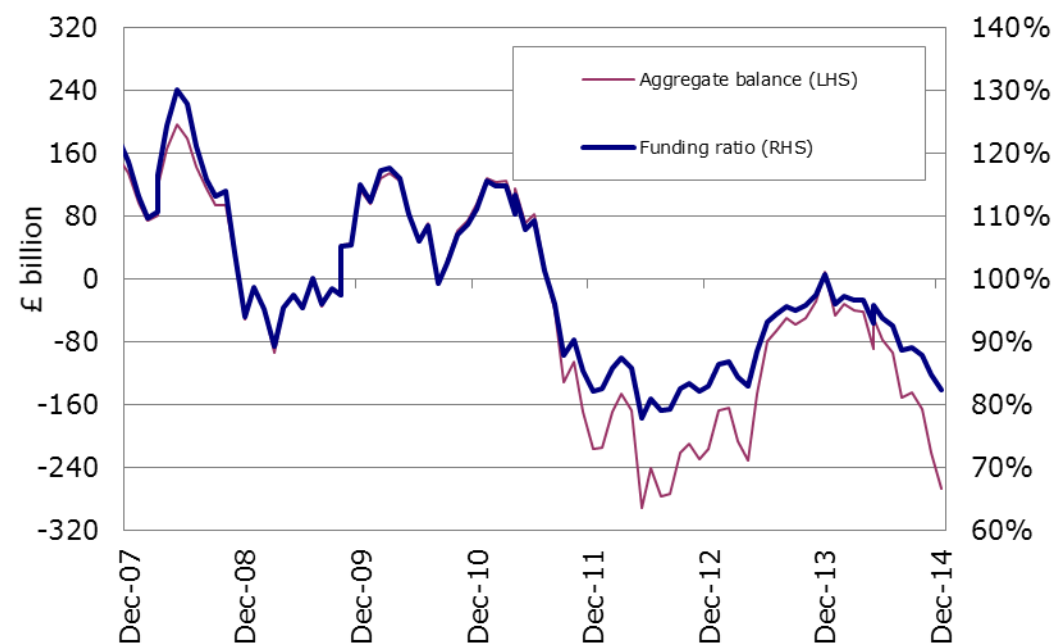


The first ten years in numbers (4)

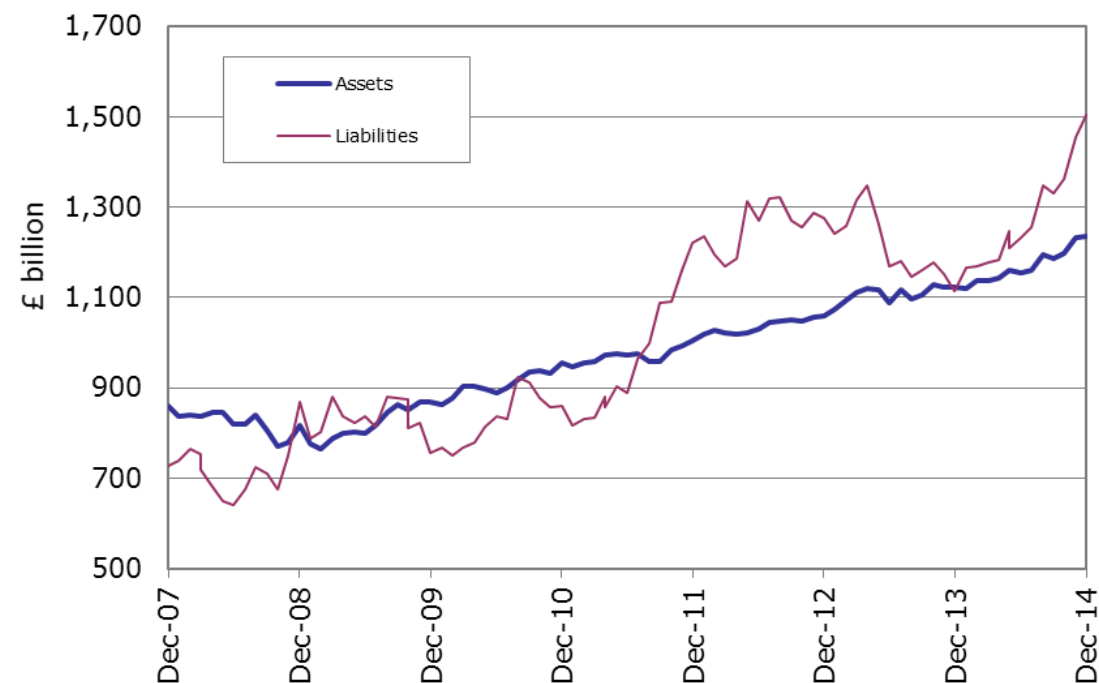


The first ten years in numbers (5)

Estimated aggregate balance (assets less s179 liabilities) and funding ratio of schemes in the PPF universe



Estimated aggregate assets and s179 liabilities



Ten years gone: fifteen to go (1)

A flight-path to self-sufficiency by 2030:

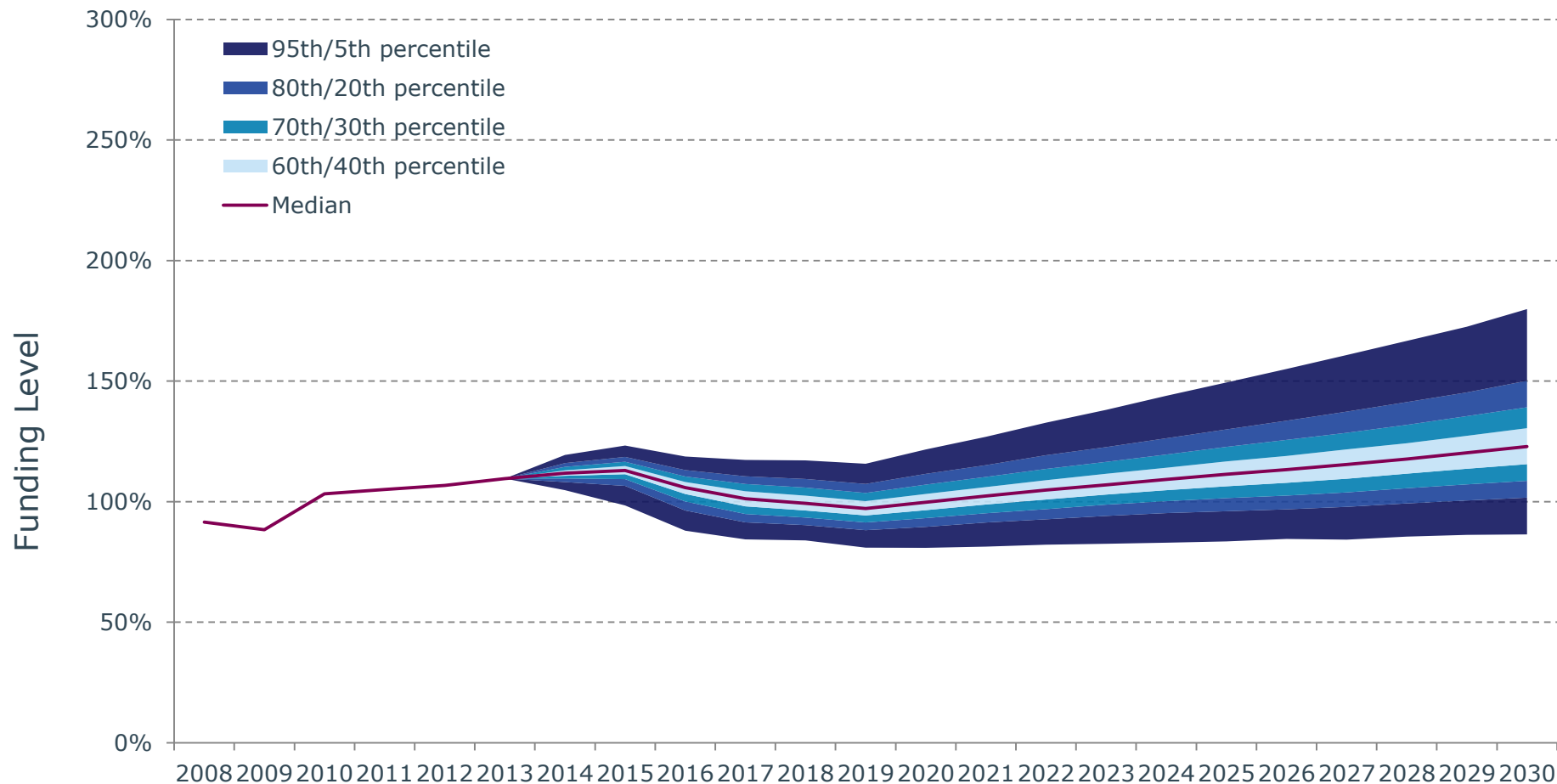


- Zero market risk
- Zero interest rate and inflation exposure
- Reserve (10% of liabilities) to hedge future claims and longevity risk
- Levy only for expected claims

Measured as *probability of success* – 2014/15 target is 84%

Ten years gone: fifteen to go (2)

Scenario testing – 'Prudential Regulation Authority Anchor' (downside stress test)

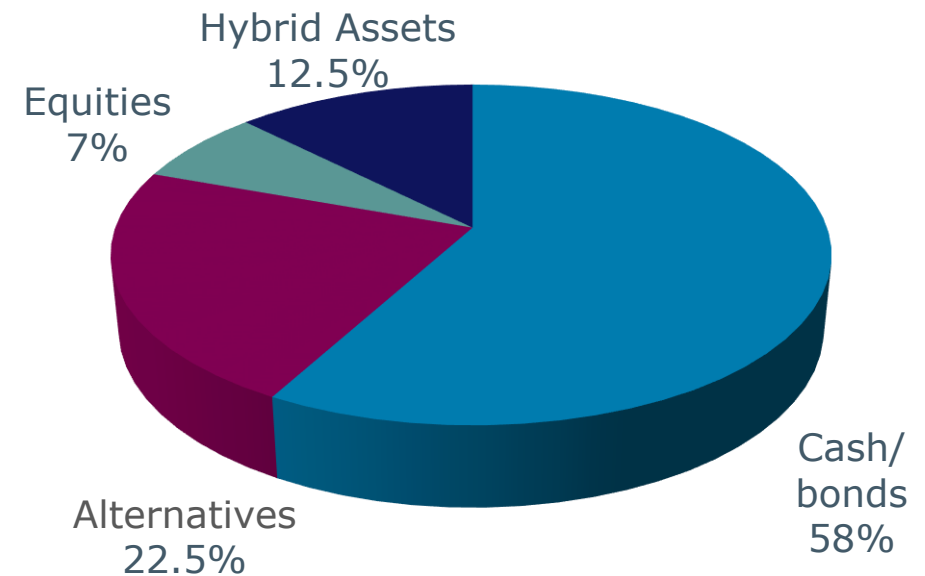


So what has ten years taught us?

- The importance of having a plan – our Funding Strategy and the 2030 time horizon
- The importance of understanding our risks – and responding to them
- The importance of our customers – provider of choice?
- Not just about the more visible evolution: changing our business model to reflect growth of the PPF

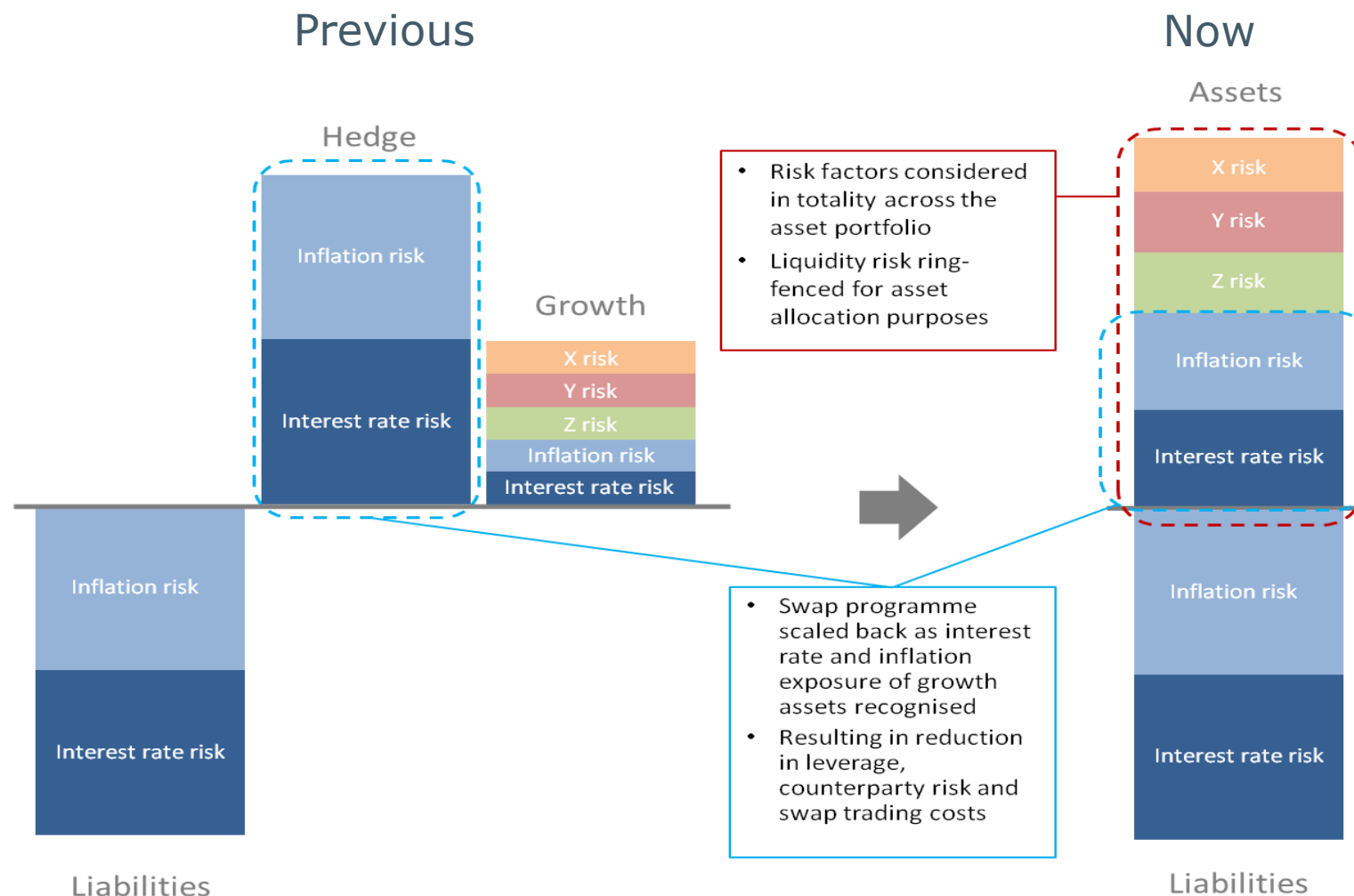
What next? Investment (1)

- Low risk appetite on our long term funding objective
- In 2013/14, our assets outperformed our liability benchmark by 2.9%
- Purposeful move to illiquid / long term assets to help meet our long term liabilities to 2030 and beyond
- Examining what investment capabilities we might deliver in-house



Source: PPF SIP July 2014

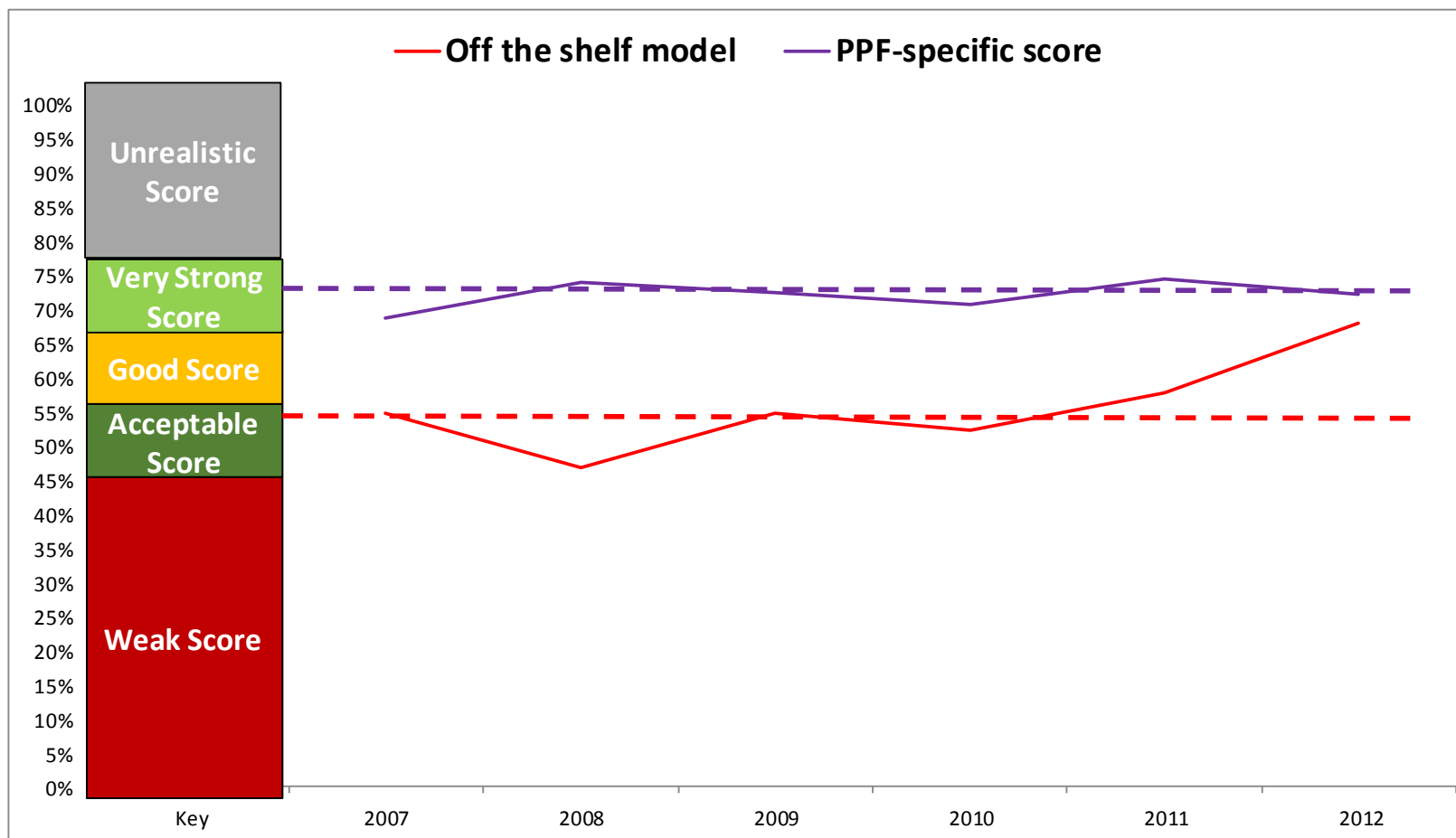
What next? Investment (2)



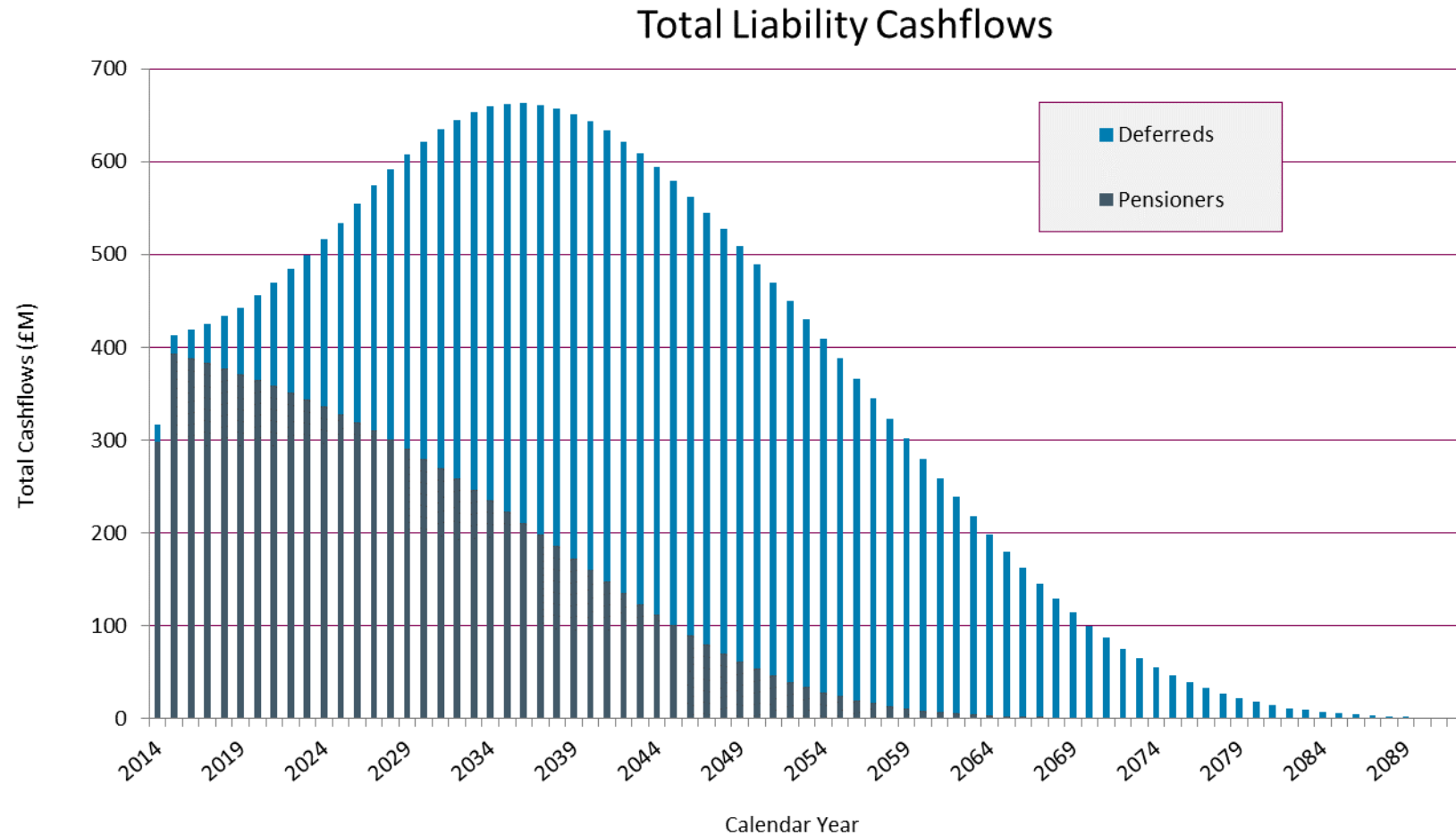
What next? Pension Protection Levy (1)

- Two themes: charging for risk and levy payers as customers
- Two years of development work and consultation
- Final levy rules for 2015/16 published in December
- Confirmation of the new PPF-specific model developed with Experian for assessing insolvency risk
- We intend to keep rules stable for three years
- Encourage you to take note of the deadlines for 2015/16
- Encourage you to attend 2.25pm session on levy

What next? Pension Protection Levy (2)



It's not all about 2030...



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Questions?