BALANCING THE BOOKS

We want you to share our own confidence in the future of the PPF.

That is why we published a long-term funding plan which sets out how we intend to have the financial resources needed to pay your compensation – and for us to become financially self-sufficient by 2030.

Being financially self-sufficient by 2030 means that:

- our investments are not then at risk from sudden changes in the financial markets
- we can take on further pension schemes without damaging our balance sheet, and, most importantly,
- we can continue to pay your compensation, even if people, generally, live longer that we might currently expect.

Everything that we do, therefore, should be seen with this overall aim in mind.

By 31 March 2011, we were £678 million in surplus, an increase of £284 million from the previous year.

Further good news is that based on our current assumptions about the future, our probability to becoming self-sufficient by 2030 has increased from 83 per cent in March 2010 to 87 per cent in March 2011.

There are four main income streams that will help us manage this probability. They are:

- the levy we impose on all eligible pension schemes
- returns on our own investments
- assets from schemes that transfer to the PPF, and
- recoveries from insolvent employers where the PPF acts as a creditor.

While this is encouraging, we are fully aware that nothing is certain so we constantly keep an eye on the risks that we face so we can minimise and deal with them as effectively as possible.

Investing for your future

The amount of money we make from our own investments continued to grow substantially during 2010/11.

This means that our investment returns will play an increasingly significant role in helping us meet our plans to become financially self-sufficient by 2030, as well as paying your compensation.

During the year, our assets grew from £4.4 billion to almost £6.3 billion.

We also updated our investment plans so that we could bring greater returns by investing in a broader range of assets – but without increasing our level of risk.

We invested £1.6 billion during the year and received a return of 4.7 per cent (equivalent to £214 million).

While we have outperformed our benchmarks during the year, we always keep an eye on the long-term investment horizon over which we aim to achieve consistent performance that is not affected too much by volatile financial markets.

In recognition of our performance, we were named Risk Magazine's Pension Fund Risk Manager of the Year in its annual awards scheme which was a great achievement for our investment team.

As part of our commitment to responsible investment, we were among the first signatories to the new UK Stewardship Code adopted by the Financial Reporting Council in July 2010.

This code aims to improve the quality of engagement between investors and companies to help maximise long-term returns as well as improve and strengthen the way companies are run.

Pension protection levy – **present** and **future**

We charge a levy on all schemes whose members are eligible for our protection.

The money we raise remains crucial to our ability to pay your compensation – although income from our own investments is becoming increasingly important to our future.

Each year, we estimate what we will collect during the next 12 months.

In September 2010, we announced that we would set a levy estimate of £600 million for 2011/12, a reduction of £120 million on the previous year.

We made this reduction because of Government plans to increase PPF compensation in line with the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI).

This meant we could protect our own financial position while helping levy payers during difficult economic times.

During the year, we also confirmed a new framework for the levy to come into effect from 2012/13.

This new framework will provide levy payers with the predictability and stability in their levy bills that they have been asking for.

Invoicing and collecting the 2010/11 levy started in September 2010. By the end of March 2011, we had collected 95.6 per cent of uncontested levies, beating the target we set ourselves of 90 per cent.

> “This new framework will provide levy payers with the predictability and stability in their levy bills that they have been asking for.”

Making a recovery

When a company with an eligible pension scheme goes bust, we become a creditor, acting on behalf of the scheme trustees.

We then try to recover as much as we can from the former employer to help reduce the pension deficit.

Recoveries are an important income stream. We have now made – or expect to realise in the future – more than £1 billion since we were set up.

TRANSFER OF SCHEME ASSETS

When a scheme enters the PPF assessment period, we will take on its assets.

During the year, we transferred £1 billion in cash and other assets from schemes which had entered the PPF.

Acting responsibly

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

During the year, we took part in three community days. We cleared overgrown land at a community centre so they could hold their annual fete, dug out a wildlife pond for a primary school and, for the third year running, served Christmas dinner to members of a pensioners' drop-in centre.

We also ran a successful reading partnership project with a nearby primary school where more than 20 members of staff read and mentored pupils once a week throughout the year. This will continue next year.

A number of charities benefited from our efforts during the year after we raised hundreds of pounds for causes such as the Pakistan flood appeal, Jeans for Genes day and Macmillan Cancer Relief.

KEEP US UP-TO-DATE

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

It ensures that you receive 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 address.

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

A maturing organisation

Our staff remain our greatest asset and we work to create an environment which gets the best from them.

But also, we recognise that – as a public organisation funded by levy payers – we need to demonstrate that we are being as efficient as we can in everything that we do.

During the year, therefore, we implemented plans designed to further improve efficiency across the organisation.

These included reducing the amount we spend on back office by 10 per cent, in favour of front office functions. These efforts resulted in us underspending our overall budget of £34.6 million by £3.3 million.

One other important measure of efficiency is the average administration cost per PPF member. This fell from £100 in 2009/10 to £85 in 2010/11.

By 31 March 2011, we had 291 employees, down on last year's figure of 302, mainly because of a public sector-wide recruitment freeze.

But, in our latest staff survey, almost 70 per cent of staff recommended the PPF as a good place to work.

And we received outside endorsement in February 2011 when we were named in the One to Watch category of the Best Companies to Work for in the Public Sector, a national award scheme which allows us to compare our performance with other similar bodies.