Pension Protection Fund

Pension protection in a volatile world

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Pension Protection Fund

Before 2005:

Today:

- 107% funded (28/2/13)
- £18bn balance sheet liabilities
- £800m compensation paid
- 167,000 members transferred into PPF from 575 schemes
- A further 135,000 members in assessment from 215 cases.

How does the PPF invest?

Pension Protection Fund

- Conservative, low-risk appetite
- Liability Driven Investment strategy
- Interest & inflation rate risk reduced through investment in:
  - UK Government bonds and cash
  - Interest rate swaps
  - Inflation swaps
  - Swaptions
  - Gilt Repos
  - Gilt total return swaps
- Diversified growth strategy
- Libor+1.8% target
- 4% risk budget

Asset Class		Allocation	
Liability Hedging	LDI Collateral	£4.3bn	33%
Global Bonds	Global Government	£2.3bn	18%
	Global Credit	£0.9bn	7%
	Absolute Return	£0.6bn	5%
	Asset Backed	£0.4bn	3%
	Emerging Markets	£0.5bn	4%
Global Equity	Global Equity	£1.2bn	9%
Alternatives	Real Estate	£0.7bn	6%
	Private Equity	£0.3bn	2%
	GTAA	£0.7bn	6%
	Infrastructure	£0.1bn	1%
	Alternative Credit	£0.8bn	6%

Why is the PPF different?

Pension Protection Fund

Our aim is:

- Zero market risk
- Zero interest rate and inflation exposure
- Reserve (10% of liabilities) to hedge future claims and longevity risk
- And no levy.