Dear Mr Field

PPF Annual Report and Accounts 2017/18

As promised in my letter dated 9 July on the Committees’ report on the insolvency of Carillion plc, I am pleased to enclose copies of our Annual Report and Accounts for 2017/18 and accompanying Funding Strategy Update.

In the last financial year, we experienced the highest total value of claims in any year to date with deficits totalling £1.2 billion. The schemes which have entered assessment in the past year – which include those of Carillion, Toys R Us, Hoover, and the old British Steel Pension Scheme – encompass c.65,000 members. Furthermore, the past year saw significant volatility in financial markets impacting our investment operations.

Despite this challenging backdrop, I can report that the PPF’s funding position has strengthened and we remain on track to meet our funding objective.

The key news from both publications is summarised below:

- The PPF’s funding level increased 1.2 per cent over the year, rising from 121.6 to 122.8 per cent at 31 March 2018.
- PPF reserves increased to £6.7 billion, up from £6.1 billion last year.
- The PPF’s investment return was 2.8 per cent on its return-seeking assets, exceeding our target. This equates to a net return of £0.9 billion, a strong performance in tough market conditions.
- The PPF remains on track to be self-sufficient by our funding horizon – currently set at 2030. The probability of success, detailed in full in our Funding Strategy Update, remains ahead of the target set by the Board, standing at 91 per cent at 31 March 2018.
- The PPF has over £30 billion of assets under management, an increase of £1.2 billion since 31 March 2017.
- During 2017/18, 46 schemes transferred into the PPF bringing 6,000 new members.
• The PPF's levy estimate for 2018/19 remains £550 million. This figure is 10 per cent less than that in the previous financial year.

• The PPF paid £725m in benefits to members in the past financial year.

• The PPF was awarded ServiceMark accreditation from the Institute of Customer Service in February 2018. ServiceMark accreditation is a national standard which recognises an organisation's achievement in customer service and its commitment to continuous improvement.

• The PPF launched an innovative new digital tool, 'Retire Now', enabling members to retire online without having to call or write to us.

While we are in robust financial shape, we are not complacent. We are acutely aware that there are significant risks in the pensions universe we protect. We continue to monitor these risks closely to ensure we can meet the needs of our members and our levy payers in the future.

Beyond our own financial position, we are focused on becoming more efficient and effective for our members and levy payers. As our member base continues to grow, we'll be increasingly using innovative technologies to improve our service to members so they have a greater choice over how they interact with us. We will continue to listen to our members and levy payers and are committed to delivering the very best customer experience, both today and in the future.

I trust these results provide some measure of comfort and reassurance to the Committees, as well as our members and levy payers.

Yours sincerely,

[Signature]

Oliver Morley CBE
Chief Executive

CC: Rachel Reeves MP, Chair of the Business, Energy and Industrial Strategy Select Committee

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