



Work and Pensions Committee

21 November 2023

Oliver Morley
Chief Executive
Pension Protection Fund
(By e-mail only)

Dear Oliver,

Thank you: 8 November

Thank you very much to you, Barry and Sara for giving evidence to the Work and Pensions Committee session on defined benefit pension schemes. In particular, we were interested in what you had to say about the PPF's current funding position and what this might mean for compensation and the levy in future. We were also very interested in your views on the FAS and, of course, on the potential for PPF to play a role as a public consolidator in future.

We would be very interested in further information on the following points:

- The estimated annual costs of changes to FAS indexation, broken down by pre- and post-1997 benefits, including the annual cost for each of the next five years (Q171);
- You told us in April that a minority of schemes may have seen their funding position deteriorate following the LDI episode of September 2022 and there are several reasons as to why this may have happened which wouldn't be captured in your estimate.¹ We would be grateful for further detail on work since April to understand the position better, the number of schemes that have seen their funding position deteriorate, by how much, and the extent to which different factors have contributed to that;
- How much of the £400bn loss in asset value as a result of the LDI episode you would expect to see restored if interest rates rose again, and an explanation of how this would happen (Qq175–185);
- In response to a question on why your estimate of the reduction in the value of DB assets over 2022 differs from that of the Office for National Statistics (ONS), you said the data was collected for different purposes—in your case, the potential impact on the PPF meant it was important to have information on funding levels across the PPF universe (Q175). We understand that your estimates are based on a roll-forward methodology using data from scheme returns to TPR, whereas those of the ONS are based on a direct survey of a smaller number of schemes. Is the divergence between the two figures in 2022 exceptional, or have there been significant divergences in previous years? In addition, to what extent would it improve your assessment of the potential risks to the PPF if your estimates were based on more recent data?;

¹ [LDI0088 Pension Protection Fund](#)

- You said that if schemes invested in assets whose value changed in the same way, then a scheme's ability to meet the payments was unaffected (Q180). How are you able to assess the extent to which schemes have effectively matched their assets and liabilities?; and
- Your assessment of the negative impact on the Wilko scheme assets of the LDI episode (Q207).

During the course of the evidence session, you may not have made all the points that you wished to on the topics we covered. If there is anything further that you would like the Committee to consider, please do email us at workpencom@parliament.uk. We would usually expect to publish anything you send us.

Committee staff will be in touch separately to seek your feedback on the meeting you attended and your experience of the session as a whole. It would be very helpful if you completed the survey, to assist us in improving how we work.

As usual, we will publish this letter and your reply. I would be grateful for a response by Wednesday, 6 December. Thank you again for your contribution to the Committee's work.

Yours sincerely,



Rt Hon Sir Stephen Timms MP
Chair, Work and Pensions Committee

cc. Barry Kenneth and Sara Protheroe