

OECD – Paris, July 2007

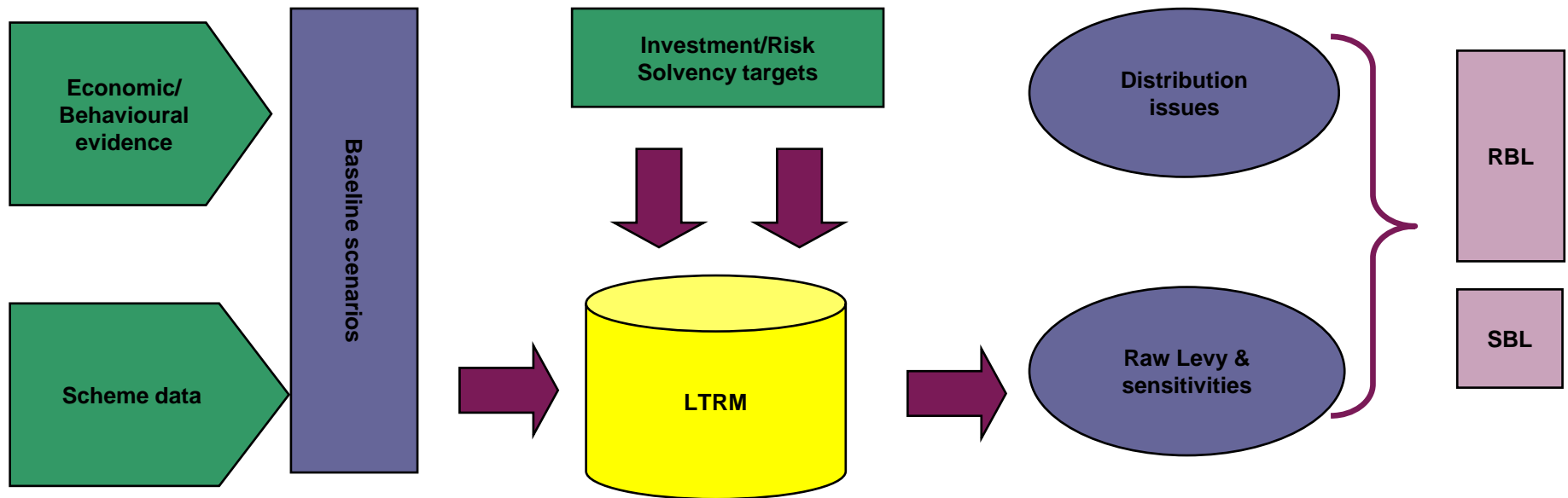
Partha Dasgupta
Chief Executive

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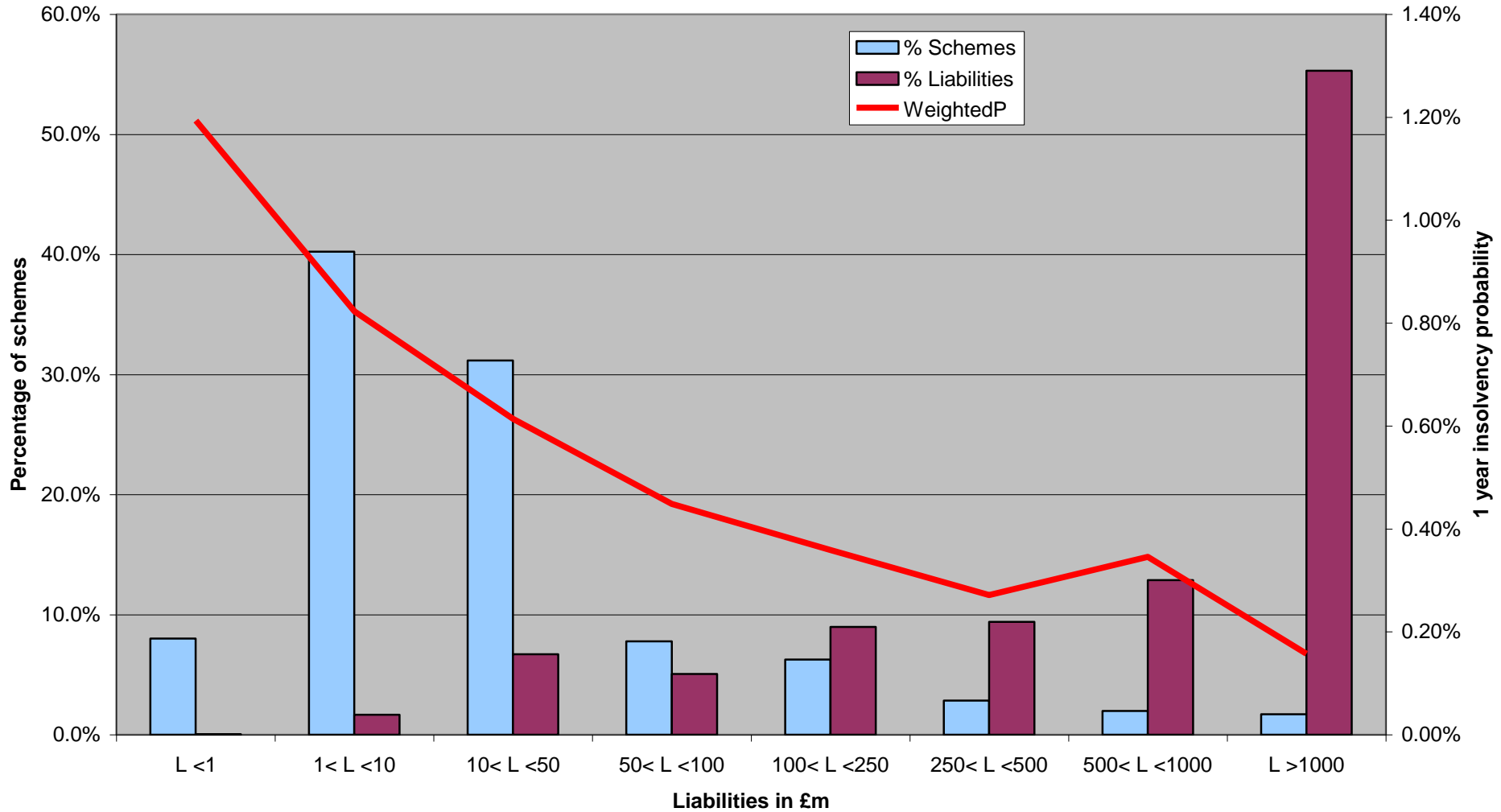
- **Pensions Act 2004**
- **Independent public financial corporation**
- **No guarantee from UK government**
- **Treasury limits premium raising**
 - Absolute ceiling (£775m indexed to average earnings)
 - Relative - Maximum 25% change on prior year premium subject to absolute ceiling
- **Pensions Regulator with a statutory objective to “protect PPF”**

- **Data availability and quality**
- **Stakeholder consensus**
- **Measuring insolvency risk**
- **Build robust infrastructure**
- **Develop stochastic modelling capability**
- **Design incentives programme**
- **Implement in 1 year!**

- **Fairness**
- **Proportionality**
- **Simplicity**

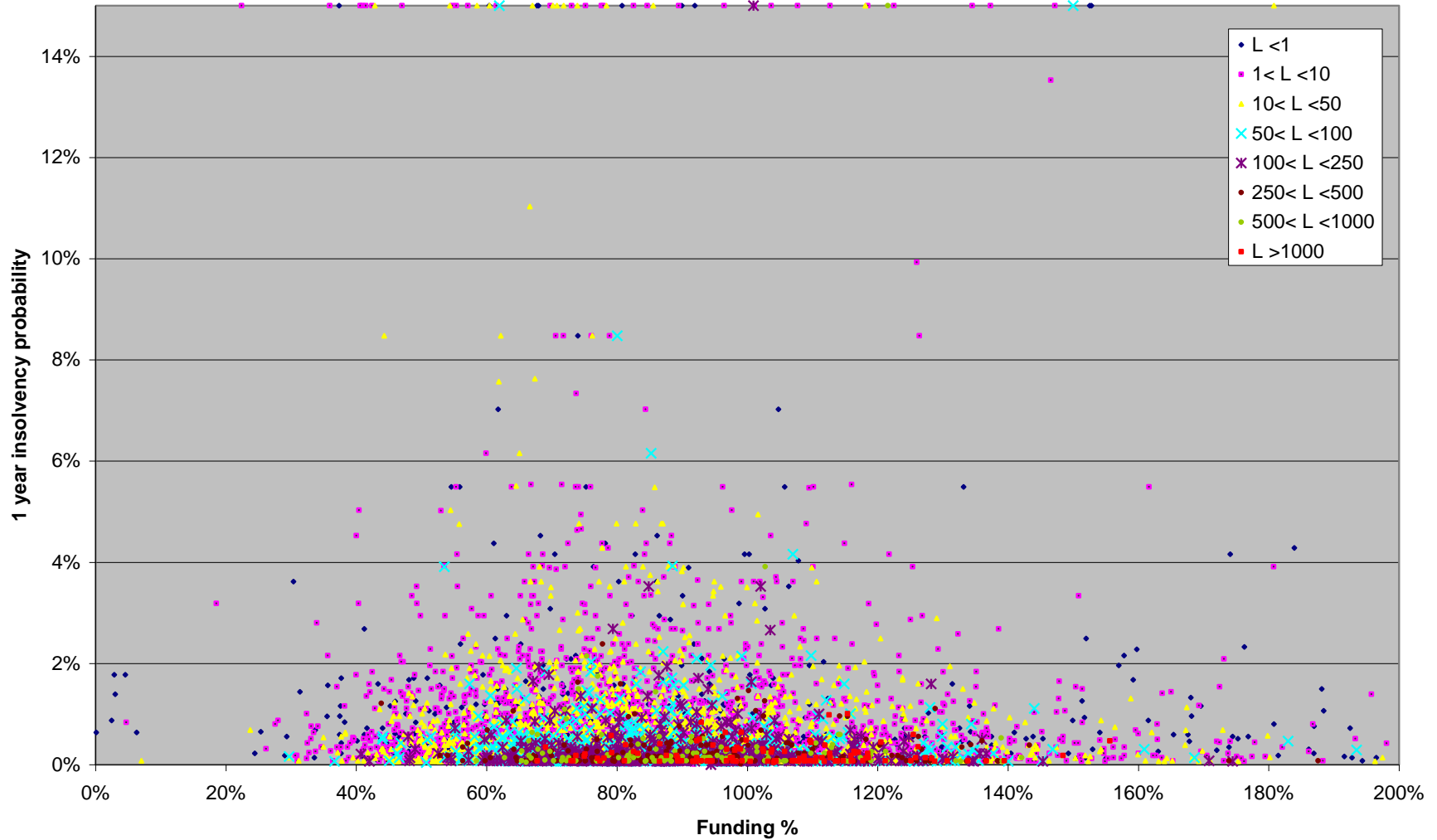


- **Pricing residual risk**
- **Long term v short term**
- **Time horizon**
- **Risk appetite**
- **Sensitivities to behavioural assumptions**
 - Contingent assets/hedging
 - New benefit accrual
 - Scheme funding
 - Longevity improvements



Short term risk map

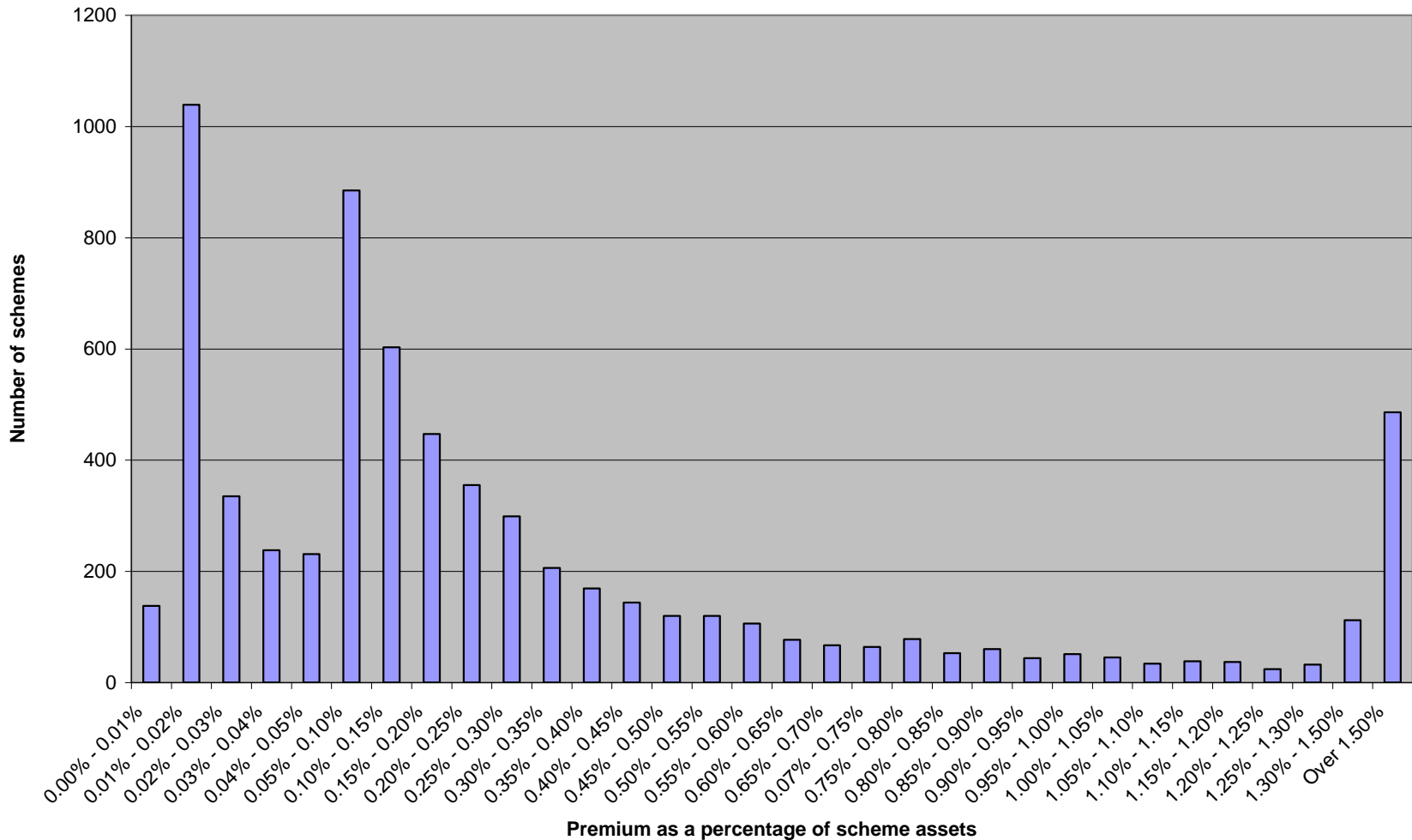
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Distribution issues

2007/08 Levy as a % of assets

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- **Social insurance**
- **Cross subsidy**
- **Tail risk**
- **Moral hazard**
- **Incentives**
- **Contingent assets**
- **Bulk annuity market**

- **Stability of aggregate and individual premiums**
- **Charging premiums that are more directly linked to individual long term risk**
- **What level of safety should a “safety net” have?**