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The Hundred Group
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Sara Protheroe
Levy Manager
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Dear Ms Protheroe

The Pension Protection levy Consultation Document - December 2005

I am writing on behalf of the Hundred Group of Finance Directors in response to your invitation to comment on your consultation document. The 100 Group represents the Finance Directors of the UK's largest companies.

We support your proposals in the main and recognise the significant effort that has gone into introducing the risk based levy from April this year. We do however have concerns regarding the Dun & Bradstreet (D&B) failure scores as outlined below.

D&B failure scores

We recognise the risks inherent in pension fund deficits and the need for appropriate action by companies to address them. We recognise also the risk within the pension system and that companies should be charged a risk based levy accordingly to provide the protection intended by law. However we are concerned that a significant minority of Hundred Group companies have D&B failure scores that appear inconsistent with the strength of their underlying businesses. We question whether D&B's methodology adequately reflects the strength of larger, more complex groups. This is particularly acute when inter-company loans are indicating high gearing when there is no intention of the recipient demanding repayment, but rather that groups are efficiently financed through a group treasury.

On a related issue, we are also concerned that some weaker companies outside the FTSE100 appear to have unreasonably high failure scores and we wonder whether this is consistent with your key principle of fairness. The ability of weaker companies to pay their normal creditors as they fall due bears no relation to the ability of the company to fund its significant and long term pension obligations.

In practice, we recognise that you will not have time to address these issues for the 2006/07 levy. However, we would welcome the opportunity to work with you in the coming year to improve the fairness of the system for years 2007/08 and beyond and to ensure there is real transparency and understanding of how the levy is calculated, and that the levy is as accurate a predictor of risk as possible.

Yours sincerely

Philip Broadley