

Review

Pensions



Re-Certification of Contingent Assets

BACKGROUND

A 'contingent asset' is an asset that will produce money for a pension scheme if a specific event occurs, such as an employer becoming insolvent. Contingent assets reduce the risk of an insolvency event resulting in a claim on the Pension Protection Fund and can be recognised in the PPF's levy calculation if certain requirements are satisfied. The types of contingent assets recognised for this purpose are:

Type A - Parent or group company guarantees

Type B - Security over cash, UK real estate and securities

Type C - Letters of credit and bank guarantees.

Contingent assets, once registered with the PPF, need to be re-certified every year in order to be taken into account for levy purposes.

WHAT HAS CHANGED?

The PPF has changed its policy on the re-certification of UK real estate. In view of fluctuating property prices, more frequent valuations will be needed in future. For the levy year 2010/2011 onwards, real estate valuations should be no more than 15 months older than the new contingent assets certificate. (This has changed from 3 years.) A 'desktop' update of an existing valuation will continue to be accepted.

Please note that different valuation requirements apply when registering UK real estate as a contingent asset for the first time.

ACTION - ALL CONTINGENT ASSETS

All contingent assets previously recognised will need to be re-certified electronically via the Pension Regulator's online Exchange system at <https://login.thepensionsregulator.gov.uk/Login.aspx> by 5pm on 31 March 2010 and any supporting documents sent to the PPF in hard copy to be received by the same deadline. The PPF does not send reminders about re-certification.

ACTION - UK REAL ESTATE CONTINGENT ASSETS

In addition, if your scheme has a UK real estate contingent asset in place we suggest that you start considering the valuation requirements now to ensure that the 31 March 2010 deadline can be met. The PPF observes its deadlines very strictly.

FURTHER INFORMATION

If you would like more information about this, please contact one of the following, or your usual contact in the team.

Francois Barker

Head of Birmingham Pensions
T: +44 (0)121 222 3584
E: francois.barker@hammonds.com

Catherine McKenna

Head of Leeds Pensions
T: +44 (0)113 284 7045
E: catherine.mckenna@hammonds.com

Steve Southern

Head of Manchester Pensions
T: +44 (0)161 830 5172
E: steve.southern@hammonds.com

Emma King

Head of Pensions Disputes
T: +44 (0)121 222 3103
E: emma.king@hammonds.com

Wendy Hunter

Head of London Pensions
T: +44 (0)207 655 1119
E: wendy.hunter@hammonds.com

Hammonds

Berlin

Hammonds LLP
Unter den Linden 14
10117 Berlin Germany
Telephone +49 30 7261 68 000
Fax +49 30 7261 68 001

Leeds

Hammonds LLP
2 Park Lane
Leeds LS3 1ES
Telephone +44 (0)113 284 7000
Fax +44 (0)113 284 7001

Manchester

Hammonds LLP
Trinity Court
16 John Dalton Street
Manchester M60 8HS
Telephone +44 (0)161 830 5000
Fax +44 (0)161 830 5001

Birmingham

Hammonds LLP
Rutland House
148 Edmund Street
Birmingham B3 2JR
Telephone +44 (0)121 222 3000
Fax +44 (0)121 222 3001

London

Hammonds LLP
7 Devonshire Square
London EC2M 4YH
Telephone +44 (0)20 7655 1000
Fax +44 (0)20 7655 1001

Munich

Hammonds LLP
Karl-Scharnagl-Ring 7
80539 Munich Germany
Telephone +49 89 207 02 8300
Fax +49 89 207 02 8301

Brussels

Hammonds LLP
Avenue Louise 250
Box 65
1050 Brussels Belgium
Telephone +32 2 627 7676
Fax +32 2 627 7686

Madrid

Hammonds LLP
Plaza Marques de Salamanca 3-4
28006 Madrid Spain
Telephone +34 91 426 4840
Fax +34 91 435 9815

Paris*

Hammonds Hausmann
4 Avenue Velasquez
75008 Paris France
Telephone +33 1 53 83 74 00
Fax +33 1 53 83 74 01

Hong Kong*

Hammonds
Suites 3201-05, 3217-20
32nd Floor Jardine House
1 Connaught Place
Central Hong Kong
Telephone +852 2523 1819
Fax +852 2868 0069

Beijing+

Hammonds Beijing
Representative Office Hong Kong
Suite 1419 - 20
South Tower Beijing Kerry Centre
1 Guang Hua Road
Chao Yang District
Beijing 100020 China
Telephone +86 108529 6330
Fax +86 10 8529 6116

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