

On 15 December 2016 the Pension Protection Fund (PPF) published its planned rules governing the calculation of levies for the 2017/18 levy year. The levy estimate remains at £615 million. The PPF has deviated from its usual practice of publishing final rules and instead has published the rules in draft. The PPF has stated that it has no intention of amending the rules further, save in relation to the possible introduction of new provisions relating to the charging structure for pension plans that have no substantive sponsoring employer.

The PPF has confirmed that its final form levy determination will be published by 31 March 2017 at the latest. In the meantime, trustees are being urged by the PPF to treat the provisional levy rules as being in final form – although note that the final determination will prevail in relation to a levy calculation.

Key areas of change for 2017/18 are highlighted below, together with this year's deadlines. **This is only a summary – trustees and employers who are relying on a levy reduction method are therefore advised to check the revised draft rules and assess the actions they need to take, noting that it will take time to obtain advice, update valuations (where necessary) and finalise documentation. Legal advice should be obtained at an early stage.** You can find more information on the [PPF 2017/18 levy page](#).

## Accounts – Employers

### Accounting Standard Change Certificate

Following the introduction of FRS101/FRS102, it will be possible for employers and ultimate parent companies to submit to Experian an accounting standard change certificate where a switch to the new accounting standard impacts the calculation of trend variables (which compare accounts data in the most recently filed accounts to that filed three years previously). Following consultation, the PPF has decided that this certification will be available for all trend variables, not just trend variables on the Large and Complex and Not for Profit scorecards, as had been the intention at the consultation stage. The form of certificate to be completed and guidance on its use are now available on the [Pension Protection Score Portal](#).

The PPF indicates in its levy policy statement that around 80% of the companies that had filed accounts under FRS102 for the first time remain in the same levy band. Employers are advised to check how this change in accounting standard affects their levy banding.

### Ultimate Parent Companies Filing Small Accounts

Ultimate parent companies filing small accounts on a consolidated basis can now use the Independent scorecard rather than the Large and Complex scorecard.

## Filing Revised Accounts

Where an entity files revised accounts under section 454(1) of the Companies Act 2006 before 1 March 2017, these will be used to recalculate monthly scores from the date the original accounts were filed, rather than the date of the re-statement. It is worth noting that the PPF is now using the term “revised accounts” in the 2017/18 levy determination rather than “re-stated accounts”, in order to avoid confusion with re-stated FRS102 figures. Where revised accounts are filed after February 2017, the PPF and Experian retain the discretion whether to recalculate scores, in line with their [levy data correction principles](#) published in August 2016.

## New Guarantors

Experian will produce scores for Type A contingent asset guarantors whose accounts are filed or submitted by 31 March 2017.

## Accounts Prepared in a Different Language

The PPF has clarified that in relation to accounts prepared in a language other than English, the PPF will accept a translation provided it is accompanied by an auditor's certificate confirming that it is an accurate translation of the accounts.

## Accounts – Pension Plans

The new accounting standard for pension plans requires plans to include in their accounts the value of any annuities held in the name of the trustees for accounting years commencing on or after 1 January 2015. The PPF notes that, without adjustment, this could lead to inconsistencies between the accounts used for the asset breakdown and those underlying the last submitted section 179 valuation, as many plans have not historically reported annuity values in their accounts. There will be a smoothing process for those plans that are affected.

## Mortgage Exclusions

The age of a mortgage is taken into account by Experian when assessing the insolvency risk of an employer. The newer the mortgage the more likely the risk of insolvency. However, the PPF recognises that this is not true for all mortgage types, including mortgages that it has categorised as “Immaterial Mortgages” and “Refinance Mortgages”.

The definition of “Immaterial Mortgage” has been extended (provided the test of immateriality is still met) to include a charge taken to secure payment under a transaction that does not include borrowing, such as the repayment of grant funding in the event that certain conditions of a grant are not met.

The definition of “Refinance Mortgage” has been extended to include mortgages where the original mortgage was entered into by one group company and the refinance mortgage by another group company.

Mortgage certificates successfully submitted for past levy years in respect of rent deposit deeds, refinance mortgages, pension scheme mortgages and public credit ratings where the CRA test<sup>1</sup> is met for 2017/18, do not need to be resubmitted.

Note, however, that new certificates will be required for plans claiming mortgage exclusions on the basis of immateriality.

## Block Transfer Guidance – Partial Transfers

The block transfer guidance has been updated in respect of a plan that transfers part of its assets to another plan before 31 March 2017 and has more than two members remaining, who after 31 March 2017 receive winding up lump sums or have their benefits bought out. The transferring plan will still be categorised as an eligible plan for PPF levy purposes but will be able to apply for a levy waiver (see the example case scenario at paragraph 3.30 of the [block transfer guidance](#)).

## Asset Backed Contribution (ABC) Certificates

By way of reminder, the submission and recertification of ABC certificates can be time consuming, so trustees should take action now to ensure that they meet the PPF deadline.

The email address for the submission of ABC certificates has changed to ABCcert@ppf.gsi.gov.uk

## Plans Without a Substantive Sponsoring Employer

As noted above, the PPF is considering whether to introduce additional provisions in respect of plans that do not have a substantive sponsoring employer. The logic is that when the PPF was established its aim had been to provide a lifeboat for funds whose sponsoring employers had become insolvent, not to pick up the pieces following the failure of a fund with no substantive employer. The PPF has said that it will consult on any proposals for new provisions.

## Deadlines

The PPF has set its key deadlines as follows:

Documents	Deadlines
Scheme returns to be submitted on Exchange	By midnight, 31 March 2017
Contingent Asset Certificates to be submitted on Exchange and with hard copy documents as necessary to the PPF	By midnight, 31 March 2017
ABC Certificates to be sent to the PPF	By midnight, 31 March 2017
Mortgage Exclusion (“Officers”) Certificates and supporting evidence to be sent to Experian	By midnight, 31 March 2017
Accounting Standard Change Certificates with supporting evidence (NEW) to be sent to Experian	By midnight, 31 March 2017
Deficit-Reduction Contributions Certificates to be submitted on Exchange	By 5 p.m., 28 April 2017
Certification of full block transfers to be completed on Exchange or sent to PPF (in limited circumstances)	By 5 p.m., 30 June 2017

## Further Information

Please note that the PPF’s procedural requirements are stringent, and its deadlines are firm. Trustees and employers who are relying on a levy reduction method are therefore advised to check the revised draft rules and assess the actions they need to take and to seek advice at an early stage.

For further information, please contact any of the partners listed or your usual contact in the Squire Patton Boggs Pensions team.

## Contacts

**Catherine McKenna**  
T +44 113 284 7045  
E catherine.mckenna@squirepb.com

**Matthew Giles**  
T +44 121 222 3296  
E matthew.giles@squirepb.com

**Wendy Hunter**  
T +44 20 7655 1119  
E wendy.hunter@squirepb.com

**David Griffiths**  
T +44 161 830 5359  
E david.griffiths@squirepb.com

<sup>1</sup> Broadly speaking, the CRA test will be met where the employer, or other group companies with a CRA rating, are rated as investment grade, based on ratings provided by one of Standard & Poor’s, Fitch Ratings and Moody’s Investor Service.