SQUIRE PATTON BOGGS

Pension Protection Fund Levy 2016/17 – Headlines and Deadlines

February 2016

The Pension Protection Fund ("PPF") has confirmed its rules governing the calculation of levies for the 2016/17 levy year and has set the levy estimate at £615 million, which is a slight reduction from last year's estimate. It has sought to maintain overall stability in the levy rules but there are minor changes to some areas, such as the recertification of Asset Backed Contributions and the handling of mortgage certifications. The changes are largely intended to reduce burdens for levy payers.

Key areas of change for 2016/17 are highlighted below together with this year's deadlines. Trustees and employers who are relying on a levy reduction method are advised to check whether any requirements have changed and obtain advice at an early stage. More information on the points below can be found on the PPF 2016/17 levy page.

Asset Backed Contributions

In some cases, as part of a "lighter touch" approach to recertification, trustees may be able to use an updated valuation (rather than a new full valuation) and previously obtained legal advice (provided that the legal position underlying the Asset Backed Contribution arrangement has not changed). Trustees should be prepared to answer questions from the PPF as to how they concluded the guarantor or asset can meet the guaranteed obligation. *It is important that trustees check the requirements, consulting the professional valuer and legal adviser as appropriate, and allowing adequate time to obtain full valuations and new legal advice if this is necessary.*

Contingent Assets

The PPF has extended the definition of "acceptable financial institution" for Type C(i) contingent assets to include insurers as well as banks.

Last Man Standing (LMS) Re-invoicing

The PPF has provided more information about its intention to re-invoice schemes which have claimed LMS discounts in error. First of all it will contact the schemes that replied to an email from the Pensions Regulator in April 2015 confirming that they do not believe that they meet the LMS conditions. Later this year it will contact the schemes that have not confirmed on Exchange by 31 March 2016 that they have received legal advice confirming their LMS status. The PPF will not re-invoice unless it is economic to do so and will exclude schemes in an assessment period.

Trustees who have not sought legal advice confirming LMS status should do so without delay. If trustees believe they may be re-invoiced, they should also seek advice.

Mortgages

Recertification

- Most mortgages certified for exclusion and accepted for the 2015/16 levy will not need to be recertified for the 2016/17 levy. The exception is 'immaterial' mortgages, which need to be recertified annually (on the basis that the amounts used for calculating immateriality are subject to fluctuation).
- The PPF will review the credit ratings of those employers/guarantors for which they have accepted investment grade credit rating (CRA Certificates) to check that the credit rating has not fallen below this level at 31 March 2016. If the credit rating has fallen, the benefit of the certificate will be withdrawn for monthly scores counting for the 2016/17 levy.

Further changes

- The definition of immaterial mortgages has been extended to include charges over bank accounts.
- There are some changes to refinance mortgages, including a broadening of the definition.
- The PPF will recognise that fact that some entities do not have power to grant security over assets, where appropriate evidence is provided.

Submission of Accounts to Experian

- New entities yet to complete full accounts may voluntarily submit interim accounts to allow them to be scored by Experian.
- Companies filing abbreviated accounts with Companies House can voluntarily provide Experian with full accounts for current and preceding years for use in trend variable calculations.

Deadlines

Of particular note the deadline for submission of scheme data has changed from 5pm to midnight on 31 March 2016 in order to eliminate timing differences between the PPF and the Pensions Regulator. The PPF has set its key deadlines as follows:

Documents	Deadlines
Submit scheme returns on Exchange	By midnight, 31 March 2016
Contingent Asset Certificates to be submitted on Exchange and with hard copy documents as necessary to the PPF	By midnight, 31 March 2016
Asset Backed Contribution Certificate to be sent to the PPF	By midnight, 31 March 2016
Mortgage Exclusion ('Officers') Certificates and supporting evidence to be sent to Experian	By midnight, 31 March 2016
Deficit-Reduction Contributions Certificates to be submitted on Exchange	By 5pm, 29 April 2016
Certification of full block transfers to be completed on Exchange or sent to the PPF (in limited circumstances)	By 5pm, 30 June 2016

Looking Forwards

The PPF and Experian will analyse the impact of the new Financial Reporting Standard FRS102 over the coming months and will consider whether any changes to the levy rules are necessary for 2017/18.

The PPF will move away from using a single date (1 April) for the conversion of non-sterling accounts and will instead use the conversion rate in force at the balance sheet date of the most recent accounts. Implementation will not be until April 2016 (i.e. for the levy year 2017/18).

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 advised to check whether any requirements have changed, noting that it will take time to update valuations, ensure proper consideration and finalise documentation. Advice should be obtained at an early stage.

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

Contacts

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

Anthea Whitton
T +44 113 284 7364
E anthea.whitton@squirepb.com

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

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

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