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PPF Overview Step by Step Guide to the PPF Assessment Period

### Pensions Act 2004 - S120/S122 Notices – PPF entry

### Process to enter into an Assessment Period:

S120 Notice IP notifies TPR/PPF/Trustees of insolvency event within 14 days of being aware

 S122 Notice 'scheme status' notice confirms if a scheme rescue is possible (i.e. employer assumes responsibility for scheme liabilities)

PPF caseworker 28 days from receipt of all information to confirm if an Assessment Period (AP) has started

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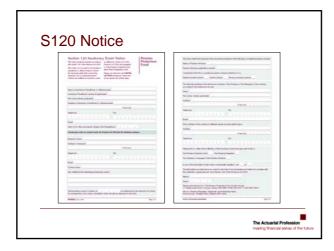
# **PPF Entry Conditions**

### Conditions for a Qualifying Scheme:

Defined benefit scheme excl public sector/DIS/LA only

- Not commenced winding up before 6/4/05
- Qualifying insolvency event e.g. members voluntary
- liquidation is a solvent form of liquidation
- No chance of a scheme rescue
- Assets are insufficient to secure benefits on wind up at least equal to PPF compensation (S143 Valuation stage)







# Initial Entry Tasks - Trustee

### The Independent Trustee:

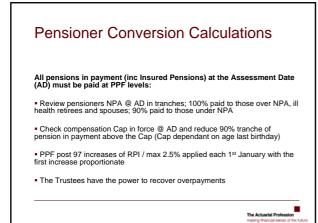
 Issues information to members within 28 days of being notified scheme has entered an AP

• Reviews the Advisers in place and invites advisers to tender for administration / actuarial

 Responsible for producing a Management Plan (template on PPF website) and confirming advisers fees

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### Pensioner Conversion - Case study

- Wind up triggered Jan 06 pensions reduced to 45% Jan 07 scheme entered assessment
- Calculate PPF compensation at AD what would have been in payment had wind up not occurred (pension pre wind up, apply scheme increase in April, check NPAs/Cap to PPF levels @ AD)
- Calculate under / overpayments interest due on underpayments calculated at 'reference bank' base rate - defined as four largest
- Communicate payroll changes to pensioners and align payroll date to 1<sup>st</sup> of a month

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## Admissible Rules

Scheme amendments made within 3 years prior to the Assessment Date are reviewed:

- Identify Rule amendments or discretionary increases 3 years prior to the AD
- If aggregate effect of the Rule amendments resulted in an overall increase in liabilities and hence potential PPF liabilities these changes are disregarded
- · Leaves Rules which are permitted as the "Admissible Rules" into the PPF
- · Review this early to ensure members being paid at correct levels
- Check equalisation was affected correctly

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- Scheme revised Definitive Deed done in 2004 within 3 years
- Legal advice confirmed rules not admissible into PPF due to the fact "written advice" had not been obtained
- 8 rule amendments since 1977 only 1986 amendment with written advice
- Counsel opinion sought case is to go to court
- Counsel in meantime have directed the Trustees to disregard 7 rule amendments and recalculate benefits on the 1977 Definitive Deed and 1986 amendment (Scheme has 2 assessment periods)

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# Data cleaning / GMP reconciliation

As with a Scheme in wind up all data must be cleaned and reconciled:

 10% benefit calculations checks; refer to the template calculation grid on the PPF's website (checks on retirements, deaths, deferred pensions, pension credits)

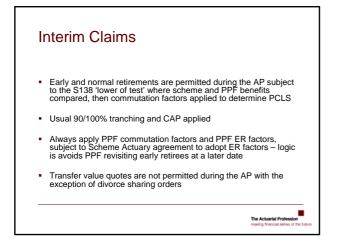
S27 Notice / DWP / Tracing agencies / pensioner existence checks

- GMPs must be reconciled
- Clean data for Capita Data Interface and complete Data Audit Log

Validate data held with members

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Validating Member Data		
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## **Discharge Non PPF Benefits**

All DC related benefits must be discharged prior to transferring into the PPF:

AVCs are classified as DC benefits - assigned or transferred

DC funds must be transferred to an appropriate buy out policy

 Insured Pensions are classified as PPF assets; Trustee identifies CPA policies and arranges for these to be paid through the pension payroll or CPA provider amends the pension to PPF levels

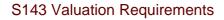
Note transfers in to a scheme are classified as DB benefits

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### Insured Annuities - Case study

- Data showed 4 pensioners had CPAs with Friends Provident firstly need to check if policies held in Trustees name
- · Friends Provident were unable to identify any of these
- 4 members were not listed on the GMP listings as members
- No NI numbers available to trace pensioners and ask them
- Conclusion unable to track where the benefits were secured PPF caseworker agreed to sign off

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The information required by the Scheme Actuary in order to perform the S143 Valuation:

- An audited asset statement as at the AD (transitional arrangements in place where an AP commenced prior to  $^{1\alpha}$  April 2007 and the S143 is submitted to the PPF by the end of 2007)

 Scheme Actuary agrees scope of S143 with PPF e.g. equalisation assumptions

 Cleaned data to be provided by the administrator; deferred benefits apply scheme revaluation in deferment to AD and data loaded into Capita Interface

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### S143 Approval

The process post submission of the S143 Valuation to the PPF:

PPF approves S143 Valuation within 1 month of receipt

 28 days after S143 approval Trustee issues the members the Valuation Summaries; a template is held on the PPF's website

Members have 2 months to review the Valuation Summary and raise any issues

 Note: S143 surplus case would result in a PPF reconsideration process if cannot buy out benefits at PPF level - 6 months to obtain buy out quotes

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# **Binding / Transfer Notices**

### The PPF issue Binding Notice and Transfer Notice:

Binding Notice issued within 14 days after the end of the Valuation Summary member response time

Transfer Notice issued 1 month after the Binding Notice

 Transfer pack (guidance) issued to the Trustees – PPF request copies of all contracts with advisers, investments assets to be transferred to the PPF and administrator to transfer all data/files



