

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

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)

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Pensioner Conversion Calculations

All pensions in payment (inc Insured Pensions) at the Assessment Date (AD) must be paid at PPF levels:

- Review pensioners NPA @ AD in tranches; 100% paid to those over NPA, ill health retirees and spouses; 90% paid to those under NPA
- Check compensation Cap in force @ AD and reduce 90% tranche of pension in payment above the Cap (Cap dependant on age last birthday)
- PPF post 97 increases of RPI / max 2.5% applied each 1st January with the first increase proportionate
- The Trustees have the power to recover overpayments

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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 1st 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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Admissible Rules – Case study

- 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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Interim Claims

- Early and normal retirements are permitted during the AP subject to the S138 'lower of test' where scheme and PPF benefits compared, then commutation factors applied to determine PCLS
- Usual 90/100% tranching and CAP applied
- Always apply PPF commutation factors and PPF ER factors, subject to Scheme Actuary agreement to adopt ER factors – logic is avoids PPF revisiting early retirees at a later date
- Transfer value quotes are not permitted during the AP with the exception of divorce sharing orders

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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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S143 Valuation Requirements

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 1st 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

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Transfer to the PPF

The final admin tasks to transfer the Scheme into the PPF:

- Transfer date is agreed with the PPF
- Final Capita data cut submitted
- Advisers fees to be settled prior to transfer date
- Administrator transfers all paper files and any outstanding work
- Pension payroll handed over to the PPF wef 1st of a month
- Final Accounts are optional i.e. it is not a PPF requirement (if final accounting period extended, TPR permission is not required)
- Scheme Trust dissolved - advise all Regulatory bodies

Questions

Any questions?