



Institute
and Faculty
of Actuaries

The 2014/15 Pension Protection Levy

Pension Protection Fund

Consultation Document

24 October 2013

About the Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



Mr Richard Willaims
Head of Corporate Affairs
Pension Protection Fund
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17 Addiscombe Road
Croydon
CR0 6SR

24 October 2013

Dear Chris

The 2014/15 Pension Protection Levy Consultation Document

The Institute and Faculty of Actuaries (IFoA) welcomes this consultation on the 2014/15 Determination. In particular we welcome the early publication of the draft contingent assets appendix. Early publication ensures that changes from one year to the next are subject to appropriate industry review before they are finalised.

Question 1: Do you agree with our proposal to allow re-certification where certification or recertification has occurred not more than five levy years previously?

The IFoA welcomes the proposal to simplify re-certification subject to the conditions set out.

Question 2: Do you agree with the proposed re-wording of the trustees' certification? Would you favour implementation of a change of wording in 2014/15 or prefer a delay to 2015/16?

Viewing this as an end-user, as opposed to providing a legal view, the IFoA agrees the proposed re-wording should be helpful for a number of schemes and as such we would be in favour of the early implementation for 2014/15.

Question 3: We would welcome suggestions or comments on our proposed approach in relation to the "Bridge" case.

The consequences of the "Bridge" case will be significant for affected schemes. Therefore, the IFoA would welcome the exercise of caution in reflecting the implications in the final determination. The IFoA recognises the challenge the new regulations will provide to the PPF with regards to increased defined benefit liabilities and a likely increase in s179 deficits. However, the challenge for the schemes affected by the new regulations should also be recognised.

The IFoA would encourage the PPF to issue a draft determination once the draft "Bridge" regulations have been released for consultation. This would enable trustees, sponsoring employers and advisers to have sufficient time to consider the implications for their schemes and to identify and implement any changes to scheme calculations. While the IFoA understands that the timeframe still remains uncertain, any early engagement the PPF wished to undertake on this issue would be welcomed.

2015/16 Levy

Although not a direct part of this consultation, the IFoA welcomes the PPF's announcement of an industry group that will consider the implications of the switch from D&B to Experian. While such discussions must be detailed and will require time to reach conclusions, the IFoA would welcome early publication by the PPF of changes to the insolvency risk/ failure score methodology (since we will soon be in the April 2014 to March 2015 period over which failure scores are measured for the 2015/16 levy) in order that all interested stakeholders can understand the implications of the changes introduced.

If you require any further information from the IFoA in reference to this response please contact Philip Doggart, Policy Manager (philip.doggart@actuaries.org.uk or +44 131 2401319) in the first instance.

Yours sincerely,

Martin Lowes
Chair, Pensions Consultations Sub-Committee
Institute and Faculty of Actuaries