

## PREMIER PENSIONS MANAGEMENT

### LEGISLATION UPDATE : 01/07

#### **Pension Protection Fund Annual Report and Accounts**

The Pension Protection Fund (PPF) Board has published its Report and Accounts for the year ending 31 December 2006.

The following are the important points:

- 98 Schemes covering 43,000 members are in the assessment period
- The PPF now expect to collect £324m from levy payments (original estimate £575m)
- It is unlikely that an investment risk factor will be introduced.

The PPF has also published a consultation document in relation to the 2007/8 levy invoices. They are expecting to raise £675m – more than double the amount levied in 2006/7. To achieve this they are anticipating the scaling factor used to calculate the “risk based levy” being changed from 0.53 to 2.02 (an increase of 281%).

In addition, a multiplier of 0.0195% is to be used to calculate the amount of “scheme based levy” (the part which depends on the size of pension liabilities) – an increase of 39% compared to the 0.014% figure used for 2006/7.

The PPF Board is also anticipating a change in approach in using the credit rating information provided by D&B. They will now use a Pension Protection Fund Score (provided by D&B) rather than the normal failure score.

Full details are unlikely to be finalised until April 2007.

#### **Contracting-out**

For the first time the DWP has decided not to follow the Government Actuary’s Department’s recommendation as to the level of the rebate. The DWP has decided to pay less than the recommendation.

Contracting-out therefore seems to be poor value for money. Any new scheme would generally be recommended to contract-in. Also if any major benefit reviews are being undertaken, schemes should consider contracting-in.

#### **Age Discrimination**

The overall effect of the age discrimination legislation will not be known for some time even though the revised regulations have been issued and became effective from 1 December 2006.

Two interesting highlights of the revised regulations are:

- 1 Schemes can operate different sections which are closed to new members while also having a separate section that remains open to new members. For example, a scheme could have a Final Salary section closed to new members that allows existing members to continue to accrue benefits and also have a separate Money Purchase section for new joiners.
- 2 Dependants' pensions can be reduced if the dependant is more than a certain number of years younger than the member. However, a simple formula such as reducing the pension by 2.5% for each year that the age difference is greater than 10 (as used by many schemes) will have to be replaced by a Rule applying an actuarial reduction to the dependants' pensions.

All Companies/Trustees should review their benefit provisions in light of the new legislation.

**January 2007**

*This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email: [paul.couchman@premierpensions.co.uk](mailto:paul.couchman@premierpensions.co.uk), if you require definitive advice.*