PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 04/07

Pension Protection Fund Levy

The Pension Protection Fund (PPF) has now published a consultation document in relation to the calculation of the 2007/2008 levy invoices.

They are expected to raise £675m from the 2007/2008 levies, more than double the 2006/7 levy.

The increase will be achieved by a rise in the levy paid by most schemes, particularly those with higher funding shortfalls and those with a low D&B rating.

The areas to focus on minimising the charge are:

1. To see if the Company can pay any additional lump sums into the Scheme. If it can, it should be paid prior to 30 March 2007 and a Section 179 Valuation submitted.

2. To obtain as high a rating as possible from D&B. This year there is a change in approach for using the D&B information. The PPF will obtain a "Pension Protection Fund Score" as opposed to the normal "Failure Score"

3. The need to consider the D&B rating of all the Participating Employers.

The recent European Court case concerning ASW has allayed some fears that the PPF does not have to provide 100% coverage for member's whose schemes have been accepted into the PPF. The ECJ decided that providing members receive not less than 50% of their benefits, the UK would be seen as complying with the EU Insolvency Directive. Therefore, somewhere between 50% and 100% is acceptable. In the ASW case the ECJ has referred the matter back to the High Court.

For some individuals the effect of the £25,000 cap in the PPF and the removal of full indexation on pensions in payment, may mean they actually receive less than 50% of their Scheme benefit from the PPF. It remains to be seen if any changes are planned to the benefit structure of the PPF or if any challenges are bought before the courts.

February 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, if you require definitive advice