

PREMIER PENSIONS MANGAEMENT

LEGISLATION UPDATE : 9/05

PPF Levy and Scheme Specific Funding

PPF levy

Concerns have been raised about the size of the PPF levy which is being proposed for 2006/2007 as well as some additional administration which will be created. Based on this feedback, the PPF have announced the following developments: -

1. Account will be taken of any special cash contributions made by Schemes since the last valuation to help fund deficits. Actuaries will be required to certify the cash contribution.
2. More time will now be given for Section 179 valuations (valuations just to calculate the PPF liability). PPF have now extended the deadline by three months to 31 March 2006.
3. The Board of the PPF is "minded to take account of" contingent assets in the risk based levy calculation and it will issue a further consultation on this issue shortly.

If you have not been advised about the likely size of your levy (which is in addition to current funding) and would like an indication, please do not hesitate to contact us

Scheme Specific Funding

The Pensions Regulator has yesterday issued more draft regulations for review with regard to Scheme Specific Funding.

The general approach is scheme specific and will be focused on schemes posing the greatest risk to members' benefits. The document they have issued sets out how these schemes will be identified by the Regulator.

Schemes will be regarded as being "at risk" when they hit certain triggers. The trigger points will relate to the PPF and FRS17 figures for typical schemes, with separate triggers for schemes with recovery plans longer than 10 years.

Schemes will also generate attention through clearance cases, notifiable events, whistleblowing and through issues raised in annual scheme returns that need to be completed.

To ensure that appropriate funding arrangements are put in place, the Regulator intends to focus on the technical provisions and recovery plans agreed by Trustees and Employers, along with cases where no agreement has been reached.

The Regulator will distinguish between schemes where rapid elimination of shortfall would have a serious impact on the Employer and those where Employers could potentially afford to pay off the shortfall quickly.

They state that the general aim is for Trustees and Employers to resolve funding issues between themselves wherever possible, without regulatory intervention.

The consultation period is to run for 12 weeks and will be followed by a formal statement on the regulatory approach which will be adopted early in 2006.

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