

PPF Consults On Third PPF Levy Triennium

At the end of last week the Pension Protection Fund (PPF) published a consultation paper in respect of key proposed changes to the calculation of the risk based element of the PPF levy that is planned to come in to force for the third PPF Levy Triennium commencing with the 2018/19 levy year.

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Proposed Changes To Experian Scorecards

The main proposed changes relate to the Experian scorecards used to predict insolvency probabilities of employers.

The PPF is planning to:

- Combine the populations of the "Large and Complex" and "Independent" scorecards and then split them into two scorecards by turnover size (with a £30 million annual turnover threshold). The intention is to better model the risks posed by small-and-medium-sized enterprises (SMEs).
- Rebuild the two "small accounts" scorecards and the "Not for Profit" scorecards to improve the level of predictiveness.
- Use credit ratings for some of the largest employers.

Anticipated Impact Of Changes

It is expected that smaller employers will see a reduction to their levies with some of the much larger employers picking up a greater share of the overall levy. The key finding from the research undertaken by the PPF is that around two-thirds of pension schemes will see a reduction in levy with one-fifth seeing an increase in their levy.

Other Potential Changes

The PPF is also consulting on whether to move away from using an average of monthly Experian scores. It is considering moving back to an assessment on 31 March each year which was a methodology adopted in earlier levy years.

The PPF has noted that it believes that there are some barriers for smaller schemes in terms of Deficit-Reduction Contributions certificates (DRCs) and putting in place Contingent Assets. The PPF acknowledges

that these are predominately used by larger pension schemes and so it wishes to seek views on how the process can be simplified for smaller schemes.

The Work and Pensions Select Committee has recommended to the PPF that it should examine how the levy framework could incentivise schemes to improve their governance. The PPF is therefore seeking views on how good governance could be measured so that it can be recognised in the calculation of the risk based levy.

In Closing

In the months leading up to the consultation, the PPF has worked with Experian to provide pension schemes with the detail of what its levy bandings would look like under the new proposals. This information is provided via the www.ppfscore.co.uk website.

If you need any help or assistance to help you understand the possible implications of the proposed changes then please contact your usual Conduent adviser.

The consultation will close on 15 May 2017. It is expected that a second consultation will then begin in the autumn setting out the PPF's conclusions and how these should be included under the new levy rules.

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