Sarah Henderson
Associate
Sacker and Partners LLP

LEGAL

Are you ready for the 2017-18 PPF levy year?

Publication of the provisional Pension Protection Fund (PPF) levy rules for 2017-18, and the latest from the PPF on re-issuing invoices to correct previous Last Man Standing (LMS) discounts, mean that there's plenty your scheme can do to make sure you are ready for the next PPF levy year.

PPF levy rules for 2017-18

The rules are largely unaltered, making it business as usual for the certification/recertification of contingent assets and ABCs.

The most significant change to the levy rules is that the PPF will allow employers to certify an adjustment to the figures in their accounts where the move to new accounting standard FRS 102 (or FRS 101) would otherwise cause an artificial movement in their levy rating.

Schemes with no substantive sponsor

The PPF is considering putting in place a rule to ensure that the levy is calculated appropriately for eligible schemes which cease to have a substantive sponsoring employer after a restructuring of the pension arrangements. In such circumstances, the risk of insolvency is fundamentally related to the investment performance of the scheme and cannot be measured by considering the financial position of the shell company or special purpose vehicle which has become the scheme's sponsoring employer. The final levy rules will confirm what, if any, the rules are on this.

LMS discounts

From the levy year 2015-16, the PPF required schemes to have legal advice confirming their LMS status if they identified as such on their scheme returns. Since then the PPF has adopted a phased approach to contacting schemes and assessing whether new invoices should be issued for any years where schemes incorrectly benefitted from a levy discount. The PPF recently confirmed that it intends "to complete notifying the remainder [of affected schemes that they will be assessed] in the near future".

What you need to do now

The PPF has encouraged employers and trustees to take immediate action to get ready for the 2017-18 levy year, despite only having published provisional levy rules (the final rules are due to be confirmed by 31 March 2017, and should contain no changes to the provisional rules save for a potential new approach for calculating risk-based levies for schemes with no sponsoring employer).

- as soon as possible, if your scheme has a scorecard with trend variables, the employer should test whether certifying adjustments to the accounting figures is likely to impact its Experian score sufficiently to lead to a different levy
- as soon as possible, kick start your process for obtaining assurances of guarantor strength relating to your contingent assets to allow your trustees to make the necessary certification in this respect
- by midnight on 31 March 2017, certify/re-certify contingent assets and ABCs that you want to be taken into account for the PPF levy calculation
- by midnight on 31 March 2017, submit/update all information about your scheme relevant to the PPF levy calculation – in a change from last year, Experian will calculate scores for new guarantors (for Type A contingent assets) providing annual accounts are voluntarily submitted, or filed with one of the registries that Experian collect accounts from, by 31 March 2017 (ordinarily employer accounts must be filed one month before the measurement time to be used)
- if you previously incorrectly identified as an LMS scheme and have not yet been contacted by the PPF, be ready to confirm your scheme structure for the relevant years and submit relevant information within 28 days of any request made to do so from the PPF

Looking forward to the next PPF triennium

The PPF has begun work on developing its levies for the next triennium (2018-19 – 2021-22) and intends to consult on its proposals in Spring 2017.