First Briefing, March 2020 – PPF levy 2020/21

The Pension Protection Fund (PPF) has published the final determination and policy for the 2020/21 levy year.

As it's drawing close to the end of March 2020, this briefing provides you with a reminder of the changes made since the 2019/20 levy year, what actions you should take to help make sure your levy is correct, and the key submission deadline dates.

PPF Levy Year 2020/21

The Pension Protection Fund (PPF) has published its Determination setting out how the levy will be calculated for the 2020/21 year. The PPF expects to collect £620m in levies for 2020/21.

The PPF expects levies to increase on average by 8%, compared to 2019/20. The main reason for the increase is lower gilt yields, which tend to increase scheme liabilities, and therefore scheme deficits. An increasing size of claims on the PPF have also contributed to the increase.

However, while the PPF expects levies to increase by around 8% on average for 2020/21, the levy increase for each individual scheme will depend on its specific circumstances.

What actions should I take?

- Monitor the information held by Experian to ensure it is correct
- Ensure Scheme Return information submitted on Exchange is correct, including s179 valuation results
- Familiarise yourself with any relevant new guidance
- Consider if the usual levy reduction opportunities, such as deficit-reduction certificates and certifying new contingent assets or re-certifying existing ones, would be effective
- Update your billing address to ensure levy bills go to the most appropriate address

Update your billing address

The Trustees must ensure that the correct billing contact is recorded in Exchange so the PPF levy is sent to the correct address.

The PPF has flagged up that,

> ***"If you would like the invoice to be sent to a named contact, please enter this information in the billing address section on the Pensions Regulator's website (Exchange). This can be found under part 2.3, titled 'Scheme Details'***
>
> ***If this information isn't updated, the PPF levy invoice will be addressed and sent to the scheme trustees at the registered scheme address.***
>
> ***The PPF levy invoice is not sent to scheme levy contacts listed in Exchange."***

Note that it's The Pensions Regulator's levy invoice which is sent to the scheme levy contacts listed in Exchange.

Changes since the previous levy year

The areas where the 2020/21 rules are slightly different from the 2019/20 rules are as follows:

Factors	What has changed?
GMP equalisation	allowance in accounts
Contingent assets	updated guidance
Small accounts	amended definition
S&P Credit model	recalibrated model

GMP equalisation

Where a GMP equalisation adjustment is the sole reason an employer is reporting a loss rather than a profit in their accounts, the PPF has set out the conditions under which significantly affected levy payers can ask for an adjustment of their insolvency risk score.

To apply for an adjustment, the following conditions must be met:

- a specific amount can be identified in accounts which solely relates to GMP equalisation,
- the adjustment would result in the employer reporting a pre-tax profit rather than a loss, and
- the adjustment would result in a more favourable levy band

Employers must submit the requests within 28 days of Experian publishing the 2020/21 mean scores (expected early July 2020).

Submission will be done via a form, together with supporting evidence. The PPF will publish the form in due course.

Contingent assets

Updated guidance for Type A contingent assets was published which promotes a more “holistic” approach and places increased reliance on professional judgement. This was to discourage a “tick box” approach in assessing the ability of the guarantor to meet the amount guaranteed.

The updated guidance mainly focussed on Guarantor Strength Reports, which would be required if the contingent asset results in a levy saving of £100,000 or more. The PPF has tweaked the guidance, using less prescriptive wording, for example using “should” instead of “must”. The guidance should be followed unless a good reason is given and a different approach is justified.

More details can be found at: https://www.ppf.co.uk/sites/default/files/file-2019-12/guidance_on_contingent_assets_type_a_part_2_of_4_2021.pdf

Small accounts

Experian have been instructed to categorise employers as full accounts if the data collected can support this. They will write to affected schemes.

Standard and Poor’s (S&P) credit model

S&P credit model is used instead of Experian for around 70 financial institutions. PPF are using a recalibrated version of this model for the 2020/21 levy. They expect this to make the scores worse for some of these institutions.

Key dates and deadlines

Ongoing	
Experian Score Measurement Date	Monthly between 30 April 2019 – 31 March 2020 Data must be submitted to Experian one month before the measurement date to ensure it impacts on the score
By midnight, 31 March 2020	
Submit via online Exchange	• Scheme returns • Contingent assets certificates • Guarantor Strength Reports
Email to the PPF	• Asset backed contributions (ABC) certificates • Special category employer applications (and confirmation of no change)
Email to Experian	• Mortgage exclusions certificates • Accounting Standard Change certificates
By 5pm, 1 April 2020	
If you are required to send hard copies of the Contingent assets documents, including Guarantor Strength Reports, these must be delivered to the PPF office by 5pm on 1 April 2020.	
By 5pm, 30 April 2020	
Certification of deficit-reduction contributions	
Exempt transfer applications	
By 5pm, 30 June 2020	
Certification of full block transfers	
July 2020	
Experian Mean Scores	To be published by Experian in early July 2020
GMP equalisation adjustment	Employers must submit the requests within 28 days of Experian publishing the 2020/21 mean scores
Autumn 2020	
Invoicing starts	Autumn 2020

Further information

For further information, please contact your usual First Actuarial consultant.