

Pensions Bulletin March 2013

Key dates for the 2013/2014 PPF levy

The following deadlines apply to the 2013/14 levy year:

- ◆ 5pm on 28 March 2013 for submission of levy data on Exchange
- ◆ 5pm on 28 March 2013 for certification / re-certification of contingent assets
- ◆ 5pm on 30 April 2013 for deficit reduction contributions
- ◆ 5pm on 28 June 2013 for final certification of full block transfers that have taken place up to and including 31 March 2013.

Contingent assets – new requirements

There are new requirements this year for trustees certifying (or re-certifying) group company guarantees (“Type-A contingent assets”).

The certification that trustees have to provide is the same as last year, that:

“The trustees have no reason to believe that each certified guarantor, as at the date of the certificate, could not meet its full commitment under the contingent asset as certified.”

However, the PPF seem to have concerns that trustees in some cases have not been giving proper consideration to this certification. In particular, the PPF have now stressed that before giving this certification the strength of the guarantor must be valued on the assumption that the scheme’s sponsoring employer is insolvent.

Trustees must assess the guarantor’s position after considering:

“the reasonably foreseeable impact of the insolvency of the employer whose liabilities are being guaranteed, assuming that were to occur in the near future”.

Problems noted by the PPF in relation to guarantees certified in the past include:

- ◆ Trustees failing to assess the impact that the insolvency of the scheme sponsor would have on the company providing the guarantee.
- ◆ Trustees focusing on net asset value of the guarantor, to reassure themselves that they can provide the certification quoted above, but without understanding the type and liquidity of those net assets. For example, if the net asset value of the guarantor consists largely of inter-company loans and investments in subsidiaries, trustees should question the value of those net assets in the event of insolvency of the scheme’s sponsor.



ISO27001



ISO9001

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- ◆ Trustees basing their assessment of the strength of the guarantee on the existence of possible support from other group companies, even if there is no legal obligation on those other group companies to provide such support.
- ◆ Trustees confusing the strength of the guarantee with the impact of group company support on the scheme's sponsor covenant.

Trustees must satisfy themselves that they have no reason to believe the guarantor would not be able to pay the sum guaranteed if called upon to do so. Note that it is possible that the PPF may require trustees to provide evidence of this, so it is important that the trustees document what they have done to satisfy themselves that they can give the certification. Trustees may also wish to consider whether to obtain a report from an external reviewer, noting again that this is something that the PPF could insist upon.

Further information, including some examples and FAQs can be found here:

http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/CA_strength_Feb13.pdf

For further assistance please contact Andrew Allsopp FIA on 01527 598688.

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