

Managing your PPF levy

A number of deadlines for PPF levy purposes will soon be upon us. Trustees who want to minimise their PPF levies will need to ensure that the deadlines are not missed. Employers may also have an interest here – since they will pick up levy costs, directly or indirectly.

For the **2010/11 levy**:

- Contingent asset arrangements will need to be certified or recertified by **5 p.m. on 31 March 2010**.
- Deficit reduction contributions will need to be paid by **31 March 2010** and certified by **5 p.m. on 9 April 2010**.
- Any “full” block transfers will need to be made by 31 March 2010 and certified by 5 p.m. on 30 June 2010.

For the **2011/12 levy**:

- Some employers may be able to improve their failure score by supplying information to Dun & Bradstreet – the deadline for doing so is **5 p.m. on 30 March 2010**.
- The levy will be based on scheme data (including s179 valuation results) held on the Pensions Regulator’s Exchange system as at **5 p.m. on 31 March 2010**. Any relevant data should therefore be submitted by that time. It would also be prudent to check data already submitted – the PPF will very rarely allow correction after the deadline.
- Any “full” or “partial” block transfers will need to be made by **31 March 2010** and certified by **5 p.m. on 30 June 2010**.

In most cases, certificates and data must be submitted through the Exchange system. However, hard copy documents required to support contingent asset arrangements must be sent to the PPF’s office in Croydon.

Further information about some of these points is set out below.

We would be glad to assist clients with any of the issues covered in this Update, drawing on the expertise of

colleagues in our Finance and Real Estate groups where appropriate. But please note that we will not be taking any action unless you specifically ask us to. If you do wish us to assist, please contact us as soon as possible: as mentioned below, some of the necessary processes **may take a significant amount of time to complete**.

Re-certifying existing contingent asset arrangements

“Contingent asset arrangements” include intra-group guarantees, charges over assets and bank guarantees.

Some schemes will have contingent asset arrangements which were in place and certified to the PPF by 31 March 2009. Trustees will need to re-certify these arrangements by 5 p.m. on 31 March 2010.

In most cases, this will be straightforward. Trustees will be able to re-certify online by submitting a partially pre-populated certificate.

However, in the following situations, the process is more complex, and may take a significant amount of time:

- where arrangements involve real estate – an updated valuation may need to be submitted;
- where there have been changes to the arrangements – the changes will need to be documented by deed, and further legal work and submissions may be necessary in order to meet PPF requirements.

“New” contingent asset arrangements

Trustees who wish the PPF to recognise a contingent asset arrangement for the first time will need to ensure that the arrangement is documented in the form required by the PPF, and that all necessary documents and certificates are submitted to the PPF by 5 p.m. on 31 March 2010.

This will take a significant amount of time – especially if:

- an overseas company is involved; or
- the arrangements comprise a charge over assets – among other things, title to the assets may need to be investigated and a valuation may need to be obtained.

Deficit reduction contributions

“Deficit reduction contributions” are contributions paid into a scheme between valuations to improve funding on a s179 basis.

For deficit reduction contributions to be taken into account for the 2010/11 levy, they must be paid by 31 March 2010 and the trustees must then provide the PPF with certification by 5 p.m. on 9 April 2010.

Block transfers

A full or partial block transfer may serve to reduce a scheme’s levy. In very broad terms, a “full” transfer is one which leaves a scheme with fewer than two members, while a “partial transfer” is one which meets certain materiality tests (e.g. the value of the assets transferred exceeds £1.5m).

For the 2010/11 levy, any full block transfer will need to be made by 31 March 2010, and the trustees will then need to provide the PPF with certification and hard copy documents by 5 p.m. on 30 June 2010.

For the 2011/12 levy, any full or partial block transfer will need to be made and certified by the same deadlines.

D&B ratings – “nationwide” classification

In 2009 Dun & Bradstreet updated its failure score methodology and the insolvency probabilities which it associates with individual failure scores. The new methodology will have an impact on the levy for the first time in 2011/12.

Part of the new methodology involves the introduction of a “nationwide” classification for companies with branches in three or more different regions. Their failure score is to be adjusted to reflect the decreased risk faced by such companies. Trustees or employers who wish to take advantage of the new classification should act quickly to check that D&B hold the correct information on branch locations.

The deadline for providing information to D&B for failure score purposes, including evidence supporting nationwide status, is 5 p.m. on 30 March 2010.

“Last man standing”

The Annual Return asks for the scheme structure to be certified by reference to two questions, (i) whether there is a requirement or discretion to segregate and (ii) whether it is a centralised scheme for non-associated employers. A couple of points have come to our attention:

- it is not always clear whether there is a requirement or discretion to segregate – scheme rules may appear to say there is, but in substance the segregation would not be effective
- those few schemes that were approved under the old discretionary tax regime as “centralised schemes for associated employers” on the basis of permanent community of interest, rather than shareholding or voting control, may for PPF purposes be schemes for “non-associated employers”.

If you would like assistance with any of the issues mentioned in this Update, please ask your usual Mayer Brown contact as soon as possible.

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