Pension Protection Fund

Consultation Document

The 2016/17 Pension Protection Levy Consultation Document

September 2015

Foreword

One of our key aims when we set the levy and the levy rules is to provide schemes and their employers with as much stability and consistency as possible. We have therefore chosen to keep the levy rules substantially the same for 2016/17, the second year of this levy triennium.

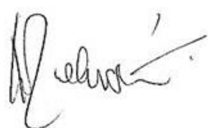
Given that we intend to keep the Levy Scaling Factor and associated factors unchanged, our levy estimate for 2016/17 is £615 million, which is £20 million lower than the 2015/16 estimate of £635 million. The reduction reflects improvements in the Experian scores that scheme employers and guarantors are receiving, offset by the deterioration in scheme funding since we made last year's estimate.

The changes we are proposing in this consultation document focus on our efforts to reduce burdens on schemes and to improve practical elements of the rules. We are, for example, seeking to simplify the process for re-certifying mortgage exclusions and asset backed contributions.

We will continue to monitor the performance of the model, along with other aspects of the levy, to ensure the rules work in practice and with a view to assessing the evidence for any change at the end of the current triennium. We would welcome evidence from schemes on both our proposals for 2016/17 and for future improvements.

More broadly, I am pleased to say that our move to a model that is focussed on financial data, is fully transparent and is easy to monitor has been, and continues to be, widely welcomed. I would like to take the opportunity once again to thank the wide range of industry stakeholders and professionals who have helped, and continue to help us develop our approach.

Finally, in this prolonged period of weak funding for DB schemes, I would encourage schemes to continue to put in place risk reduction measures that can improve security for their members and reduce their levy bills.



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1. Introduction and Executive Summary

1.1 Introduction

1.1.1 This consultation document sets out the basis on which we intend to charge the Pension Protection Levy for the 2016/17 Levy Year. This includes the levy estimate (our expected total collection), the levy scaling factor, the scheme-based levy multiplier, and associated rules and guidance.

1.2 Overview

1.2.1 A key feature of the levy framework we operate is that we aim to maintain stability in the way in which the levy is calculated, as far as that is possible over a three year period (or triennium). This objective covers both the parameters for the levy, and other aspects of the Levy Rules.

1.2.2 However, although we aim for stability across the triennium, the determination of our Levy Rules and publication of the Levy Estimate for the year remains an annual process (as required by the Pensions Act), so we have considered whether each of the levy parameters remains appropriate and calculated our Levy Estimate for 2016/17 based on those parameters. We have concluded no changes need be made.

1.2.3 The Levy Rules for 2016/17 will be very substantially the same as for 2015/16. This reflects our desire to maintain stability of methodology for the three years of the second triennium (2015/16 to 2017/18). As set out later in this document the most significant changes are to simplify reporting requirements on schemes rather than to alter the methodology.

1.2.4 The draft Determination under section 175(5) of the Pensions Act 2004 is published alongside this consultation document. These Levy Rules express the Board's policy in legal form and govern the basis on which we calculate the levy.

1.2.5 The closing date for the consultation is 22 October. We will publish our consultation conclusions before the end of 2015.

1.3 Insolvency Risk measurement

1.3.1 2015/16 saw the introduction of a new PPF-specific insolvency risk scoring methodology, developed with Experian, the Pension Protection Score (PPS). As we indicated in our December 2014 Policy Statement, we have kept the new methodology under review. Our own work to assess the operation of the model, combined with stakeholder comment, suggests limited need to make changes. Those that we are planning to make are of an essentially limited and technical nature.

1.3.2 We propose to make the following changes to the Levy Rules in relation to the PPF-Specific Model (the Model):

- For mortgage exclusions we are proposing that only immaterial mortgages will need to be re-certified. The benefit of other existing certificates will be carried over for 2016/17 scores. This will remove a recertification burden for several hundred employers, with the PPF instead checking certifications are still valid.

- The rule on Refinance Mortgages will make clear that a restatement/confirmation of an existing charge is not a new charge and can be certified for exclusion.
- Clarifying the rule setting out how companies evidence the connection between Original and Refinance Mortgages.
- We are inviting feedback on a possible limited extension of the regime for exclusion of mortgages to cover charges over accounts.
- For accounts not published in sterling we are changing our convention on exchange rates, to use the rate in force at the most recent accounts date, including for trend variables.
- Companies that provide Experian with full accounts, though they file abbreviated accounts with Companies House, will be able to provide preceding years' full accounts for trend variable calculations.

1.4 Other policy areas

1.4.1 Last year saw the introduction of a new approach to measuring the value of asset backed funding structures (ABCs). The valuations of all the arrangements which were certified as having a value on insolvency were reviewed by us. We have flagged some lessons from the review in Section 4, but overall, the reports appeared to have been carried out to a high standard. We have amended the guidance in line with our review experience, and indicated the potential for a light touch approach to recertifying arrangements previously certified.

1.4.2 Last year also saw the introduction of new requirements in relation to Type A guarantees, in particular the requirement to have an identified sum, the Realisable Recovery, in relation to which trustees certify the guarantor's ability to meet liabilities. Our review of contingent asset certifications for 2015/16 indicates that this has improved the quality of the underlying analysis performed or commissioned by trustees, though more improvement is needed in some cases.

1.4.3 We have updated the guidance on submitting contingent assets to reflect supplementary material on how to consider the strength of the guarantor which we issued in early February 2015. Together with a series of interactive seminars we are offering to trustees and advisers in the autumn, we are hopeful this will further clarify requirements.

1.4.4 In order to eliminate differing deadlines between ourselves and the Pensions Regulator we are moving the Measurement Time for the submission of scheme data from 5pm to midnight on 31 March. Section 5 contains more information on this.

1.5 The Levy Estimate

Factors influencing the Levy Estimate

1.5.1 The Board is required to publish a Levy Estimate before it sets the rules for each year. Last year we set a Levy Estimate of £635 million for 2015/16.

1.5.2 Looking ahead to 2016/17, we see a further increase in underfunding risk, reflecting the impact of recent market conditions (in particular, low

gilt yields) on smoothed funding (our levy formula smoothes funding over a five year period to reduce volatility).

1.5.3 At the same time, improvements in insolvency risk scores which we have observed since making the 2015/16 estimate, and future anticipated improvements, are expected to more than offset this. As a result, our Levy Estimate for 2016/17 is £615 million.

1.5.4 The Board has indicated since 2012/13 that it would only propose to intervene to control the change in levy within a triennium were it to exceed a 25 per cent year on year shift. Since the 2016/17 levy estimate is around a three per cent reduction on 2015/16, the Board is therefore formally confirming that it does not intend to adjust the levy scaling factor or scheme-based levy multiplier for 2016/17.

1.6 2017/18 and later years

1.6.1 The current triennium runs until 2017/18 and our approach is to avoid implementing changes to the levy framework as far as possible within a triennium. Next year we will be looking ahead to the third triennium and taking the opportunity to review more significant elements of the riskbased levy calculation.

1.6.2 This will be the point at which to review the performance of the PPFspecific model and consider whether any changes are needed to the way in which scores are calculated. This will also provide an opportunity for stakeholders to raise wider points regarding the model for example, though we will continue to base any changes on statistically reliable evidence.

1.6.3 A particular issue raised with us is the impact of the move, for many entities, to accounting based on Financial Reporting Standard 102 (FRS102) which is likely to affect some scores from 2017/18, though typically the full-year effect will only be seen in 2018/19. We are working with Experian and stakeholders to understand the impacts before 2018/19 so that we can consider whether there is any necessary action for the intermediate years.

1.7 Schemes erroneously identifying themselves as Associated Last Man Standing

1.7.1 In 2015/16 schemes identifying themselves as Associated Last Man Standing (LMS) on Exchange were required to confirm that they had taken legal advice to confirm their structure. This exercise has made clear that not all those schemes that have previously indicated they are LMS, and have benefited from a reduced levy as a result, in fact have that scheme structure.

1.7.2 While this is not strictly an issue for consultation (and does not relate to the 2016/17 levy) we are taking the opportunity to set out what we intend

to do (in Section 4). This will involve contacting schemes, later this year or in 2016/17, and, where appropriate, re-invoicing.

2. The Levy Framework, Levy Estimate and Parameters

2.1 Introduction - second triennium

2.1.1 Our levy framework seeks to provide stability of methodology through establishing rules that can be substantially unchanged for a three year period ("triennium"). 2016/17 is the second year of our second triennium.

2.1.2 Within a broadly unchanged overall framework, the main development for the second triennium was the introduction of a new PPF-specific insolvency risk scoring methodology, developed with Experian, the Pension Protection Score.

2.1.3 In conjunction with the move to the new model, we updated the levy bands and rates which serve to incorporate insolvency scores in the levy. Limited other changes were made – principally in relation to certifying type A contingent assets and Asset Backed Contributions (ABCs). Other aspects of the approach established for the first triennium were carried forward, including for example the approach to assessing investment risk and the associated stress factors – reflecting our aim for stability in the methodology used where practical.

2.1.4 We also set the scaling factor and scheme-based multiplier that are used in the levy calculation, and indicated it was our intention that these remain constant for the triennium unless that would result in setting a levy estimate outside an acceptable range (see paragraph 2.2.1 below).

2.1.5 Finally, we said that we would aim more generally for stability of the levy rules within the second triennium unless issues were identified that needed to be corrected more quickly. We noted that, given the newness of the PPF-specific model we would monitor it closely. However in making any changes we would continue to focus on the evidence base.

2.1.6 Although we acknowledge that some individual schemes and small sectors consider that the model does not adequately reflect their particular circumstances, our own work to assess the operation of the model, combined with general stakeholder comment, suggests limited need to make changes. Those that we are planning to make are of an essentially limited and technical nature. We are keen to improve processes or simplify requirements providing this does not diminish the effectiveness of the model.

2.2 The triggers for changing parameters

2.2.1 Our levy framework set a formula for the levy, including the associated levy parameters. Other than in specific limited circumstances, we intend to keep the levy parameters unchanged for the current triennium, i.e. up to

and including 2017/18. The circumstances we specified for changing the parameters are where their retention would cause:

- the levy estimate to exceed the levy ceiling, or,
- the scheme-based levy estimate to exceed the statutory maximum of 20 per cent of the total levy estimate, or,
- the levy estimate to vary by more than 25 per cent from the preceding year's estimate; in 2015/16 our published estimate was £635 million.

2.2.2 Over 2016/17 we expect to see a further increase in underfunding risk, reflecting the impact of recent market conditions (in particular, low gilt yields) on smoothed funding (our levy formula smoothes funding over a five year period to reduce volatility).

2.2.3 At the same time, improvements in insolvency risk scores which we have observed since making the 2015/16 estimate, and future anticipated improvements, are expected to more than offset this. Using these and other assumptions (detailed below) together with unchanged levy parameters produces a Levy Estimate for 2016/17 of £615m.

2.2.4 This estimate does not breach any of the three conditions set out above. Therefore for 2016/17 we will not be changing the scaling factors and our Levy Estimate is £615 million.

2.3 Our assumptions for the 2016/17 Levy Estimate

2.3.1 Assumptions are needed because we produce the estimate well in advance of having all the data that will be used in levy invoice calculations. Scheme return data and contingent asset certifications/recertifications will not be submitted until March 2016; monthly Pension Protection Scores will be used up until March 2016; and schemes can submit other information about deficit reduction contributions and block transfers up to the end of April and June 2016 respectively.

2.3.2 In setting our assumptions we have looked at experience of trends in previous years, market data and also sought input from a number of firms of actuaries, to obtain their views of scheme behaviour in the run up to 2016/17. It is always difficult to judge the setting of individual assumptions but taken together we consider that these assumptions provide a balanced view of the factors that may affect the total levy.

2.3.3 Existing scheme data, together with our assumptions, is used to estimate the impact on levy invoices of various factors, the most material of which are changes in the size and make-up of the defined benefit universe, scheme funding, insolvency risk and PPF approved contingent assets. Our assumptions for each of these areas are set out in more detail below and are generally consistent with the approach taken last year. Consultancy responses to our stakeholder questionnaire (relating to likely scheme behaviour) suggest that the maintenance of this approach is reasonable.

Changes in the defined benefit universe

2.3.4 Each year a proportion of schemes will cease to be eligible for the PPF levy. This may be because they have bought out their liabilities, or otherwise

transferred them out of the levyable universe, or it may be because the scheme has entered an assessment period.

2.3.5 We have assumed that the overall impact will be in line with actual experience in respect of the 2015/16 levy, adjusted to reflect the proportionate impact of those material schemes which have entered assessment to date in 2015/16. All else being equal, this assumption serves to reduce our Levy Estimate.

Scheme Funding

2.3.6 Each year the funding risk of schemes will change as a result of market movements, new accrual and payments to reduce deficits (certified as DRCs). The assumptions for market movements - which are used when we roll forward and smooth scheme return data for invoicing - are particularly critical as these include the gilt yields used to discount liabilities, as well as the indices used to value assets.

2.3.7 To reduce volatility in levies arising from market movements, the calculation of the underfunding risk smoothes market conditions over a period of five years. As a result assumptions are required regarding market yields and indices over the period from the date on which the levy estimate is calculated up to 31 March 2016.

2.3.8 From 2015/16, as one of a range of improvements to forecasting the levy estimate, we moved to deriving our future yield and index values from the Economic Scenario Generator (ESG). This is a stochastic tool used by the PPF to generate a range of economic scenarios over a number of years, for example as a feed in to our Funding Strategy. We have again used this method for 2016/17.

2.3.9 The Levy Estimate is particularly sensitive to assumptions for yields and indices. A small percentage change to assets or liabilities can have a larger impact on underfunding.

2.3.10 We assume that schemes that certified Deficit Reduction Contributions (DRCs) for 2015/16 and/or 2014/15 will also submit a DRC certificate for 2016/17, incorporating new DRCs over the year to 31 March 2016 at the same annual rate as implied by the latest DRC certificate for each scheme. Increased deficits may place immediate upward pressure on DRCs, counteracted by employers' ability to make use of the flexibilities in the Pensions Regulator's funding regime. On balance, we consider it likely that contributions will remain broadly at their current levels.

2.3.11 Investment risk forms a part of the assessment of scheme funding for 2016/17. There is little reason to expect a substantial shift in investment strategies amongst the majority of schemes so we have taken the asset mix of each scheme as reported by March 2015 and rolled each constituent part forward to March 2016 in line with actual and projected market indices. We have further assumed that all schemes which submitted a bespoke stress for 2015/16 will do so again for 2016/17 and that the impact of the stress calculations that schemes submit will be unchanged from 2015/16. We have also assumed that new voluntary

bespoke stress submissions will have the same impact on levy as the new submissions did in 2015/16.

Changes in Insolvency Risk

2.3.12 We need to make assumptions about how the pension protection scores that we use to measure insolvency risk will change over the year to the end of March 2016 and indeed afterwards due to any appeals. To do this we have looked at the overall improvement in pension protection scores between an early data cut from March 2014 to the averaged scores that will be used for the 2015/16 invoices. We have then assumed that the corresponding impact in levy reduction will be replicated from 2015/16

to 2016/17. We have analysed the scores for April to July 2015 and this analysis has supported the assumption.

2.3.13 In addition we have made an assumption for score improvements due to appeals in 2015/16 and in 2016/17. These assumptions are derived from an extrapolation of actual experience in respect of 2015/16 pre-invoicing appeals.

2.3.14 We have assumed that schemes that submitted voluntary certificates in relation to mortgages for 2015/16 will continue to benefit for 2016/17.

Changes in Risk Reduction Measures

2.3.15 Modelling the impact of contingent assets is a complex area. The approach we use is to assume that all existing contingent assets remain in place, and then to make global assumptions in relation to rejections, schemes choosing not to recertify and in relation to the putting in place of new arrangements. In each case we base the assumptions on our recent experience.

2.3.16 We have assumed that all schemes which certified an ABC arrangement for 2015/16 will do so again for 2016/17, with the certified values unchanged. We've made no allowance for new certifications. This assumption has been made mainly on grounds of materiality.

2.4 Our Levy Parameters and Levy Estimate for 2016/17

2.4.1 With unchanged levy parameters from 2015/16, the Levy Estimate for 2016/17 will be £615 million. This is a three per cent decrease compared to the levy estimate of £635 million in 2015/16.

2.4.2 Our Triennial levy framework provides that we will not alter the scaling factor or scheme-based multiplier where maintaining them unchanged results in a levy estimate within a 25 per cent increase/decrease from the previous year's estimate. We are therefore setting the levy estimate for 2016/17 at £615 million, with the levy scaling factor and schemebased levy multiplier remaining at 0.65 and 0.000021 respectively.

2.4.3 We have reviewed the other levy parameters (investment risk stress factors, levy rates etc) as we do annually. We have concluded that these remain appropriate, in the context of our desire to maintain stable rules for the

second levy triennium. There will therefore be no changes to the parameters.

3. The measurement of insolvency risk

3.1 Introduction

3.1.1 2015/16 saw the introduction of an insolvency risk model, the Pension Protection Score, which we developed with Experian. This was shown to be significantly more predictive than equivalent off-the-shelf products such as Experian's Commercial Delphi product.

3.1.2 The new Pension Protection Score was at the heart of consultations in May and October 2014, and schemes and employers were able both to see the method of calculation set out in the draft determination and to access an on-line portal showing the data used in calculating their score and monitor the resulting score.

3.1.3 There was widespread support in the consultations for the key principles involved in building the model: basing analysis on statistical evidence rather than judgement, a focus on financial metrics and on using experience of insolvency amongst entities sponsoring PPF-eligible schemes rather than the wider universe to build a PPF-specific model. A series of more detailed comments were made by stakeholders, in response to which a range of changes were made to the model – as set out in the December 2014 Policy statement and the 2015/16 Levy Rules published alongside.

3.1.4 As we state at the start of this document we do not propose major further changes in this consultation. Within this section we review the way in which we have developed with Experian the services available through the portal and the issues raised with us about the model. These model issues can be divided into those that concern improvements or clarifications of existing processes where we are proposing change, and more significant changes where we do not propose changes but which we may consider further at the third triennium – taking account of any practical and evidential barriers.

3.2 Customer services

3.2.1 We have been working with Experian to provide excellent quality customer services to our stakeholders. Experian have trained a dedicated Customer Services team who work in partnership with the PPF to ensure that queries are dealt with efficiently and effectively.

3.2.2 Appealable Scores (i.e., Mean Scores, Levy Bands and Levy Rates) for 2015/16 were published on the portal in May, around two months earlier than schemes have been able to obtain scores in previous years. This means that schemes have had early sight of the scores that will feed into their levy calculation, giving them several months to understand what is

driving scores for their sponsors and, if necessary, allowing them to query or challenge them well in advance of receiving their bills.

3.2.3 In addition, this year schemes have had the opportunity to escalate insolvency score appeals to the PPF in advance of receiving their levy invoices – and therefore, outside the statutory reviews process (which can only take place after invoicing). Again, our aim has been to provide stakeholders with an opportunity to have issues addressed before receiving their bill.

3.2.4 Overall, appeals to Experian so far have been limited, and have largely related to matching employers and guarantors, rather than score calculation itself. This reflects the transparency of the Model, reaffirming our decision to adopt a PPF-specific insolvency risk solution.

3.2.5 We have also seen a high level of take-up on the PPF/Experian web portal. In particular, the portal's 'What If' tool has been well-received in the industry. This feature allows schemes to 'simulate' their score calculation and understand how different input variables feed in. The tool also allows schemes to predict their levy invoices well in advance of their issue.

3.3 PPF specific model – overall assessment and comments received

3.3.1 Experian are now sourcing financial data for the great majority of the employers and guarantors in our universe – either accounts that have been filed with Companies House and other bodies or through selfsubmitted accounts. We have chosen to measure score coverage by looking at the number of members of schemes in our universe who are allocated to employers that receive individual scores from Experian, as this takes employer size into account and gives us a view of how comprehensive insolvency risk coverage is. Based on this measure, over 99 per cent of the members in our universe are now allocated to individually scored employers.

3.3.2 The two striking features of our experience since introducing the PPFSpecific model (the model) have been:

- the high degree of engagement we have seen from schemes, employers, and their advisers – with for example, over 90 per cent of employer scores being monitored actively, either through the PPF/Experian web portal or Experian's BIS IQ platform; and
- the low level of comment that we have received to date, both on how scores are measured and on operational issues.

3.3.3 In respect of the issues that have been raised with us so far, a number are quite specific to the stakeholder, turning on how particular characteristics of the business (or small group of businesses) are reflected - or not - in the model.

3.3.4 In a model that is developed using statistical analysis, such issues are difficult to assess – since there is typically insufficient data on which to judge whether any proposed alternative would contribute to or indeed

reduce predictiveness. The model was optimised to be as predictive as possible based on the data available (and that data was as included in accounts). So it will generally be the case that making alterations to it would reduce its effectiveness in general, even if it might give an outcome that was subjectively plausible.

3.3.5 However, we have received a number of comments of more general application, some of which have come to us directly, and some raised by Experian on schemes' behalf:

- Some stakeholders have argued that they should be moved to a different scorecard, as they were in substance more like entities in that group even if the existing scorecard rules assign them elsewhere.
- It has been noted that, while in most cases group companies receive a score that includes a component to reflect the strength of the wider group, this does not happen for subsidiaries on the large and complex scorecard. It has been suggested we should address this by including a group strength component in that scorecard.
- Suggestions have been made for adjustments to reflect the impact of corporate restructuring, or a range of exceptional events that impact on profit or other variables.
- Detailed points have been made on rules covering voluntary accounts submission and on the application of the regime for excluding mortgages that are not reflective of heightened risk.
- It has also been noted that the introduction of the financial reporting standard FRS 102 may have impacts on scores for many entities, particularly as a result of changes to the requirement to recognise multi-employer pension schemes in accounts.

CHANGES PROPOSED 3.4 Voluntary submission of full accounts

3.4.1 In the Second Triennium Policy Statement (published in October 2014) we confirmed that full accounts could be voluntarily submitted to Experian by companies not required to file them with Companies House – because they were entitled to file abbreviated accounts instead. Voluntarily submitted full accounts are used by Experian in preference to abbreviated accounts in these circumstances meaning that the company is scored on the appropriate full accounts scorecard.

3.4.2 The full accounts scorecards include trend variables, which look back to data in the accounts from three years prior 'N-3'. It is therefore appropriate that when a company opts to voluntarily provide full accounts to Experian it can also have data from full accounts for the earlier year used in the trend variable calculation – provided accounts for the three years are provided - and we have clarified this in the Levy Rules.

3.5 Mortgage exclusions

3.5.1 Experian found that the existence of a recent mortgage was highly predictive of the risk of insolvency and so the age of the most recent mortgage is measured on six of the eight scorecards. In finalising the 2015/16 Determination we allowed exclusion (by certification) of some types of mortgages in a limited range of circumstances where it was clear that they were not relevant with respect to insolvency risk.

3.5.2 The table below sets out the number of scores affected by certificates, for each type of exclusion for 2015/16.

Refinance	Pension scheme	Immaterial	Credit rating	Rent deposit
45	82	46	797 (Employer: 328 Parent: 469)	11

2015/16 certificates and 2016/17 Monthly Scores

3.5.3 Experian have calculated Monthly Scores from April 2015 scores in line with the 2015/16 Levy Determination. Where mortgage certificates were provided for levy year 2015/16 these are being currently recognised for 2016/17, except for Immaterial Mortgages and Credit Ratings Agencies (CRA) rated entities, since the conditions which allow certification are more likely to change from year to year.

3.5.4 We propose that Refinance, Pension Scheme and Rent Deposit Mortgages for which certificates were provided for 2015/16 continue to be excluded for future levy years with no need for recertification needed.

3.5.5 We also propose to carry forward mortgage exclusions for credit ratings where the entity (and where relevant other group companies) continues to meet the requirements for certification. Experian will therefore update scores to reflect any carried forward CRA certificates from 2015/16 and we will write to schemes to confirm when this has been done. We plan to monitor ratings, so that the exclusion can be dis-applied if the entity's rating falls below investment grade.

3.5.6 Immaterial Mortgage certificates must be submitted annually. They should be submitted to Experian by 31 March 2016 in order to have the charges covered excluded for 2016/17 scores. This includes any charges previously certified for 2015/16. This is because the materiality of the mortgage amount may have changed (in relation to the entity's assets).

3.5.7 New certificates in any of these categories can submitted to Experian by 31 March 2016 and where accepted the relevant mortgages will be excluded for all 2016/17 scores.

3.5.8 We have had a number of representations suggesting a broader range of exclusions. Some of these mirrored points made in previous

consultations. As with other areas of the levy we do not favour changes within the triennium unless there is clear evidence of the need to, though we will consider potential improvements to the processes to ensure the original policy intentions are being delivered. The areas in which we propose limited changes are set out below.

Credit rating exclusion – private credit ratings

3.5.9 For 2015/16, it has been possible to certify a public credit rating of investment grade, to exclude mortgages. We are considering extending this rule to allow for private credit ratings (from a Credit Rating Agency – S&P, Moody's or Fitch) to be used as a basis for certification.

3.5.10 We exclude charges of entities with an investment grade public credit rating because such a rating indicates the ability to access capital markets for funding, implying that any mortgage or charge reflects an ordinary course of business arrangement rather than being reflective of the financial position of the entity. This makes the mortgage or charge unlikely to be predictive of insolvency risk.

3.5.11 **We would welcome evidence from stakeholders on the extent to which this can be said of those with private ratings. Alternatively is it the case that such entities are unlikely to ever actually access capital markets (though they might, in principle, be able to move from a private to public rating) – particularly not on another group member's behalf.**

3.5.12 Additionally, because these ratings are not available publicly, they would need to be supplied to Experian, on an annual basis, to secure recognition. **We are considering the evidential requirements that might apply and would welcome suggestions on the form of evidence that could be provided (eg: letter confirming rating from credit rating agency).**

Refinance Mortgage exclusion

3.5.13 One issue that has been raised is the 14 day timing requirement for a 'Refinance Exclusion' (the Refinance Mortgage has to become effective not later than 14 days after the Original Mortgage is released). Stakeholders have raised with us that this requirement can be difficult to meet, particularly when the Refinance Mortgage is with a different lender. It has been suggested that we either relax the 14 day requirement or find an alternative means of evidencing the connection between the two arrangements (the reason the requirement exists). There is no obvious alternate option for timing and instead we are therefore proposing that either (a) the Refinance Mortgage comes into effect later than, but no later than 14 days after, the Original Mortgage is released, or (b) where the Refinance Mortgage contains a specific provision clearly stating that the new borrowing must be used to satisfy the Original Mortgage, the 14 day requirement does not apply.

3.5.14 We propose that the definition of Refinance Mortgage is broadened so as to capture new mortgages that are a restatement or confirmation of existing lending, with no changes or extension to its terms, without the existing

mortgage needing to be released. **These are the only substantive changes that the Board proposes to make to the definition of "Refinance Mortgage", but stakeholder views are sought on the existing definition and on any difficulties that were encountered in meeting it.**

Charges over bank accounts

3.5.15 We have seen examples of contractual arrangements between parties including the requirement that a bank account is created, and in respect of which there is a conditional liability that may require the chargor to deposit money in the account (for example if leased assets are not maintained to an agreed standard and a dispute over additional amounts due may result).

3.5.16 It was suggested to us that such arrangements should be eligible to be excluded as immaterial and that the amount taken in to account when assessing against Total Assets should be the amount actually required to be placed in the account at the time of certification (perhaps providing no or nominal funds had been required to be lodged over a period of say a year or two).

3.5.17 Our understanding of these arrangements is that they may be relatively common in certain sectors (for example as part of PFI contracts). This may suggest that the existence of a charge may not be indicative of a heightened risk of insolvency, at least while the account does not contain assets. We are therefore considering whether these type of arrangements could come within our mortgage exclusions – using the amount deposited in the account as a test of materiality.

3.5.18 **We would welcome views on whether we should treat these type of arrangements in this way.**

3.6 Foreign Exchange Rates

3.6.1 In 2015/16 a single exchange rate date of 1 April (preceding the relevant measurement time) was used to convert accounts in a currency other than sterling, to categorise employers to scorecards and in the calculation of variables.

3.6.2 It has been raised with us that this could lead to over or under scoring on variables as a result of currency shifts between 1 April and the actual year end of the accounts. This could lead to either over or understatement of financial data and impact the score.

3.6.3 We accept that using a single date for all employers' accounts is not appropriate. Therefore we propose using the exchange rate as per the balance sheet date of the annual accounts except that when calculating a trend variable we will use for the N-3 accounts the same exchange rate as for the date of the most recently filed annual accounts (so that trend variables do not show changes purely due to a movement in exchange rates).

3.7 Scheme and Industry Averages

3.7.1 The great majority of employers receive a pension protection score, with less than one per cent of scheme members having an unscored employer. For those entities that we cannot score, we use a scheme average or where a scheme average cannot be applied we will use an industry average (based on the entity's SIC[1] code), or as a last resort an average reflecting all scored employers.

3.7.2 We have received some comments from stakeholders on the generation of industry averages. We currently use the first two digits from SIC codes to identify the industry groups into which PPF employers fall and calculate an average score for each group.

3.7.3 In some cases the existing two digit codes offer a limited number of other employers, while in others there are a sizeable number of scored entities but they vary widely in character. We have considered altering the calculation of industry averages, for example to allow for a varying

number of digits to be used to the point where a suitable sample size was obtained (i.e. a full four digits used – so that the industry type was most similar – if there are sufficient employers, down to 1 digit if that is required to achieve the sample size). However more work is needed before we can form a view on the practicability of this.

3.7.4 An approach we are considering for 2016/17 is to alter the criteria for scheme averages, to increase the likelihood that we can use a scheme rather than an industry average – since we consider that in many cases this will be a more appropriate score – and scheme averages are (broadly) neutral in impact.

3.7.5 We are proposing that where a sufficient proportion of employers, weighted by membership, are scored we would use a scheme average. The approach included in the draft determination is to use a scheme average for unscored employers where at least 50 per cent of members are in scored employers.

3.7.6 The basis for this proposal is that we consider this approach to give us enough scored employers to create a sufficiently representative average to then apply across the unscored employers. It may be that there are alternate, or complementary, approaches that are consistent with this principle of using a scheme average where the scored employers are representative enough of insolvency risk for their average to be extended across the rest of the scheme, that are not simply based on the numbers of members or employers but which include other factors such as the dispersal of the membership. An example might be where a scheme has a large number of small employers, where a scheme average based on those employers scored may still be the most appropriate recognition of the risk posed. This approach might be particularly appropriate for notfor-profit entities, where an industry average may not reflect the lower risk that we recognise is posed by not-for-profits.

[1] Standard Industry Classification Code 1992.

Do you have any comments on our proposed approach to:

(a) The voluntary submission of full accounts to Experian for the trend variable calculations

(b) The scope, definition and processes for Mortgage Exclusion certificates

(c) The date of conversion of non-sterling annual accounts

(d) The treatment of scheme or industry averages?

AREAS WHERE NO CHANGE IS PROPOSED FOR 2016/17

3.8 FRS 102

3.8.1 The accounting standard FRS 102 provides accounting and reporting requirements for entities not obliged to use IFRS (primarily unlisted entities). This is not a specifically pensions focused standard but is wideranging and could affect scores calculated by the PPF-specific model in a number of ways.

3.8.2 The introduction of FRS 102 brings the accounting standards for those affected entities into line with International Financial Reporting Standards - which apply widely (including to entities listed on EU stock exchanges). At a general level it changes how entities value certain assets and liabilities in their accounts, and so may be argued to weaken the relationship between the historic experience on which the model is estimated and current insolvency scores.

3.8.3 The specific impact that has been raised with us is in relation to the treatment of deficits in multi-employer schemes. It is argued that the change in accounting standard could lead to new and significant pension liabilities appearing for the first time on employers' balance sheets and significantly impact their score. Under FRS 102 the deficit will need to be accounted for somewhere in the group (typically the principal employer). While this will give an arguably more realistic picture in the employer's accounts, it will also mean that trend variables focused on balance sheet items (such as net assets) may give artificially poor results because the accounts being compared are on different bases.

3.8.4 The previous reporting standard allowed employers to account for defined benefit pension liabilities on a defined contribution basis, if it was difficult to allocate the liabilities between employers, only showing the deficit in the consolidated accounts of the group and not in individual company accounts (not even those of the principal employer).

3.8.5 As the new requirements come into effect for accounting periods starting on or after 1 January 2015 we believe that it will start to affect scores in levy year 2017/18, though it could affect early adopters sooner. Experian have collated filing pattern information for us and we believe only a small number (of voluntary early filers) could be affected in the last couple of months for scores to be used in the 2016/17 levy (February and March 2016) and even then this would only impact one or two scores out of the twelve used to calculate the mean average for that year.

3.8.6 The scorecards we have identified where the impact of recognising pension deficits could be most significant are the Large and Complex and Not-for-Profit (NFP) scorecards. Both of these contain trend variables (though on the NFP scorecard the weighting is relatively small) though absolute measures could also be affected. In practice a number of entities may be largely unaffected - for example, because they are ultimate parent companies (and so already include deficit information in their accounts).

3.8.7 We are working with Experian to better understand how material any impacts would be and would welcome input from schemes, employers and advisors. **It would be helpful to understand the extent to which organisations made use of the option to account on a defined contribution basis.**

3.8.8 **We would welcome evidence from schemes and advisors on the range and extent of impacts on accounts they expect to see, to help us to understand how this could influence scores.**

3.9 Large and Complex Scorecard and Parental Strength

3.9.1 We have received representations that the lack of a parental strength measure on the large and complex scorecard is unfair to subsidiary companies that are scored on it due to their size. It is argued that they should be able to benefit from the strength of their parent company in the way that subsidiary companies on other group scorecards do.

3.9.2 We considered this issue in the course of the 2015/16 consultation but explained in the Policy Statement that we were not persuaded that a change should be made due to a lack of sufficient evidence of insolvency amongst this sub-set of businesses to develop statistically valid variables. We cannot be sure at this stage whether such analysis would indicate whether and to what extent parental strength should be incorporated into the scoring calculation.

3.9.3 We have given this further consideration but concluded that there is still insufficient evidence to test whether the inclusion of parental strength in these cases is appropriate. As part of that consideration, we also looked at the likely impact if parental strength were factored into existing scores. This showed that more scores would worsen than improve, reinforcing the case against making a change without robust evidence.

3.9.4 Although we are not proposing a change for 2015/16 we will consider whether a wider re-calibration of the model may be justified for the third triennium and that could include the extent to which, and how parental strength is counted in the model. In the short term, schemes wanting to

benefit from a parental company's strength can put a Type A contingent asset in place. We appreciate that this depends upon the potential guarantor agreeing to act as such but if they do then the reduction in levy will often be more substantial than if we did include a parental factor as a variable.

3.10 Corporate Re-structuring

3.10.1 It has been suggested that the PPF-specific model does not properly measure insolvency risk when there has been corporate re-structuring, such as where there has been a de-merger. It was suggested that the PPF-specific model places too much weight on the reduced size of a residual entity post de-merger.

3.10.2 In particular it is argued that because of the use of trend variables in the PPF-specific model a company selling part of its business will tend to see a worsening in their score for variables such as 'Change in Turnover' though a company acquiring new activities (if it is also a scheme employer) would see an improvement in their score.

3.10.3 In considering possible changes to the model we are guided by our intention to maintain stability within the current triennium as far as possible and relying upon the evidence of insolvency amongst the

sponsors of defined benefit pension schemes to inform decisions about indicators of the risk of insolvency.

3.10.4 There are both practical and evidential reasons why we are not proposing a change to the model with respect to these circumstances. Experian are not able to identify cases where merger and acquisition activity has occurred. Experian are therefore unable to statistically test whether demerging/acquiring companies have a different risk of insolvency or different indicators of risk.

3.10.5 We do not have the evidence to support the view that such activity is necessarily positive or negative for either party (both resulting entities may be sponsors of defined benefit pension schemes). When credit ratings agencies consider the impact of M&A activity they do it on a case by case basis, something which is not possible given the number of employers we need scores for and for consistency in approach.

3.10.6 Even if we were persuaded that an adjustment to the trend (or other) variable(s) were justified there would be practical difficulties in allocating a split of accounts items such as capital and turnover between different parts of the divesting business.

3.10.7 We have therefore concluded that no change should be made for corporate re-structuring for 2016/17. We may consider this issue again for the third triennium (starting 2018/19, using score data from April 2017) but the evidential and practical issues are likely to remain.

4. The first year of the second triennium: non Experian issues

4.1 Introduction

4.1.1 This chapter sets out our experience of the main non-model areas where policy altered for the first year of the second triennium. We have focussed on improving guidance in these areas.

4.2 Levy Bands

4.2.1 The initial design for the levy bands for the second triennium (as set out in our May 2014 consultation) was for ten bands, with 20 per cent of employers and guarantors in the top band, 5 per cent in the bottom two bands, and 10 per cent in other bands. In October 2014, for the consultation on the 2015/16 levy rules, we updated the boundaries for a number of the levy bands, and associated levy rates, to reflect movements in scores from April 2013 to March 2014.

4.2.2 Mean scores for employers and guarantors for use in the 2015/16 levy are now available, and it is clear that scores have improved relative to scores used for setting the levy bands and rates for 2015/16. The distribution of scores shows that now around 29 per cent of the universe is in band 1 (compared to the planned 20 per cent), and smaller than intended numbers in some lower bands.

Table 1: Proportion of population by levy band

Band	Planned % of Employers	Actual % of employers
1	20%	29%
2	10%	10%
3	10%	10%
4	10%	8%
5	10%	8%
6	10%	9%
7	10%	10%
8	10%	4%
9	5%	4%
10	5%	7%

4.2.3 We do not consider that we should automatically update the band boundaries to reflect this shift (as we did for a shift ahead of the 2015/16

Levy Rules consultation). While, other things equal, the movement in scores will have resulted in a reduced levy, as set out in Section 2, overall we are predicting a Levy Estimate for 2016/17 similar to that for 2015/16. We can therefore take an approach consistent with our general preference to keep parameters stable. As a result we are not proposing to change the levy bands.

4.2.4 Instead, we propose to monitor the movement of scores over the next year, with a view to including the levy bands and rates in issues consulted on next year. Our expectation would be that any change would be aligned with the date of the third triennium, though it may prove necessary to act sooner if there are large movements. **We would welcome stakeholder views on our proposed approach.**

4.3 Levy Rates and the calculation of Mean Scores

4.3.1 The levy rate for each band was set to provide an overall range of rates equivalent to those for the first triennium and a smooth progression from band to band, with somewhat lower increases for bands 1-4, reflecting the difficulty of differentiating risk amongst the strongest employers. As for the first triennium each rate reflected a component in relation to expected claims and contained a risk margin.

4.3.2 The limited additional data on insolvencies since the levy rates were set, and the lack of change to the levy bands, means that there is no case for review at this point.

4.3.3 For 2015/16, because of the time taken to develop the PPF-specific model, we decided to use only the 6 monthly scores from 31 October to 31 March 2015 in calculating scheme insolvency risk. For 2016/17 we propose to return to calculating Mean Scores on the basis of a twelve month average as in previous years (and schemes will have been monitoring scores on that basis).

4.4 Asset Backed Contributions

4.4.1 The 2015/16 Levy Rules introduced a requirement to certify asset backed contributions ("**ABCs**") via a separate form if their value were to be recognised in the levy.

4.4.2 Our ABC Appendix, published with the 2015/16 Determination, set out the required basis for valuing the ABC on an insolvency basis, which required the valuer to assume a duty of care to the PPF in producing the valuation. The ABC Appendix also required scheme trustees to certify that they had received legal advice covering the structure of the ABC arrangement and the enforceability of their rights under it. We also required schemes to confirm that a copy of this legal advice had been passed to the valuer for the purposes of valuing the underlying asset on an employer insolvency basis.

4.4.3 66 ABC certificates were submitted, and in 36 cases the certification included the expected value of the underlying asset on an employer insolvency basis.

4.4.4 In all cases where a scheme certified a value for the ABC arrangement we reviewed the valuation supplied to the Trustees, before deciding whether to approve the value for recognition in the scheme's 2015/16

levy. Generally speaking valuations appeared to have been completed to a high standard - addressing the key requirements of our guidance. In particular, there was evidence of careful consideration of the impact of insolvency on the value of arrangements. As a result, we were ultimately able to approve all of the certificated values.

4.4.5 Areas which gave rise to issues, and which may therefore be worth considering for the future were as follows:

- Legal advice should clearly set out the structure of the ABC arrangements, the nature and enforceability of trustees rights (including step in rights on insolvency), which will assist trustees and valuers in their consideration of the ABC value;
- Valuers should confirm they have had sight of the legal opinion (since this could affect the value on insolvency);
- Valuers, where relying on subsidiary valuations, should include summary information on the basis on which contributory valuations have been carried out (e.g. to record that they indicate they were carried out on a basis consistent with our guidance, extend a duty of care etc);
- In a few cases, reports did not adequately cover indemnity insurance.

4.4.6 Recognising that 2015/16 is the first year of the new ABC certification requirement, we have focussed on whether overall the guidance has been met rather than requiring adherence to every requirement of our levy rules. We may take a more rigorous approach in future years.

4.4.7 We have explored why some schemes chose only to record ABC payments rather than carry out an assessment of ABC value, or indeed did not provide a certificate at all. In some cases this was a reflection of limited time to carry out the work, and our expectation therefore is that with stable rules in place this will be less of a barrier for 2016/17. Another issue raised was the sometimes high cost - particularly of obtaining the legal opinion. While certification of an ABC is voluntary, we aim to do what we can to ensure that the guidance is not unnecessarily burdensome.

4.4.8 More generally we have also set out in the guidance some principles to follow on recertification of ABC arrangements with a view to ensuring that the work done can in some cases be more limited. This will mean, in most cases, no need to produce new legal advice and potentially either a lighter-touch valuation. We will always expect the Trustees to ask a valuer to consider the value (and for that to continue to be based on legal advice about the ABC), but this can be by updating the previous valuation, and legal advice. The valuer will however need to owe the same duty of care

to the PPF as with the original valuation, and so will have to form a view on what can be relied upon from the previous valuation in that context. **We would welcome views on the practicality of this approach and in particular on the obtaining of an updated/refreshed valuation.**

4.4.9 As 2016/17 will be the middle year of the new levy triennium, and mindful of our objective of keeping the levy rules broadly stable over the three year triennium period, we do not expect to make significant changes to the ABC regime. Our focus this year will be on looking at how our existing

rules are working in practice, taking into account feedback from stakeholders, and considering whether there are any changes we should make from an operational perspective as a result. We would however welcome any stakeholder views on how the ABC requirements have worked during the first year of operation.

4.4.10 We included our new ABC Guidance alongside the 2015/16 Determination, which provided practical advice for stakeholders on how to comply with the new requirements.

4.4.11 We had relatively few queries or comments on the ABC Guidance, and as a result changes are very limited. **However if stakeholders do consider that there are areas where the Guidance could be usefully clarified for 2016/17, it would be helpful to include these points in consultation responses. In particular we would be interested in views from those who have carried out valuations, as to what changes might best achieve our objective of reducing the burden of recertifying an ABC Value, without increasing the risk of the value being overstated.** **Use of unsecured Loan notes**

4.4.12 One policy issue emphasised by the review was the use of ABC structures where the underlying asset is an unsecured loan note. These arrangements mean that there may be no underlying security in place for the scheme. As a result, the arrangement is in essence a financial promise to the scheme, and in that respect it is more akin to a Type A contingent asset than other types of ABC arrangements.

4.4.13 We are not proposing any changes in respect of these arrangements for 2016/17 but we will be keeping the use of this structure under review and are likely to bring the levy recognition more in to line with that of type A contingent assets in a later year.

4.5 Contingent Assets

4.5.1 The 2015/16 Levy Rules introduced changes in relation to the treatment of contingent assets. These changes were to require schemes to certify Type A contingent assets on a fixed sum basis (the "Realisable Recovery") and to introduce an adjustment to guarantor scores to reflect the fact that they were providing a contingent asset.

4.5.2 Our review of contingent assets certified for 2015/16 has indicated that trustees are beginning to take a more focussed approach to certification than in previous levy years, we believe in part as a result of the 2015/16 changes, though there remains room for improvement.

4.5.3 We are incorporating key elements from our guarantor strength factsheet (published in January 2015) into our Contingent Asset Guidance for 2016/17, to provide trustees with further guidance on the approach they should take to assessing guarantors. We are hopeful that this will help to further increase awareness of what is required of trustees in the certification process.

4.5.4 As part of our ongoing efforts to improve the quality of the work done in certifying Type A contingent assets, we are offering a series of interactive seminars during September and October across several cities exploring

key themes. We strongly encourage trustees and advisers, especially where their contingent asset has not been called in for review this year, to consider attending.

4.6 Associated Last Man Standing Scheme Structure Factor

4.6.1 For 2015/16, schemes were only able to benefit from the scheme structure factor for associated Last Man Standing (LMS) where they provided confirmation to the PPF that they had received legal advice confirming their LMS status by 29 May 2015, following the issue of an email to them by TPR. Around half of the schemes contacted responded satisfactorily by the deadline.

4.6.2 For 2016/17 TPR have been able to include the confirmation of legal advice on the Scheme Return, so that it will no longer be necessary to carry out a separate exercise. It will remain the case that only those indicating they have legal advice which supports their LMS status will receive the scheme structure factor.

4.6.3 A number of schemes responded to indicate they had legal advice that they were not in fact LMS in structure, though they have reported as such in 2015/16 and previous years. Assuming that the structure of these schemes has not changed, these schemes have been benefiting from a discount for LMS structure in previous years, when it is likely they were not, in fact, last-man standing schemes, and therefore should not have received the discount. This includes some very large schemes, for which the levy reductions have been substantial.

4.6.4 In the past, when schemes have advised us of such an error, we have re-invoiced for prior years, and we consider that this is the right approach to take for these schemes. This exercise is arising out of schemes' errors, and it is a step that we feel we must take out of fairness to all levy payers. We plan to contact the schemes concerned, and unless there is a reason not to do so (such as a recent change of legal structure) we will re-invoice where it is economic to do so.

4.6.5 We have also considered the appropriate treatment for schemes that have chosen not to take legal advice or that did not respond to the request for information. In this case, we think it is desirable to wait until schemes have had another opportunity to report as to legal advice on LMS status, through the forthcoming scheme return, before contacting schemes

potentially affected. Again, schemes will have an opportunity to indicate why they were correctly treated as LMS before any steps are taken to re-invoice them. We will contact those schemes that either indicated they were not LMS (but have reported as LMS previously) or that indicate they do not have legal advice to support their status which meets the 2016/17 requirement[2].

4.7 SORP and reporting of annuities

4.7.1 The accounting standard ('Financial Reports of Pension Schemes') requires schemes to include in their accounts the value of any annuities held in the name of the trustees, for accounting years commencing on or after 1 January 2015. This could lead to inconsistencies between the accounts used for the asset breakdown and those underlying the last submitted s179 valuation, as many schemes have historically not reported annuity values in their accounts.

4.7.2 Our transformation methodology assumes that the two sets of accounts are consistent, particularly with regard to the reporting of annuities, so that an adjustment may be required in order to reflect the actual annuities proportion.

4.7.3 We therefore intend to identify any schemes with an asset breakdown date on or after 31 December 2015 and treat the proportion of 'nonaccounts insurance assets' as zero. We have included an amendment within the draft Transformation Appendix to reflect this. Schemes will not be required to take any additional action.

[2] We recognise that Legal Advice, as defined in the Levy Rules, has only been a requirement since 2015/16. In relation to prior years the question is simply whether the scheme was, or was not, LMS. However we will take account of any Legal Advice received in deciding whether to enquire further.

5. Draft Levy Rules 2016/17

Overview of Determination and Appendices

5.1.1 We have made a number of minor amendments to the Determination and Appendices including:

(1) Clarification to Rule E5.3(1) (Industry averages) to confirm that the assessment of whether employers are Non-Filing is made as at a Score Measurement Date;

(2) clarification as to the use of Consolidated Accounts provided under Rule E2.3(2) (Voluntary provision of data);

(3) incorporation of material from the Type A guarantor strength briefing note into the Contingent Asset Guidance for 2016/17;

(4) Clarification of the approach to be taken in terms of currency conversion of the accounts of overseas employers.

(5) Clarification of the definition of the legal advice required for ABCs and for confirmation of LMS status.

(6) Confirmation of the extent of the Board's powers on deciding an appeal in respect of a Pension Protection Score.

(7) Confirmation (in Part 4 of the Insolvency Risk Appendix) of the procedures that Experian will follow in respect of some entities who are registered at Companies House but who are not required to lodge charges at Companies House.

5.2 Measurement Time in 2016/17

5.2.1 We are proposing to change the standard Measurement Time for the submission of scheme data (including hard copy contingent asset documentation) to midnight at the end of 31 March 2016. This change will not apply to the Measurement Time for certification of deficitreduction certificates and block transfers – for these, the submission time will remain at 5.00pm on their respective dates.

5.2.2 In previous years, we have been aware that a number of schemes have submitted section 179 valuations after our Measurement Time of 5.00pm but before midnight on that day, in order to meet the Pension Regulator's later triennial deadline for doing so. In order to eliminate confusion for schemes as a result of the differing deadlines, we propose moving the Measurement Time to midnight in order that we may take into account any updated section 179 valuation information submitted in connection with the Pension Regulator's later deadline.

5.2.3 The midnight deadline would also apply to mortgage exclusion certificates submitted by e-mail to Experian.

5.2.4 Please note that our telephone support service for stakeholders on 31 March 2016 will be available up until 5.00pm as in previous levy years – and this will also be true of Experian's.

6. Consultation Arrangements and Key Dates

6.1 2016/17 Consultation

6.1.1 The consultation on the 2016/17 Levy Rules runs from 21 September 2015 to 5pm on 22 October 2015. Please ensure that your response reaches us by the deadline. Submissions may be made by email or post, using the details below.

Email: consultation@ppf.gsi.gov.uk

Postal address: Chris Collins
Chief Policy Adviser
Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon, Surrey
CR0 2NA

6.1.2 Please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

6.1.3 Under the Freedom of Information Act 2000 (FoIA), all information contained in the response, including personal information may be subject to publication or disclosure. By providing personal information for the purpose of the public consultation exercise, it is understood that a respondent consents to its disclosure and publication.

6.1.4 If this is not the case, the respondent should limit any personal information which is provided, or remove it completely. If a respondent requests that the information given in response to the consultation be kept confidential, this will only be possible if it is consistent with FoIA obligations and general law on this issue. Further information can be found on the website of the Ministry of Justice at:

https://www.gov.uk/make-a-freedom-of-information-request/thefreedom-of-information-act

6.1.5 A summary of responses and the Board's final Determination and confirmed policy are planned to be published on the PPF website at:

http://www.pensionprotectionfund.org.uk in December 2015.

6.2 Key Dates

6.2.1 We will continue to use information from the annual scheme return that is submitted via the Pension Regulator's Exchange system to calculate

levies. The deadline for submission is midnight at the end of Thursday 31 March 2016, except as detailed below.

Item	Key dates
Monthly Experian Scores to be used in 2016/17 levy	Between 30 April 2015 and 31 March 2016
Deadline for providing updated information (to Experian) to impact on Monthly Experian Scores	One calendar month prior to the Score Measurement Date
Submit scheme returns on Exchange	By midnight 31 March 2016
Reference period over which funding is smoothed	5-year period to 31 March 2016
Certification of contingent assets	By midnight 31 March 2016
Certification of asset backed contributions	By midnight 31 March 2016
Certification of mortgages (emailed to Experian)	By midnight 31 March 2016
Certification of deficit-reduction contributions	By 5pm, 30 April 2016
Certification of full block transfers	By 5pm, 30 June 2016
Invoicing starts	Autumn 2016

6.3 Comments on the Consultation Arrangements

6.3.1 This consultation is being conducted in line with the Cabinet Office's Consultation Principles that can be found on their website at:

http://www.cabinetoffice.gov.uk/resource-library/consultationprinciples-guidance

6.3.2 The Board would welcome feedback on the consultation process. If you have any comments, please contact:

Richard Williams
Head of Corporate Affairs
Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon, Surrey
CR0 2NA

Email: Richard.williams@ppf.gsi.gov.uk

Deadline for consultation responses is 5pm on

22 October 2015.