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Welcome...

...to **Technical News**, the Pension Protection Fund's (PPF) newsletter on topical issues including practical guidance for schemes in PPF assessment periods and Financial Assistance Scheme (FAS) qualifying schemes. Our aim is to provide you with regular updates about topics of interest.

This is a short edition to explain the implications of the legislative changes in April for schemes that enter a PPF assessment period, to make you aware of the revised PPF factors and to update you on the revised accounting standard for pension schemes. We will update you later in the year on any regulatory changes relevant to PPF or FAS when the government's legislative priorities are expected to be clearer.

If there are any technical issues about which you would like to hear from us, please do submit a comment via our website here: <http://www.pensionprotectionfund.org.uk/Pages/Feedback.aspx> Where appropriate we will consider including an update in a future edition.

Total commutation of benefits

In light of the changes to pensions legislation that are coming into force from 6 April, the following table briefly summarises the powers that are available to trustees and the PPF to fully commute benefits before, during and after a scheme is in a PPF assessment period. The April changes are highlighted in red. This table is written as a general guide, it is not a substitute for specific legal advice.



	Outside an Assessment Period	During an Assessment Period	Post-transfer
Trivial commutation lump sum	<ul style="list-style-type: none"> • Minimum age 60 • Minimum age reduces to 55 for commutation periods commencing after 5 April 2015 • No maximum age • £30,000 overall limit • 12 month 'window' applies • Must extinguish rights to all benefits under the scheme • For commutation periods commencing after 5 April 2015, will only be available for defined benefits and must extinguish all rights to defined benefits 	<ul style="list-style-type: none"> • As for pre-assessment period, • Can pay trivial commutation lump sum so long as it is no greater than the amount the PPF would pay as a PPF Trivial commutation lump sum 	<ul style="list-style-type: none"> • PPF regulations only allow this to be paid for money purchase benefits (but see PPF Trivial Commutation Lump Sum below for commutation of PPF compensation) • Minimum age 60 • No maximum age • £30,000 overall limit • 12 month 'window' applies • Must extinguish all liabilities for money purchase benefits • Not available from 6 April 2015
PPF Trivial commutation lump sum	n/a	n/a	<ul style="list-style-type: none"> • Only payable in respect of PPF compensation • Minimum age 60 • Must be under age 75 • £30,000 max overall benefits • 12 month 'window' applies (from 1st trivial commutation payment)
Small lump sum	<ul style="list-style-type: none"> • Minimum age 60 • Minimum age 55 from 6 April 2015 • No maximum age • £10,000 stand-alone limit 	<ul style="list-style-type: none"> • Can pay in respect of money purchase benefits • Not available for non-money purchase benefits (but trivial commutation lump sum may be available) 	n/a
PPF money purchase lump sum	n/a	n/a	<ul style="list-style-type: none"> • Minimum age 60 • No maximum age • £2,000 stand-alone limit • Must extinguish member's rights to money purchase benefits under the scheme
Uncrystallised funds pension lump sum (UFPLS)	<ul style="list-style-type: none"> • Available from 6 April 2015 • Only from a money purchase arrangement • Limited to available LTA if under age 75 • Minimum age 55 • No maximum age 	<ul style="list-style-type: none"> • As for pre-assessment period 	n/a



Readers will be aware that the benefits that the PPF can pay as compensation are set out in specific PPF legislation, and so do not always follow the pattern of benefits more generally applicable to occupational pension schemes. In particular, you will see from the table that the age and monetary limits applicable to the PPF are in some cases more restrictive than the corresponding limits applying in the assessment period.

For example, the PPF will not be able to pay a UFPLS when these are introduced from 6 April 2015, nor will the PPF be able to pay trivial commutation lump sums from that date to discharge money purchase benefits. The PPF money purchase lump will still be available although this is limited to £2,000 rather than the small lump sum limit of £10,000 available outside the PPF.

It is therefore particularly important that trustees make every effort to discharge money purchase benefits prior to a scheme's transfer to the PPF so that the opportunity for benefits to be fully commuted is not lost. When the PPF administration moves in-house we will expect all money purchase benefits to be discharged prior to the scheme's transfer.

PPF Factors

Please be aware that the PPF factors have been revised for all retirements on or after 1st April 2015. Revised tables can now be found on the PPF website. The factors affected are:

- Early Retirement Factors
- Late Retirement Factors
- Compensation Cap Factors
- Commutation Factors
- Lump Sum Annualised Values



Finance Update

The revised accounting standard for pension schemes – 'Financial Reports of Pension Schemes – A Statement of Recommended Practice (2015)' was published in December 2014 by the Pensions Research Accountants Group (PRAG).

As we highlighted in our September 2014 newsletter, the proposed changes to the accounting treatment of trustee annuity policies, and the enhanced investment risk disclosures, have both been included in the final version of the SORP.

Details on how to obtain copies of the SORP, and how to join PRAG, can be found on the PRAG website: <http://www.prag.org.uk/>

The PPF is working with its panels of trustees and scheme auditors to work through the impact of transitioning to the new SORP for schemes currently in assessment, and for schemes entering assessment in the future which have not yet adopted the new SORP.



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The information we provide is for guidance only and should not be taken as a definitive interpretation of the law.

PPF Technical Team, March 2015.

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