Pension Protection Fund

# Guidance for undertaking a valuation in accordance with section 179 of the Pensions Act 2004

Version G9

November 2021

# Contents

## Part 1 – Overview

1.1 This is version G9 of the guidance. It is intended to support actuaries who are carrying out valuations in line with section 179 of the Pensions Act 2004 ("**the Act**"). It was envisaged by paragraph (4) of section 179 of **the Act.**

1.2 Section 179 valuations are used by the Board of the Pension Protection Fund ("the Board") to set and calculate the pension protection levy each year in accordance with section 175 of **the Act**. Such valuations are simplifications of the section 143 valuations used to determine entry to the PPF following the insolvency of an employer. Actuaries carrying out entry valuations should use "*Guidance for undertaking the valuation in accordance with section 143 of the Pensions Act 2004*".

1.3 This guidance should be read in conjunction with the appropriate version of our "*Guidance on assumptions to use when undertaking a valuation in accordance with Section 179 of the Pensions Act 2004"* (the "**assumptions guidance**").

1.4 This guidance note will be reviewed at regular intervals as the Board deems appropriate.

1.5 Words in a bold typeface are defined in the glossary in part 7 of this guidance.

## Part 2 – Effective date of guidance

2.1 This version of the guidance (G9) must be used for section 179 valuations with an effective date on or after 1 December 2021. Valuations with an effective date prior to 1 December 2021 which are signed on or after that date may also use version G9 or otherwise should continue to use version G8 in order to avoid the need to re-work valuations currently in train.

# Part 3 – Valuation method

## 3.1 General

3.1.1 For each scheme member the liabilities must be calculated as the present value of the accrued benefits using the assumptions specified in the relevant version of the **assumptions guidance**.

3.1.2 The benefits should be valued as at the effective date of the valuation, which is referred to in legislation as the **relevant time**. No account should be taken of events such as market movements or membership events that occur after the **relevant time**.

3.1.3 Any reasonable age definition may be used for the purpose of the calculation provided consistency with the revaluation and indexation periods can be demonstrated.

## 3.2 The principle of prudence

3.2.1 The scheme actuary is required to certify in the report to the trustees that, in his or her opinion, the calculated value of the liabilities is unlikely to have been understated. The PPF will accept approximations in certain circumstances, for instance where there is a lack of data, provided the actuary is able to give the required certification.

3.2.2 For a section 179 valuation we consider prudence to mean overstating the liabilities (subject only to any permitted relaxations relating to interim allowances in respect of equalisation of Guaranteed Minimum Pensions (GMPs), which are covered in section 4.9 of this guidance). Note that this is not necessarily true of a section 143 valuation where overstating liabilities may result in erroneous claims on the PPF. For a section 179 valuation the scheme actuary may use prudent approximations in calculating the liabilities; for example, liability data from a previous valuation may be used and rolled forward on a prudent basis to the **relevant time**.

3.2.3 Actuaries may choose to include in a section 179 valuation benefits that do not come under the definition of **protected liabilities**.

# Part 4 – Liabilities

## 4.1 Overview

4.1.1 A scheme's **protected liabilities** are defined in section 131 of **the Act** as:

(a) the cost of securing benefits for and in respect of members of the scheme which correspond to the compensation which would be payable;
(b) liabilities of the scheme which are not liabilities to, or in respect of, its members; and
(c) the estimated cost of winding up the scheme.

4.1.2 The calculation of items (a) and (c) shall be determined in accordance with section 179 of **the Act**, the Pension Protection Fund (Valuation) Regulations 2005 (the "**Valuation Regulations")**, this guidance note, and the most recent version of the **assumptions guidance** as published by the Board.

4.1.3 Item (b) might include such external liabilities as professional advisers' fees which had been incurred prior to the date of the section 179 valuation but had not been paid from the scheme's assets by that date. External liabilities may be zero if there are no such items. In many cases such unpaid fees will be included in the relevant accounts and the actuary should be careful to avoid double counting.

4.1.4 This part of the guidance sets out how various types of benefit should be treated in a section 179 valuation. For benefits not covered by this guidance, schemes may need to take legal advice as to the appropriate treatment as this may depend on the precise wording of the scheme rules.

## 4.2 Liabilities to be included

4.2.1 In accordance with section 179(5) of **the Act**, the value of liabilities should not be limited to the value of the assets, even where the scheme rules may so provide.

4.2.2 For schemes with a partial Crown guarantee, only that part not covered by the guarantee should be included in the valuation.

4.2.3 The liability in respect of money purchase benefits shall be disregarded for the purposes of determining the liabilities.

4.2.4 Except in prescribed circumstances (see paragraph 5.2.1 below) benefits secured under contracts of insurance should be valued for a section 179 valuation, provided the insurance policies are held in the name of the trustees.

4.2.5 For sectionalised schemes with multiple employers, separate valuations are required for each section setting out the assets and liabilities attributable to each.

## 4.3 Data

4.3.1 We regard it as best practice for trustees or managers to take appropriate action to ensure that, as far as is practicable, all potential scheme beneficiaries have been identified and that the associated membership data is correct. To the extent that there are residual uncertainties about the membership data (after having excluded any relevant contract of insurance satisfying the conditions in paragraph 5.2.1 of this guidance), prudent approximations by the scheme actuary will be acceptable.

## 4.4 Benefits to be valued

4.4.1 The benefits to be valued are the scheme benefits, but taking into account the following adjustments:

- if equalisation of scheme benefits in respect of GMPs has not been implemented by the **relevant time,** incorporating an interim allowance as set out in section 4.9 of this guidance;
- reducing the benefits in respect of those members under normal pension age (other than ill health and survivors' benefits in payment at the **relevant time)** by ten per cent**;**
- disregarding any indexation applicable to benefits accrued before 6 April 1997;
- allowing for indexation up to CPI but capped at 2.5 per cent each year on benefits accrued from 6 April 1997, except for contributions that were converted to a wholly level pension through annuitisation in the scheme. Internal annuitisation is discussed further in section 4.12; and
- allowing for death benefits consistent with those provided under PPF compensation.

  **Note that, since the Court of Appeal's ruling in July 2021, the PPF compensation cap no longer applies for any period, therefore no compensation cap should be used in the calculation of PPF compensation in the section 179 valuation.**

  Please also note that it is not necessary for actuaries to make any adjustments to reflect the **"Hampshire" judgment** or **"Bauer" judgment** when calculating the liabilities for a section 179 valuation. This differs from the guidance for section 143 valuations (and other PPF entry valuations) where consideration of the impact of these judgments is required, as set out in the relevant guidance for those valuations.

## 4.5 Normal pension age

4.5.1 "Normal pension age" should be determined as provided in paragraph 34 of Schedule 7 to **the Act**.

4.5.2 A member may have benefits with different normal pension ages, for example as a result of equalisation of benefits. Each tranche of benefit for members yet to retire must be valued as coming into payment at the applicable normal pension age.

4.5.3 For a non-pensioner member over normal pension age it should be assumed that payment commenced immediately before the **relevant time** with the application of any scheme late retirement factor.

## 4.6 Non-pensioner members

4.6.1 Benefits for an active member should be calculated as though the individual had become a deferred pensioner immediately before the **relevant time**.

4.6.2 A non-pensioner with less than three months service may not be entitled to a deferred pension. In such cases, the benefits to be valued are those which the member is entitled to under the rules of the scheme subject to the adjustments detailed in paragraph 4.4.1.

4.6.3 It should be assumed that there is no commutation of pension at retirement for non-pensioners. However, where a scheme provides for a separate lump sum to be paid at retirement other than as a result of commutation, these benefits should be valued.

4.6.4 Between the date of leaving service and the **relevant time**, benefits should be revalued in line with the scheme rules. In the case where scheme rules do not "crystallise" GMP revaluation until GMP age, proportionate revaluation should be applied up to the date of valuation.

4.6.5 After the **relevant time** the benefits should be treated as receiving the level of revaluation applicable to PPF compensation. Such compensation will either be flat or will receive revaluation over the period to normal pension age in line with price inflation subject to a cap. The appropriate net discount rate to use for each is set out in the **assumptions guidance**.

4.6.6 Where the scheme does not provide revaluation of benefits for any member in deferment and the **relevant time** falls after 1 April 2009, then the PPF compensation will not receive any revaluation. Note that if any single member receives revaluation on any part of their pension then this paragraph does not apply.

## 4.7 Pensioner members

4.7.1 Where a member is in receipt of a pension in respect of non-GMP only and is entitled to an increase equal to the GMP coming into payment at GMP payment age, then the value of that future increase should be included within the protected liabilities.

4.7.2 GMP step-ups and anti-franking increases do not need to be valued for other pensioners or non-pensioners.

4.7.3 Where a pension will cease to be paid prior to the pensioner's death, that pension should be included in the valuation of the liabilities as a temporary pension.

## 4.8 Splitting benefits into different accrual periods

4.8.1 The level of revaluation in deferment and indexation in payment will depend on the period over which the benefits were accrued. Specifically, benefits accrued prior to 6 April 1997 receive no increases in payment, and benefits accrued after 5 April 2009 are subject to a lower cap in deferment.

4.8.2 An accurate split into the different accrual periods will need to take account of any changes in the definition of pensionable earnings or in accrual rate that may have occurred.

4.8.3 Where pensioners have previously commuted part of the pension for a lump sum and the scheme makes no distinction between pre- and post-1997 benefits, the member's pension should be pro-rated by service into pre and post-1997 pension.

4.8.4 Fixed pensions and pensions based on notional service should be allocated between the constituent parts in accordance with normal scheme practice. Where there is no such practice, the whole of this benefit should be treated as post-1997 for pensioners or accrued between 6 April 1997 and 5 April 2009 for non-pensioners.

4.8.5 The treatment of internally annuitised contributions is given in section 4.12.4 below.

## 4.9 Equalisation of scheme benefits in respect of GMPs

4.9.1 The judgment which we describe as the **'2018 Lloyds' judgment** was handed down in October 2018 and confirmed that UK pension schemes are required to equalise pensions for the effect of unequal treatment of GMPs between men and women. As a consequence of this, GMP equalisation is within schemes' protected liabilities. If the scheme has not implemented GMP equalisation by the **relevant time** then an interim allowance should be included**.**

4.9.2 If the trustees and employer have agreed upon the method that the scheme will adopt to implement GMP equalisation, that method should form the basis of the interim allowance. Otherwise, an appropriate and permissible equalisation method (either one of the methods detailed in the **2018 Lloyds judgment** or the PPF's own methodology) should be used. The method chosen should be consistent with GMP equalisation figures calculated for other purposes (e.g. scheme funding valuations or company accounts), unless there are specific reasons for a different method to be used. This might include, for example, a relevant trustee decision which post-dates the earlier calculated figures.

4.9.3 Interim allowances in respect of GMP equalisation may, in isolation, be calculated on a best estimate basis. It should be noted that the principle of prudence continues to apply to all other elements of the protected liabilities, without relaxation.

4.9.4 When calculating interim allowances, high-level or generic impacts of GMP equalisation (for example, industry averages) should not be applied without considering how they should be tailored to the particular profile of the scheme's membership and benefit structure.

4.9.5 Interim allowances do not necessarily have to be calculated on a member by member basis. For example, it would be acceptable to identify an appropriate segmentation of members and apply different GMP equalisation impacts to each group, provided this remains consistent with a best estimate approach.

4.9.6 Some accepted methodologies for GMP equalisation strictly require a series of year by year comparisons for each member. For the purpose of calculating interim allowances each comparison can be carried out once only, at the **relevant time**, with GMP equalisation assumed to be based on the resulting implied benefit level.

4.9.7 Interim allowances should include a best estimate of backdated pension payments in respect of GMP equalisation, if these amounts are not recognised as a liability in the relevant accounts.

4.9.8 The judgment which we describe as the **'2020 Lloyds' judgment** was handed down in November 2020 and confirmed that the scope of the **2018 Lloyds judgment** extended to certain past transfers. The actual impact of the **2020 Lloyds judgment** will ultimately emerge in future section 179 valuations (e.g. a reduction in assets if top up payments are made in respect of past transfer values), and no interim allowance is necessary in this respect.

## 4.10 Death benefits

4.10.1 Where a scheme provides for a survivor's pension for any one member, then a survivor's pension on death before and after retirement should be valued for all members. This should be based on 50 per cent of the member's scheme benefits, including temporary pensions, after allowing for any commutation, early retirement reduction or late retirement increase where the member's benefit is already in payment, with the adjustments applied as detailed in paragraph 4.4.1.

4.10.2 Conversely, where a scheme does not provide for a survivor's pension on the death of any member, except for internally annuitised benefits where the member has purchased a joint life annuity as discussed further in section 4.12, no death benefits should be valued for any member.

4.10.3 No survivor's pension should be valued in the case of benefits derived from contributions that have been internally annuitised and where the member has elected to receive a single life pension only as discussed further in section 4.12.

4.10.4 Pre-retirement lump sum death benefits (including refunds of contributions) do not need to be included. However, it would be acceptable to include such benefits on the grounds of prudence.

4.10.5 Similarly, any post-retirement guarantee period provided by a scheme which relates to payment of pension/lump sum to a qualifying dependant does not need to be included in the liabilities. However, it would be acceptable to include these benefits on the grounds of prudence.

## 4.11 Cash balance benefits

4.11.1 Cash balance benefits are benefits where there is a sum available in respect of the member and there is a promise over the amount but no promise over the rate or amount of pension that the sum will be converted into. The promise over the sum may include a guaranteed investment return. What makes this a cash balance arrangement, rather than a defined contribution arrangement, is that the investment return is not linked directly to the performance of the scheme's underlying assets, and would typically be a fixed percentage or be derived from an index.

### *Cash balance with no investment guarantee*

4.11.2 For each individual under normal pension age aged x with a normal pension age of y and cash balance amount of (£$A_1$ + £$A_2$ + £$A_3$) at the **relevant time** (where £$A_1$, £$A_2$ and £$A_3$ are the cash balance amounts accrued in relation to pre 1997, 1997-2009 and post 2009 service respectively) the scheme actuary should:

- discount the accrued cash balance amounts, after allowing for mortality over the period to age y, by a factor of $(1+i)^{x-y}$. Note i is the yield in deferment, according to the date that the compensation is accrued, as defined in the **assumptions guidance**;
- similarly, discount the cash balance amount payable on death before retirement, after allowing for the probability of death in n years' time, by a factor of $(1+i)^{-n}$;
- sum all the discounted cash balance amounts over all the various contingencies; and
- multiply by 90 per cent.

4.11.3 For each individual over normal pension age but not yet in receipt of a pension, the section 179 liabilities should equal the cash balance amount in relation to that particular member.

### *Cash balance with guaranteed investment returns*

4.11.4 Where there is a guaranteed investment return, the higher of the fund amount with and without the guaranteed investment return applied up until the **relevant time** should be used. The valuation should be carried out in the same way as set out in paragraph 4.11.2.

The guaranteed investment return should not be applied to the period after the relevant time.

4.11.5 For a guaranteed investment return that does not apply until the point of retirement and any unusual guaranteed investment return where the treatment is unclear, schemes may have to take legal advice on how these benefits should be treated since it may depend upon exactly how the scheme rules are worded. This is because, as described in paragraph 4.4.1, section 179 valuations should use the scheme benefits subject to certain adjustments.

For guaranteed investment returns that are based upon an averaging of historic values, for example the unit price averaged over the last three years, the value given to the liability should be the higher of the pension pot incorporating and not incorporating the averaging.

## 4.12 Internally annuitised benefits

4.12.1 Typically these will derive from voluntary contributions that the member has made which were annuitised through the scheme at retirement, although benefits may derive from other sources, such as augmentations on redundancy.

4.12.2 Benefits that haven't yet been internally annuitised at the **relevant time** are money purchase and should be excluded from both the assets and liabilities of the valuation.

4.12.3 For benefits that have been internally annuitised at the **relevant time**, the pensions should be valued in the same way as benefits already protected by the PPF before the amended definition of money purchase benefits came into force. For example:

- benefits will have pension increases of inflation capped at 2.5% p.a. for post 1997 accrual, unless they derive from contributions that were annuitised through the scheme into a level pension;
- application of a 90 per cent factor if the member is under Normal Pension Age at the **relevant time**; and
- a survivor's pension of 50 per cent where the scheme provides one (see paragraph 4.10.1), other than in cases where the member purchased a single life annuity.

4.12.4 If post-1997 contributions have been converted into a non-increasing annuity then the split between pre- and post-1997 accrual is not needed. Otherwise, the split between pre- and post-1997 compensation should be determined using total contributions paid (member and employer) where the administration records allow. Failing that, the member's service period can be used to calculate a pro-rata split.

4.12.5 The **"Bridge" Regulations** contain transitional provisions relating to the new definition of money purchase benefits for schemes in or entering a PPF assessment period; for example, schemes that were in a PPF assessment period at 24 July 2014 may, subject to the PPF's discretion, continue to treat as money purchase certain benefits which are not money purchase under the new definition. No such relaxation in respect of these transitional provisions should be adopted for the purposes of section 179 valuations.

## 4.13 Underpins and top-ups

4.13.1 Fundamentally the treatment of underpins and top-ups is the same in that for any individual member they should be either entirely money purchase or entirely defined benefit.

4.13.2 Defined contribution underpins are defined in regulation 1 of the second set of regulations that we describe as the **"Bridge" Regulations**. The calculation for each individual should consider whether the DB benefit exceeds the DC benefit at the relevant time using the current scheme methodology and section 179 valuation assumptions. If a scheme does not currently have its own methodology then the actuary should adopt the methodology which he or she would employ if conducting a funding valuation.

4.13.3 Only those members for whom the DB benefits exceed DC benefits should be included in the calculations. Otherwise the DC benefits should be excluded from both the assets and liabilities of a section 179 valuation.

4.13.4 The 90 per cent level should be applied to the DB members under normal pension age at the **relevant time** after the comparison test has taken place, with the protected liabilities then valued in accordance with this guidance.

4.13.5 For an underpin that only applies for a particular period of service, the member's fund in relation to that period of service alone should be compared with the underpin using current scheme methodology.

4.13.6 Top-up benefits are described in regulation 3 of the second set of regulations that we describe as the **"Bridge" Regulations**. They are benefits which are paid should defined contribution benefits fall short of some defined level. Their treatment should be the same as underpin benefits, in that if the DC benefits exceed the DB minimum at the **relevant time** the entire benefit should be treated as money purchase and excluded from the valuation. Conversely, if the DC benefit falls short of the DB minimum, the entire benefit is not money purchase and should be included in the valuation.

## 4.14 Protected rights

4.14.1 Protected rights existed in schemes that contracted out via the money purchase route before this was abolished. Depending on the precise wording of the scheme's rules, such arrangements will either give rise to money purchase benefits or to DC underpins. If the former, then the value of the protected rights should be excluded from the liabilities and assets. If the latter, the treatment should be as described in section 4.13. The scheme's legal adviser should advise as to the nature of the benefits.

## 4.15 Guaranteed annuity rates

4.15.1 For benefits which have guaranteed annuity rates attached schemes should take legal advice as to the correct treatment as it will depend upon the precise wording of the scheme rules.

# Part 5 – Assets

## 5.1 Overview

5.1.1 The **Valuation Regulations** specify that the value of the scheme assets stated in the relevant accounts must be used, subject to provisions regarding relevant contracts of insurance as set out in sections 5.2 and 5.3 below. Relevant accounts must be audited accounts prepared in respect of a period ending on the effective date of the section 179 valuation. The definition of relevant accounts can be found in Regulation 1 of the **Valuation Regulations**.

5.1.2 The assets in respect of money purchase benefits should not be included in the assets in accordance with section 179(6) of **the Act**.

## 5.2 Insurance contracts

5.2.1 Where any liabilities are covered by a relevant contract of insurance (as defined by **the Act**) which was taken out before 6 April 1997, but insufficient information now exists for the contract to be taken into account in a valuation, then the value of that contract (and the value of the corresponding liabilities) should not be included in a section 179 valuation. The legislation requires all reasonable steps to be made to obtain sufficient information regarding insurance policies to enable a valuation to be carried out before concluding that they should not be taken into account.

5.2.2 Other insurance policies held in the name of the trustees should be included in the assets for section 179 purposes. Regulation 7 (2) of the **Valuation Regulations** explains how this valuation should be carried out. The value of these assets might not be equal to the value of the corresponding liabilities, nor to the value placed on these assets in the scheme accounts. However, the Board would have concerns about any section 179 valuation that understated liabilities or understated underfunding.

5.2.3 In particular, 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 periods commencing on or after 1 January 2015. However, this does not supersede the continuing requirement under the **Valuation Regulations** to place an 'appropriate' value on annuity contracts (which could differ from the value shown in the scheme accounts) for the purposes of a section 179 valuation.

5.2.4 Where the scheme actuary deems it appropriate under Regulation 7 (2) to place a value on the insurance contract equal to the discounted value of the payments secured, it would be appropriate to use assumptions consistent with those used to calculate the corresponding protected liabilities. For example an insurance contract that gives fixed pension increases of 3% might be valued using a net discount rate of i% – 3% where i% is the (gross) discount rate used to value pre-6 April 1997 accrual. Ultimately the choice of assumptions is down to the scheme actuary.

## 5.3 Demographic hedges

5.3.1 Contracts used to hedge mortality and other demographic risks may in some circumstances be allowed for in the value of assets for section 179 valuation purposes. Such contracts are typically written in the form of an insurance contract or a derivative contract. If the contract is a relevant contract of insurance as described under Regulation 7(2)(a) of the **Valuation Regulations**, then the method described in paragraphs 5.3.4 to 5.3.6 below is a suitable method to adopt to determine any additional asset value to be allowed for. The asset value should be adjusted in accordance with this regulation.

5.3.2 If a contract used to hedge mortality and other demographic risks is not an insurance contract, nor a relevant contract of insurance, then the value placed on the contract using the method described below would need to be included in the audited accounts in order for the contract to be included as an asset of the scheme for section 179 valuation purposes and the approach would need to be agreed by the auditor. If the contract is not included in the audited accounts, or is not a relevant contract of insurance and therefore not an acceptable non-accounts asset, it will not be included in the assets of the scheme.

5.3.3 Similar to insured annuity contracts as noted in section 5.2 above, if a longevity hedge or similar arrangement is held in the form of a relevant contract of insurance, then the value placed on it for section 179 valuation purposes could differ from that shown in the scheme accounts.

5.3.4 Contracts used to hedge mortality and other risks typically take the form of a derivatives arrangement with two income streams, or 'legs':

(1) a "fixed leg" which will be payable by the trustees to the provider equal to the cash flows that would be payable for the class of membership concerned on a pre-agreed demographic basis, and;

(2) a "floating leg" which will be payable by the provider to the trustees equal to the cash flows actually payable for the class of membership concerned.

The value of the contract can be taken as the net present value of the floating leg less the net present value of the fixed leg, net of any contract expenses. These expenses might, for example, be expressed as a fixed percentage of the agreed payments comprising the "fixed leg".

5.3.5 Where the above approach produces a negative overall value, it should be used to reduce the value of the scheme's assets. When valuing the cash flows, the financial and demographic assumptions set out in the relevant version of the **assumptions guidance** being used to carry out the section 179 valuation should be used. It is anticipated that the calculations in respect of the fixed leg will be largely independent of demographic assumptions, due to the nature of the payments under this leg. Where assumptions don't exist, for instance because the contract allows for increases to pensions in payment not in line with PPF compensation then reasonable assumptions consistent with the appropriate section 179 **assumptions guidance** should be adopted.

5.3.6 For demographic hedging contracts that run for a fixed term with a termination payment at the end of the term, the value should allow for this termination payment (which may be a payment from the Trustees to the provider or vice versa).

# Part 6 – Reporting

## 6.1 When is the section 179 valuation needed?

6.1.1 The effective dates of successive section 179 valuations must be no more than three years apart. This timescale allows for the valuation to be undertaken in line with a scheme's normal funding valuation cycle. However, schemes may provide valuations more frequently if they wish, for example to reflect a change in liabilities following a scheme restructuring.

6.1.2 Schemes that were registered prior to 6 April 2007 had to give their first section 179 valuation within 15 months of the effective date or by 31 March 2008 if earlier. Schemes registered after this date had to give their first valuation within 15 months of the date of the first section 224 valuation.

6.1.3 Subsequent section 179 valuations must be provided to the Board within 15 months of their effective date.

6.1.4 The above requirements are set out in Regulation 2 of the **Valuation Regulations**.

## 6.2 Where to send valuation information

6.2.1 The scheme actuary's report on the section 179 valuation should be addressed and sent to the trustees. The certificate on the PPF's website should form part of the report. The PPF does not need to be sent a copy.

6.2.2 The results of the section 179 valuation should be provided to the Pension Protection Fund via the Pensions Regulator's web-based "Exchange" system (or, where Exchange may from time to time be replaced by an equivalent system, that replacement system). It is possible to update the section 179 valuation pages of Exchange at any time.

6.2.3 Details of the deadlines by which details of a section 179 valuation must be provided, in order to be taken into account within the pension protection levy calculation for a particular levy year, are available on the Pension Protection Fund website.

6.2.4 For further details about the valuation process please go to the Pension Protection Fund website at: www.ppf.co.uk

6.2.5 The contact address for the Pension Protection Fund is:

Pension Protection Fund
Renaissance
12 Dingwall Road
East Croydon
CR0 2NA
Tel:  0345 600 2541

# Part 7 – Glossary

**Assumptions guidance** – "Guidance on assumptions to use when undertaking a valuation in accordance with Section 179 of the Pensions Act 2004" as published on the PPF's website

**The Act** – the Pensions Act 2004

**The "Bauer" judgment –** the 2019 Court of Justice of the European Union ruling in the case of PSV v Bauer

**The "Bridge" Regulations** – the Pensions Act 2011 (Consequential and Supplementary Provisions) Regulations 2014 and the Pensions Act 2011 (Transitional, Consequential and Supplementary Provisions) Regulations 2014

**The "Hampshire" judgment** - the 2018 Court of Justice of the European Union in the case of Hampshire v Board of the Pension Protection Fund

**The "2018 Lloyds" judgment** - the 2018 High Court judgment in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank Plc and others

**The "2020 Lloyds" judgment** - the 2020 High Court judgment in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank Plc and others

**Protected liabilities** – this is the term used in legislation to describe the value of liabilities included in a section 179 valuation

**Relevant time** – this is the term used in legislation to describe the effective date of the valuation

**The Valuation Regulations** – The Pension Protection Fund (Valuation) Regulations 2005

## Part 8 - Legislation or authority for actuarial valuations

The following is a list of key acts of parliament and associated PPF regulations. This list may not be comprehensive. It is the responsibility of the scheme actuary to ensure the valuation is compliant with all relevant legislation in force at the date of signing the valuation report.

| ***List of acts of parliament and associated PPF regulations*** |
|---|
| *The Pensions Act 2004* |
| *The Pensions Act 2008* |
| *The Pensions Act 2011* |
| *The Pension Protection Fund (Valuation Regulations) 2005 SI 2005/672* |
| *The Pension Protection Fund (Partially Guaranteed Schemes) (Modification) Regulations 2005 SI 2005/277* |
| *The Occupational Pension Schemes (Modification of Pension Protection Provisions) Regulations 2005 SI 2005/705* |
| *The Occupational Pension Schemes (Levies) Regulations 2005 SI 2005/842* |
| *The Pension Protection Fund (Compensation) Regulations 2005 SI 2005/670* |
| *The Pension Protection Fund (Entry Rules) Regulations 2005 SI 2005/590* |
| *The Pension Protection Fund (Multi-employer Schemes) (Modification) Regulations 2005 SI2005/441* |
| *The Pension Protection Fund (Hybrid Schemes) (Modification) Regulations 2005 SI2005/449* |
| *The Pensions Act 2011 (Transitional, Consequential and Supplementary Provisions) Regulations 2014 SI 2014/1711* |
| *The Pensions Act 2011 (Consequential and Supplementary Provisions) Regulations 2014 SI 2014/1954* |

**All legislation made under and/or modifying any of the above.**

**Note: the Hughes judgment of July 2021 is overriding – in particular, the compensation cap must not be applied for the purposes of the s179 valuation.**