

# **The Board of the Pension Protection Fund**

## **Determination under Section 175(5) of the Pensions Act 2004 in respect of the financial year 1 April 2018 – 31 March 2019**

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# **Determination by the Board of the Pension Protection Fund under section 175(5) of the Pensions Act 2004**

The Board of the Pension Protection Fund hereby makes the following determination in respect of the financial year 1 April 2018 to 31 March 2019: in respect of that year, the factors and times by reference to which the pension protection levies are to be assessed, and the rate of the levies, and the dates at which the levies are to become payable are to be as set out in the Levy Rules appended to this determination.

**The attention of trustees and advisers is specifically drawn to Rule A2, and the consequent importance of ensuring that complete, accurate and up to date information is submitted through the Pensions Regulator's Exchange system by the relevant deadlines. Provision of information forming part of the scheme return is a legal duty under s.64 Pensions Act 2004, with civil penalties for non compliance. The scheme return submitted must contain all the information the Pensions Regulator asks for (s.65). As regards other information, the submission of which is not mandated by law, the trustees will need to ensure it is properly submitted by the relevant deadlines to ensure it is taken into account in the levy calculation. The importance of accuracy in all information supplied to the Pensions Regulator or the Board is underlined by the criminal sanctions which may apply where false or misleading information is supplied knowingly or recklessly (s.80 and s.195).**

**The attention of trustees and advisers is also drawn to the Board's Levy Data Correction Principles. Schemes should note that the Board does not anticipate that the discretionary powers set out in the Determination will normally be exercised so as to correct data submitted at the relevant Measurement Time.**

The following appendices to the Rules are available from the Board's website at

[www.pensionprotectionfund.org.uk/pages/1819\\_Levy\\_Determination.aspx](http://www.pensionprotectionfund.org.uk/pages/1819_Levy_Determination.aspx)

ABC Appendix  
Contingent Asset Appendix  
DRC Appendix  
Insolvency Risk Appendix  
Investment Risk Appendix  
MFR Conversion Appendix  
Transfers Appendix  
Transformation Appendix  
SWOSS Appendix

# THE LEVY RULES

## Part A – General

### A1. How to interpret these Rules

A1.1. Definitions used in these Rules and the Appendices attached to these Rules

In these Rules, the following expressions have the meanings shown next to them or, as the case may be, provided by the provision referred to:

“1995 Act” – means the Pensions Act 1995.

“ABC Arrangement” - means:

- (a) a contractual arrangement under which the Scheme trustee becomes a limited partner in a limited partnership (the “Trustee LP”) in which another entity within the Employer's Group is also a partner;
- (b) the Scheme as a result expects to receive one or more payments representing distributions of profits (or return of capital) in relation to the Trustee LP (“Coupon Payments”); and
- (c) the Coupon Payments are expected to be wholly or mainly generated by virtue of one or more income producing asset(s) owned by one of the following:
  - (i) the Trustee LP;
  - (ii) another limited partnership of which the Trustee LP is a member (a “Second LP”);
  - (iii) another entity within the Employer's Group which has issued a loan note to the Trustee LP,

or such other arrangement that the Board considers to be designed to have substantially the same effect as the above and, where the Board considers that such other arrangement is designed to have that effect, it will be treated in a manner which gives best effect in that situation to the general approach laid down by these Rules, the Transformation Appendix and the ABC Appendix.

Where the context so requires, references to an ABC Arrangement shall include all documents entered into as part of the transaction under which the Scheme trustee acquired its interest in the Trustee LP.

“ABC Asset” or “ABC Asset(s)” - means the asset or assets held by a Trustee LP, Second LP, or entity within the Employer's Group which has issued a loan note to the Trustee LP for the purposes of the ABC Arrangement.

“ABC Certificate” - means a certificate which complies with all of the requirements of the ABC Appendix.

"ABC Payments" - means the Coupon Payments made pursuant to the ABC Arrangement from and including the date set out in (a) below up to and including the date set out in (b) below:

- (a) The date which is the later of:
  - (i) the date that the ABC Arrangement was entered into; and
  - (ii) the effective date of the Section 179 or MFR Valuation of the Scheme that is used under Rule D2 or, in a case to which Part F of these Rules applies, the relevant Post-Transfer Valuation;
- (b) The following date:
  - (i) where the Scheme trustee has sought recognition of an ABC Value of greater than nil pursuant to Rule H1, the date as at which the Latest Scheme Accounts are prepared; and
  - (ii) where paragraph (i) above does not apply, 31 March 2018 or if earlier, the date on which the ABC Certificate or Partial ABC Certificate is Submitted.

PROVIDED THAT, for the avoidance of doubt, where Part F of the Rules applies, if the effective date of the relevant Post-Transfer Valuation is later than the effective date of the valuation stated in the ABC Certificate or Partial ABC Certificate in accordance with paragraph 3(3) of the ABC Appendix, the Coupon Payments made for the purpose of this definition shall be deemed to be zero.

"ABC Value" has the meaning given in paragraph 4 of the ABC Appendix or, where Rule H1.2 applies, the value ascribed to it by the Board pursuant to Rule H2.3.

"Acceptable Form" - has the meaning given to it in the Contingent Asset Appendix.

"Accounting Standard" - means any UK accounting standard published or recognised by the Financial Reporting Council, including for the avoidance of doubt, IFRS, FRS 101 and FRS 102.

"Accounting Standard Change Certificate" means an Officer's Certificate (or format specified by the Board from time to time containing equivalent information) that Experian has received by the Measurement Time in respect of an Employer, or Ultimate Parent (as the case may be) confirming the following:

- (a) Details of the entity being certified
- (b) Year End Date when a change in Accounting Standard has been reflected for the first time for the entity
- (c) Value of relevant Variable in Year F-1 as stated in F-1 Accounts
- (d) Value of relevant Variable in Year F-1 as stated in F Accounts
- (e) Difference between (c) and (d) above, after either
  - a. allowing for any adjustments that do not reflect the change in Accounting Standard; or

- b. confirming that no adjustments were made to the relevant Variable in F-1 Accounts except for the change in Accounting Standard.

"Accounts" – means financial statements which:

- (a) are signed by the following in relation to the Employer, Group Subsidiary or Ultimate Parent (as the case may be):
  - (i) any director, in the case of a company;
  - (ii) any member, in the case of a limited liability partnership;
  - (iii) the general partner, in the case of a limited partnership;
  - (iv) any partner, in the case of a partnership in which no partner has any limit on its liability in respect of the liabilities of the partnership;
  - (v) any person who fulfils substantially the same role as any of the persons described in the preceding paragraphs, in the case of an organisation that does not fall within any of those paragraphs;
  - (vi) that individual, in the case of an individual;
- (b) are audited, where:
  - (i) the Employer, Group Subsidiary or Ultimate Parent (as the case may be) is required by law to have its annual statutory accounts audited; or
  - (ii) in the case of Consolidated Accounts, they are provided to Experian pursuant to Rule E2.3;
- (c) as a minimum, comply with the legal requirements to which the relevant Employer, Group Subsidiary or Ultimate Parent (as the case may be) is subject in relation to the accounts which they are legally required to file;
- (d) are Annual Accounts, unless they are Accounts that have been filed with Companies House in the UK; **and**
- (e) are prepared for the period ending with a Year End Date no earlier than the date which is 30 months before the Score Measurement Date.
- (f) Where an Employer, Ultimate Parent or Group Subsidiary's Accounts are prepared in a language other than English, the Board will accept a translation of those Accounts, provided that the translation is accompanied by an auditor's certificate confirming that it is an accurate translation of the Accounts.

"Accounts Regulations" – means SI 1996 no. 1975.

"Act" – means the Pensions Act 2004.

"Actual s179 ABC Amount" - means the value attributed to the Scheme trustee's interest in the Trustee LP in:

- (a) the s179 Scheme Accounts; or

(b) where Part F of the Rules applies, the assessment of assets used for the purposes of producing the relevant Post-Transfer Valuation,

**plus**, where the date in (a) or (b) (as applicable) is later than the date of the Latest Scheme Accounts, unless no ABC Value is certified, the value of any Coupon Payments made between the date as at which the ABC Value is assessed and the effective date of (a) or (b) above (as applicable).

“Actuarial Transfer Information” – is defined in Rule F2.3.

“Adjusted Monthly Score” – means the Monthly Score adjusted in accordance with Part 5 of the Insolvency Risk Appendix.

“Allocated Members” – means members (as defined in section 124 of the 1995 Act) who, in respect of a particular Employer, are or were in a description or category of employment to which the scheme in question relates, and includes Pension Credit Members allocated to an Employer using the definition of “Pension Credit Member” in these Rules.

“Annual Accounts” means Accounts prepared for the period which ends with the Employer Ultimate Parent or Group Subsidiary's Year End Date PROVIDED THAT, in determining whether this definition is met, Experian shall treat all Employers as if they were subject to the same restrictions on the frequency of changing a Year End Date which apply to UK registered companies.

“Annual Return” – is construed in accordance with section 854 of the Companies Act.

“Appealable Score” – means a Mean Score, Levy Band or Levy Rate.

“Appropriate Asset Valuer” – means a professional valuer with appropriate experience to value the relevant ABC Asset who is a member of an appropriate professional body (such as the RICS, or the ICAEW) where such a body exists for persons performing such valuations and who has Appropriate Indemnity Cover in place.

“Appropriate Indemnity Cover” – means professional indemnity insurance which meets any criteria set out in guidance issued by the Board.

“Appropriate Legal Advice” - means advice (or, for the purposes of meeting the requirement in Rule E6.2(2)(c), Current Advice) from an Appropriate Solicitor where the Appropriate Solicitor complies with the SRA Indemnity Insurance Rules and rule O(1.8) of the SRA Code of Conduct in relation to professional indemnity insurance and any limitation of liability in relation to the advice.

“Appropriate Solicitor” - means a private practice solicitor holding a current practising certificate for the relevant jurisdiction and professional indemnity insurance in accordance with the SRA Indemnity Insurance Rules appointed by the trustees pursuant to s47 of the Pensions Act 1995 at the time of the advice.

“Assets” – is defined in Rule D2.1(1).

“Basic Transfer Information” – is defined in Rule F2.2.

“Binding Failure Notice” – is a Failure Notice which is treated as binding under section 125 of the Act or under section 130(6) of the Act.



“Board” – means the Board of the Pension Protection Fund established under section 107 of the Act.

“BOE Bank List” – means the lists of banks and building societies published by the Bank of England (BOE), including the Prudential Regulation Authority (PRA), on the BOE website at <http://www.bankofengland.co.uk/pr/Pages/authorisations/banksbuildingsocietieslist.aspx>

“BOE Insurance List” – means the lists of UK authorised insurers and EEA authorised insurers operating in the UK as a branch and/or on a freedom of services basis, published by the Bank of England, including the PRA, on the BOE website at <http://www.bankofengland.co.uk/pr/Pages/authorisations/fscs/insurance.aspx>)

“Certified Guarantor” – means the Guarantor certified on Exchange by the Trustees in respect of a Type A Contingent Asset and to which Rule E5.1 would apply if it were an Employer and if the deadline in Rule E2.8 were the Measurement Time.

The “Certifier” – means the person who Submits any certificate.

“Central Government” – means an entity classified as Central Government by the Office of National Statistics at <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/publicsectorclassificationguide>

“Centralised Scheme” – is defined in Rule E6.2(4).

“Charity” - means a body which meets the definition set out at s.1 of the Charities Act 2011 and which is either:

- (a) registered with the Charity Commission; or
- (b) is not required by law to be so registered and, in relation to which the Board has, before the calculation of the Levies for the relevant Scheme, if the Board so requests, received evidence that the Board considers to be satisfactory that, as at the relevant Score Measurement Date, it met the definition set out at s.1 of the Charities Act 2011.

“Charity Commission” – means one or more of:

- (a) the Charity Commission for England & Wales;
- (b) the Office of the Scottish Charity Regulator; or
- (c) the Charity Commission for Northern Ireland.

“Companies Act” – means the Companies Act 2006.

“Companies House” – means Companies House, the executive agency of the department for business, innovation and skills and any body which undertakes an equivalent role outside of the UK.

“Company/Charity Source” – means Companies House, the London Stock Exchange and the Charity Commission.

"Confirmation Statement" – is construed in accordance with section 853A of the Companies Act 2006.

"Consolidated Accounts" – means Accounts which show the assets, liabilities, equity, income, expenses and cash flows (as applicable) of the Parent and its Subsidiaries, presented as those of a single economic entity and which meet any applicable legal requirements for such accounts.

"Contingent Asset" – is defined in Rule G2.2.

"Contingent Asset Certificate" – is a certificate which complies with Rule G2.4.

"Coupon Payments" – means the payments representing distributions of profits (or return of capital) in relation to the Trustee LP that the ABC Arrangement provides for the Scheme trustee to receive.

"CRA Mortgage Exclusion Rated" - means directly rated by one or more of Moody's Investors Service, Fitch Ratings or Standard & Poor's Ratings. For the avoidance of doubt, if there is more than one CRA Mortgage Exclusion Rating at any relevant time in relation to a particular entity:

- (A) where there are two such ratings, the less favourable rating is the CRA Rating for the purposes of this definition; and
- (B) where there are three such ratings, the second most favourable rating is the CRA Rating for the purposes of this definition.

"CRA Mortgage Exclusion Rating" – means the publicly available long term unsecured issuer rating provided by one or more of Moody's Investor's Service, Fitch Ratings or Standard & Poor's Ratings Services.

"CRA Rated" – means having a CRA Rating.

"CRA Rating" – means a rating assigned in accordance with Annex 1 to the Insolvency Risk Appendix.

"Credit Model" – means the CreditModel™ Financial Institutions statistical model<sup>1</sup> developed by S&P Global Market Intelligence, a division of S&P Global Inc.

"Credit Model Score" – means the letter grade score calculated in respect of an Employer in accordance with Annex II to the Insolvency Risk Appendix.

"Credit Model White Paper" means the S&P Global Market Intelligence Credit Model Financial Institutions White Paper published on the Board's website at [http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/SP\\_Global\\_Market\\_Intelligence\\_Credit\\_Model\\_Financial\\_Institutions\\_White\\_Paper.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/SP_Global_Market_Intelligence_Credit_Model_Financial_Institutions_White_Paper.pdf)

"Credit Rating Agency" – means Moody's Investors Service, Fitch Ratings, or S&P Global Ratings.

"Current Advice" – means either:

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<sup>1</sup> Further information about the CreditModel™ Financial Institutions model can be found on the PPF website at [http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/SP\\_Global\\_Market\\_Intelligence\\_Credit\\_Model\\_Financial\\_Institutions\\_White\\_Paper.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/SP_Global_Market_Intelligence_Credit_Model_Financial_Institutions_White_Paper.pdf)

- (a) advice which refers to the position under the Current Scheme Rules; or
- (b) advice which refers to the position under rules governing the Scheme before the Current Scheme Rules, provided that the provisions relating to cessation of participation of Employers in those rules and the Current Scheme Rules are identical.

"Current Scheme Rules" – means the rules governing the relevant Scheme as at the Measurement Time.

"Deficit-Reduction Contribution" – refers to the amount of the cash contribution calculated in accordance with paragraphs 7-20 and 22-29 of the Deficit-Reduction Contributions Appendix.

"Diversified Banks" – is as classified in the Credit Model White Paper by reference to PICs Code 40101010.

"Dormant" – is construed in accordance with s1169 of the Companies Act.

"Earlier Levy Year" – is defined in Rule G3.4(1)(a)

"Entry Rules" – means the Pension Protection Fund (Entry Rules) Regulations 2005.

"Employer" – is as defined in section 318 of the Act and regulations made thereunder.

"Employers' Association" – means an employers' association within the meaning of section 122 of the Trade Union and Labour Relations (Consolidation) Act 1992 whose name appears on the list maintained by the Certification Officer pursuant to that Act.

"Exchange" – means the scheme maintenance system maintained by the Pensions Regulator for the online submission of Scheme Returns and other information by or on behalf of pension schemes.

"Exempt Transfer" – is construed in accordance with Rule F4.

"Experian" – means Experian Limited, registered in the UK company number 653331 and, where appropriate, shall include its relevant associated undertakings (for the purposes of the Insolvency Act 1986).

"F-1 Accounts" – means the set of Accounts having a Year End Date that is one calendar year before the Year End Date of the Employer or Ultimate Parent (as the case may be) F Accounts.

"F Accounts" – means a set of an Employer or Ultimate Parent's Accounts in which a change in Accounting Standard is reflected for the first time in respect of that Employer or Ultimate Parent (as the case may be).

"Failed Scheme" – means a Scheme which meets the criteria in Rule C4.

"Failure Notice" – is a notice issued under section 122(2)(a) of the Act, or pursuant to section 124 of the Act, or under section 130(2) of the Act.

"Fair Value" means either:

- (a) the value attributed to the Scheme trustee's interest in the Trustee LP in the Latest Scheme Accounts (or for the avoidance of doubt, in the event that the ABC

Arrangement is entered into after the date of the Latest Scheme Accounts, the value as assessed in accordance with any guidance issued by the Board); or

- (b) an amount calculated as at the same date and on the same basis as the value in (a) except that any discount relating to the credit risk of the Employers and/or PPF Guarantors which has in fact been applied in arriving at the value in (a) is reversed.

“FCA” - means the Financial Conduct Authority.

“Filed” – means either:

- (a) publicly available on the official website of (or relevant part of the official website relating to) Companies House, the Charity Commission, or an Other Permitted Source;
- (b) provided to Experian pursuant to Rule E2.3.

“First Transfer Date” – is the date that the first transfer of liabilities is made from the Transferring Scheme to the Receiving Scheme in relation to a Full Transfer.

“Forces Association” – means an association established by the Defence Council pursuant to powers granted under Part XI of the Reserve Forces Act 1996.

“FTE Basis” – means the number of employees calculated on a full time equivalent basis in accordance with the method of calculation that the Employer, Group Subsidiary or Ultimate Parent (as the case may be) would ordinarily apply and, in any event, in accordance with generally accepted methods of calculation.

“Full Accounts” – means Accounts where both (a) and (b) below apply:

- (a)
  - (i) the account type indicator which is delivered to Experian by Companies House indicates that they are full accounts; or
  - (ii) such account type indicator indicates that they are group accounts, and the Accounts show a Turnover or a Pre-Tax Profit figure; or
  - (iii) there is no such account type indicator delivered to Experian by Companies House, and the Accounts show a Turnover or a Pre-Tax Profit figure.
- (b) the Board has not directed Experian to regard the Accounts as Small Accounts (any such direction to be on the basis that, in the opinion of the Board, the application of (a) above does not appropriately reflect the nature of the Accounts for the purposes of the calculation of an Appealable Score). The Board is under no obligation to consider or make any such direction in any particular case.

“Full Transfer” – is defined in Rule F1.3.

“Group” – in relation to an Employer means that Employer, any Subsidiary or Parent of that Employer, and any Subsidiary of a Parent of that Employer and in relation to an

Ultimate Parent means it and all of its Subsidiaries. Each company in a Group is a member of the Group.

"Group CRA Test" – means that the following criteria are met:

- (a) Experian has, by the Measurement Time, received an Officer's Certificate confirming that either:
  - (i) The Employer (or, for the purposes of calculating the Parent Strength Score, the Ultimate Parent) is CRA Mortgage Exclusion Rated and its CRA Mortgage Exclusion Rating is Investment Grade; or
  - (ii) The Employer (or, for the purposes of calculating the Parent strength score, the Ultimate Parent) is not CRA Mortgage Exclusion Rated but another member of the Employer's Group is CRA Mortgage Exclusion Rated and each other member of the Employer's Group which is CRA Mortgage Exclusion Rated has a CRA Mortgage Exclusion Rating which is Investment Grade.
- (b) The Board is satisfied that, as at the Measurement Time, the statements in the Officer's Certificate referred to in (a) are still true.

"Group Subsidiary" – means a Subsidiary of the Employer or the Employer's Ultimate Parent.

"Guarantor Strength Report" – is construed in accordance with Rule G2.3.

"Highest Drawn Amount" – means:

- (a) Where paragraph (b) does not apply, the maximum amount available pursuant to the revolving facility to the Employer or other member of the Employer's Group in relation to which the security interest is being certified as an Immaterial Mortgage;
- (b) This paragraph (b) applies where:
  - (i) the revolving facility has been available since 1 March 2017 or earlier;
  - (ii) Experian has received certified copies of bank statements for the period starting on 1 March 2017 and ending on 28 February 2018 which show all transactions in that period pertaining to the account which provides the facility relating to the security interest being certified as an Immaterial Mortgage; and
  - (iii) Experian is satisfied that, on the basis of the statements referred to in (ii), the greatest amount actually drawn pursuant to the facility over the period referred to in (ii) by the Employer or other member of the Employer's Group (as the case may be) is lower than the amount referred to in (a).

Where this paragraph (b) applies, the Highest Drawn Amount shall be the amount referred to in (iii).

"Highest Deposited Amount" – means:

- (a) Where paragraph (b) does not apply, the maximum amount, pursuant to any arrangements in place in respect of the charged bank account, that the Employer or other member of the Employer's Group in relation to which the security interest is being certified as an Immaterial Mortgage may be required to deposit in the account;
- (b) This paragraph (b) applies where:
  - (i) the charged bank account has been open since 1 March 2017 or earlier;
  - (ii) Experian has received certified copies of bank statements for the period starting on 1 March 2017 and ending on 28 February 2018 which show all transactions in that period pertaining to the account in respect of which there is a charge being certified as an Immaterial Mortgage; and
  - (iii) Experian is satisfied that, on the basis of the statements referred to in (ii), the greatest amount actually deposited in the charged bank account over the period referred to in (ii) by the Employer or other member of the Employer's Group (as the case may be) is lower than the amount referred to in (a).

Where this paragraph (b) applies, the Highest Deposited Amount shall be the amount referred to in (iii).

"Housing Association" – means a provider of social housing registered:

- (a) as a 'non-profit organisation' under section 115 of the Housing and Regeneration Act 2008;
- (b) under Part 2 of the Housing (Scotland) Act 2010; or
- (c) under Chapter II of the Housing (Northern Ireland) Order 1992.

"Immaterial Mortgage(s)" – means one or more security interests registered at Companies House in the UK (or other overseas electronic public registries in the countries specified in the column relating to the Mortgage Age Variable in Table 1 of the Insolvency Risk Appendix) in relation to which Experian has, by the Measurement Time, received an Officer's Certificate confirming that:

- (a) the copy (or copies) of the Immaterial Mortgage(s), together with such related documents as evidence the criterion in (b) below, which are attached to that certificate are true, complete and up to date; and
- (b) either:
  - (i) the principal amount secured by it or, where there is more than one, the aggregate principal amount secured by them is no more than 0.5% of the Total Assets shown in the chargor's Latest Accounts, PROVIDED THAT for the purposes of this definition, the principal amount secured will be assessed as follows:
    - (A) in the case of a revolving credit facility, by reference to the Highest Drawn Amount;

- (B) in any other credit facility, by reference to the maximum amount available pursuant to the facility (including any amount actually drawn) on the date it became effective; and
- (C) in the case of a charge over a bank account in relation to which the chargor may be required to deposit funds, by reference to the Highest Deposited Amount; and
- (D) in the case of a transaction not involving borrowing (including, without limitation, the making of a grant upon conditions that provide for all or part of the grant to be repaid in certain circumstances) the maximum amount which may become due from the chargor under the transaction, and whose payment is secured by the security interest in question.

or

- (ii) the assets secured pursuant to it (or them) are only assets held by the Employer, Group Subsidiary or Ultimate Parent (as the case may be) on trust for the beneficiaries of a self-invested personal pension scheme regulated by the Financial Conduct Authority.

and, in respect of which, Experian is satisfied, based on the document(s) referred to in (a) and the documents referred to in the definition of Highest Drawn Amount, that the criterion in (b) was met.

"Insolvency Risk" or "IR" – refers to the number calculated in accordance with Rule E1.

"Investment Grade" – means:

- (a) Baa3 or better in the case of a rating by Moody's Investors Service; and
- (b) BBB- or better in the case of a rating by Fitch Ratings or Standard & Poor's Ratings Services.

"Investment Stress Threshold" – is as described in Rule D3.1.

"Latest Accounts" – means the most recent set of Accounts which have been Filed or otherwise collected by Experian pursuant to Rule E2.2(1) relating to the Employer, Ultimate Parent or Group Subsidiary (as the case may be).

"Latest Scheme Accounts" – means the most recent Scheme Accounts prepared and adopted by the Scheme trustee before the Measurement Time, or:

- (a) in a case where the ABC Arrangement was entered into after the date as at which those most recent Scheme Accounts were prepared, either:
  - (i) a special purpose set of accounts prepared in relation to the Scheme as at the date on which the ABC Arrangement was entered into; or
  - (ii) a valuation report which the Scheme trustee has been provided with for the purposes of advising it of the value to attribute to its interest in the Trustee LP, provided that this has been confirmed as reasonable by an appropriately qualified accountant in a report under agreed-upon procedures as at the date on which the ABC Arrangement was entered into;

(b) in a case where Part F of the Rules applies and the relevant Post-Transfer Valuation has an effective date after the date as at which those most recent Scheme Accounts were prepared, the asset statement used for the purposes of that Post-Transfer Valuation.

"Last Man Standing Scheme" – is defined in Rule E6.2(2).

"Levies" – means the RBL and the SBL. For the avoidance of doubt, where the term "levy" is used in these Rules, this includes the RBL and the SBL.

"Levy Band" – means the band, as shown in Table 4 in Part 7 of the Insolvency Risk Appendix, to which a LR refers.

"Levy Year" – is, as the context requires, any period of 1 April to 31 March in respect of which the Board has made a determination under section 175(5) of the Act.

"Liabilities" – is defined in Rule D2.1(1).

"Life & Health Insurance" – is as classified in the Credit Model White Paper by reference to PICs code 40301030.

"LR" or "Levy Rate" – is defined in Rule E5.

"Mean Score" – is determined by calculating the mean average of the Adjusted Monthly Scores. For the avoidance of doubt, in the case of an Employer in respect of a Scheme where a Monthly Score is only available as at one Score Measurement Date, the Mean Score shall be the Adjusted Monthly Score derived from that Monthly Score.

"Measurement Time" – is construed in accordance with Rule A2.3.

"Median" – is calculated as set out in Part 6 of the Insolvency Risk Appendix.

"Member" – means an active, deferred, pensioner or Pension Credit Member of a Scheme, but excludes any such members with purely money purchase benefits as defined in section 181 of the Pension Schemes Act 1993.

"MFR Valuation" – means the results of a valuation carried out by the Scheme Actuary in a manner which is in accordance with sections 56-60 of the 1995 Act, and Submitted by or on behalf of the trustees, whether as a matter of legal obligation or otherwise.

"Monthly Score" – means the Score as calculated in accordance with Rules E2 - E4 and the relevant Parts of the Insolvency Risk Appendix for an Employer in respect of a Scheme, as at any Score Measurement Date.

"Multi-Employer Regulations" – means the Pension Protection Fund (Multi-employer Schemes) (Modification) Regulations 2005.

"Multi-Employer Scheme" – is as defined in section 307 of the Act.

"Multi-line Insurance" – is as classified in the Credit Model White Paper by reference to PICs code 40301030.

"N-3 Accounts" – means a set of Accounts which:



- (a) are the most recent Accounts having a Year End Date which is no less than three but no more than five years before the Year End Date of the Latest Accounts;
- (b) are Consolidated Accounts in any case where the Latest Accounts are Consolidated Accounts;
- (c) are not Consolidated Accounts in any case where the Latest Accounts are not Consolidated Accounts; and
- (d) have been Filed.

"N Accounts" – means the Employer, Group Subsidiary or Ultimate Parent's (as the case may be) Latest Accounts.

"New Scheme" – means a Scheme which becomes an eligible scheme as defined in section 126 of the Act on or after 1 April 2018

"Non-Filing" – is defined in Rule E3.1(12).

"No Return Scheme" – is defined in Rule A2.4.

"Officer's Certificate" – means a certificate that complies with any guidance issued by the Board from time to time in relation to such certificates (whether general guidance or guidance in relation to the specific certificate concerned) and is signed by one of the following on behalf of the Employer, Ultimate Parent, or other member of the Employer's Group to which the certificate relates (as the case may be):

- (a) any director or the company secretary, in the case of a company;
- (b) any member, in the case of a limited liability partnership;
- (c) the general partner, in the case of a limited partnership;
- (d) such other person as is specified in the relevant Officer's Certificate as published on the Board's website as at the date the certificate is sent to Experian,

PROVIDED THAT, where this Determination requires that an Officer's Certificate has been received by the Measurement Time:

- (i) in the case of a Refinance Mortgage, a Pension Scheme Mortgage or a Rent Deposit, that requirement will be satisfied if such an Officer's Certificate was received and taken into account in relation to a previous levy year;
- (ii) in the case of an Immaterial Mortgage, a new Officer's Certificate must be given in relation to each levy year; and
- (iii) in relation to a Group CRA Test, no further Officer's Certificate is required unless the Group CRA Test criteria are now met on a different basis to that which applied to the previous certification.

"Ongoing Governance Arrangement" – is defined in Rule C5.2.

"Option Alpha" – is the methodology for calculation of a DRC Certificate as described in paragraphs 9-21 of the Deficit-Reduction Contributions Appendix.

“Option Beta” – is the methodology for calculation of a DRC Certificate as described in paragraphs 22-30 of the Deficit-Reduction Contributions Appendix.

“Original Mortgage” – means a security interest (or interests, in which case references to an Original Mortgage and other related references shall be construed accordingly) registered at Companies House, which is released following the discharge of the obligations secured by it and the Board is satisfied that that discharge was funded by amounts the repayment of which are secured by the Refinance Mortgage.

“Other Permitted Source” – means the following sources (or any successor entity carrying out the functions of the source named below):

- (a) the Higher Education Funding Council for England;
- (b) the Certification Officer appointed pursuant to the Trade Union and Labour Relations (Consolidation) Act 1992;
- (c) the Financial Conduct Authority; and
- (e) the Homes & Communities Agency.

“Parent” – is a parent undertaking as defined in s.1162 of the Companies Act, provided that, in the case of a limited liability partnership, section 1162 of the Companies Act shall be amended so that: (a) references in sections 1162(2)(a) and (d) to voting rights are to the members' rights to vote on all or substantially all matters which are decided by a vote of the members of the limited liability partnership; and (b) the reference in section 1162(2)(b) to the right to appoint or remove a majority of its board of directors is to the right to appoint or remove members holding a majority of the voting rights. For the avoidance of doubt, to be a Parent, an entity must have one or more Subsidiaries which have not been dissolved.

“Parent Scheme” – is as defined in paragraph 19.1 of the Transfers Appendix.

“Parent Section” is as defined in Rule F4.1(a)(ii).

“Partial ABC Certificate” - means a certificate which contains the information set out in paragraph 3 of the ABC Appendix and the certifications set out in paragraphs 6(3) and 6(5) of the ABC Appendix but is not an ABC Certificate.

“Partial Segregation Scheme” – is defined in Rule E6.2(3).

“Partially Guaranteed Scheme” – is as defined in the Pension Protection Fund (Partially Guaranteed Schemes) (Modification) Regulations 2005.

“Payment Performance Programme” – means the process used by Experian in its ordinary course of business to determine the Days Beyond Terms Variable as described in Part 3 of the Insolvency Risk Appendix.

“Pension Credit Members” – individuals who have rights under the relevant Scheme attributable to a pension credit. Such pension credit members shall be deemed to have been employed by the same Employer as the Member from whom their rights under the Scheme are derived.

"Pension Scheme Mortgage" – means a security interest to which (A) or (B) below applies:

(A) a security interest registered at Companies House in the UK (or other overseas electronic public registries in the countries specified in the column relating to the Mortgage Age Variable in Table 1 of the Insolvency Risk Appendix) in relation to which, by the Measurement Time:

(a) it is apparent to Experian from the data collected pursuant to Rule E2.2 that the persons entitled to the security interest are the trustees of a Scheme; or

(b) Experian has received an Officer's Certificate confirming that:

(i) the copy/copies of the Pension Scheme Mortgage(s) attached to that certificate is/are true, complete and up to date; and

(ii) the person(s) entitled to the security interest created pursuant to it/them are the trustees of a Scheme,

and Experian is satisfied, based on the document(s) is referred to in (i), that the criterion in (ii) was met.

(B) a security interest:

(a) which meets the Board's requirements for a Type B(ii) Contingent Asset for the 2018/19 Levy Year; and

(b) which replaces a security interest that has been recognised by the Board as a Type B(ii) Contingent Asset for any Levy Year prior to the 2018/19 Levy Year and in respect of criterion (A) above was met in respect of the 2017/18 levy year.

"PICs Code" – means the Primary Industry Classifications as maintained on S&P Market Intelligence's Capital IQ platform and as set out in the Credit Model White Paper, to which an entity is assigned by the Board.

"Political Party" – means a registered party within the meaning of Part II of the Political Parties, Elections and Referendums Act 2000, or an accounting unit in relation to such a registered party within the meaning of section 26(11) of that Act.

"Poor Data Methodology" – is as described in Rule F2.5(3).

"Portal" – means the website developed by Experian to display Scores to certain authorised persons.

"Post-Transfer Valuation" – means the valuation Submitted by a Receiving Scheme or a Transferring Scheme as part of the Actuarial Transfer Information, for the purposes of Rule F2.3.

"PPF" – means the Pension Protection Fund.

"PPF Guarantor" – means a person who has provided a Scheme with a Type A Contingent Asset, which either:

(a) has been recognised for levy purposes in a previous Levy Year; or

- (b) has been (or is intended to be) certified to the Board for levy reduction purposes for the 2018/19 Levy Year.

“Predecessor Scheme” – is defined in Rule C3.6(1).

“Previous Contingent Assets” – is defined in Rule G3.4(1)(a)

“Previous Determination” – means any determination of the Board under section 175(5) of the Act for the purposes of a Levy Year before the 2018/19 Levy Year.

“Previously Recognised Transfer” – any transfer of assets and/or liabilities between schemes (whether or not a Full Transfer for the purpose of this Determination) which the Board was required to take into account under the terms of a Previous Determination.

“Protected Liabilities” – as defined in section 131 of the Act.

“Property & Casualty Insurance” – is as classified in the Credit Model White Paper by reference to PICs Code 40301040.

“Public Body” – means an Employer which meets the definition of that term in the Entry Rules or which:

- (a) appears on the list of public bodies set out on the following webpage:  
<https://www.gov.uk/government/organisations>;
- (b) is a local authority for the purposes of the s.1 of the Local Government Act 2000, a District Council for the purposes of the Local Government (Northern Ireland) Act 1972, a Council for the purposes of the Local Government etc. (Scotland) Act 1994 or a highways authority; or
- (c) is classified in the “Central Government”, “Local Government” or “Public Non-Financial Corporations” sectors in the list published by the Office for National Statistics.

“Qualifying ABC Arrangement” – is an ABC Arrangement which the Board has recognised pursuant to Rule H1.

“Qualifying ABC Payments” – are ABC Payments which the Board has taken into account pursuant to Rule H3.1.

“RBL” – means the risk-based pension protection levy as defined in section 175 of the Act.

“Receiving Scheme” – is defined in Rule F1.3, and in the context of an Exempt Transfer means the arrangement that receives the transferred assets and liabilities.

“Recent Scheme Funded ABC” – means an ABC Arrangement entered into after the date as at which the s179 Scheme Accounts are prepared, where the payment made to purchase the Scheme trustee's interest in the Trustee LP has been wholly or partly funded by assets which formed part of the Scheme assets immediately before the date that the ABC Arrangement was entered into or would have done so but for an arrangement which the Board is satisfied was entered into wholly or mainly for the purposes of reducing liability to levy.

“Recovery Plan” – is, in respect of a Scheme, its plan setting out the steps to be taken to meet the statutory funding objective and the period within which that is to be achieved, in accordance with section 226 of the Act and regulations made under that section.

“Refinance Mortgage” – means a security interest registered at Companies House in the UK (or other overseas electronic public registries in the countries specified in the column relating to the Mortgage Age Variable in Table 1 of the Insolvency Risk Appendix) in relation to which Experian has by the Measurement Time, received an Officer's Certificate confirming that:

- (a) the copy/copies of the Refinance Mortgage(s) and of the Original Mortgage(s) together with such related documents as evidence the criteria set out in (b) – (e) below which are attached to that certificate are true, complete and up to date;
- (b) the principal amount secured by the Refinance Mortgage excluding reasonable legal costs associated with refinancing is no greater than the principal amount secured by the corresponding Original Mortgage (or, where the Refinance Mortgage replaces more than one Original Mortgage, no greater than the aggregated principal amounts secured by the Original Mortgages) on the date it is released. For the purposes of this definition:
  - (i) in the case of a term credit facility, the principal amount secured by the Original Mortgage will be assessed by reference to the amount outstanding on the date of release and the principal amount secured by the Refinance Mortgage will be assessed by reference to the maximum amount available on the date it becomes effective;
  - (ii) in the case of a revolving credit facility, the principal amount secured by the Original Mortgage and the Refinance Mortgage will be assessed by reference to the maximum amount available pursuant to the facility (including any amount actually drawn) on the date of release and the date it became effective respectively;
- (c) the periodic repayments of principal secured by the Refinance Mortgage in each year of its term are no greater than those that would have been secured by the Original Mortgage (or, where the Refinance Mortgage replaces more than one Original Mortgage, no greater than the aggregated amounts that would have been secured by the Original Mortgages) in that year if it had not been released; and
- (d) the interest rate applicable to the principal obligations secured by the Refinance Mortgage is no greater than that applicable to the principal obligations secured by the Original Mortgage (or, where the Refinance Mortgage replaces more than one Original Mortgage, no greater than the lowest interest rate applicable to the principal obligations secured by the Original Mortgages) and, for these purposes, if either interest rate is not a fixed rate, this criterion will be deemed to be met if either:
  - (i) it would be met if that rate were taken to be the actual interest rate that was or would have been applicable under the security interest in question on the day the Refinance Mortgage becomes effective; or

- (ii) the formula for calculating that rate pursuant to the Refinance Mortgage is the same or more favourable to the chargor than the formula for calculating that rate pursuant to the Original Mortgage;
- (e) the security interest became effective not later than 14 days after the Original Mortgage was released (or, where the Refinance Mortgage replaces more than one Original Mortgage, not later than 14 days after the earliest release of those Original Mortgages); and
- (f) the principal obligations secured by the Original Mortgage were obligations either of the Employer or of a member of the same Group

and, in respect of which Experian is satisfied, based on the documents referred to in (a), that the criteria in (b) to (e) were met as at the Score Measurement Date in question;

and PROVIDED THAT if the Board is satisfied that the documentation entered into in connection with the Refinance Mortgage merely restates the terms of the documentation entered into in connection with the Original Mortgage, the Board may determine that the Original Mortgage will be deemed released notwithstanding that it may not have been.

“Registered Society” – means a co-operative or community benefit society as defined in the Entry Rules.

“Regional Banks” – is as classified in the Credit Model White Paper by reference to PICs Code: 40101015.

“Rent Deposit” – means a security interest registered at Companies House in the UK (or other overseas electronic public registries in the countries specified in the column relating to the Mortgage Age Variable in Table 1 of the Insolvency Risk Appendix) in relation to which, by the Measurement Time:

- (a) it is apparent to Experian from the data collected pursuant to Rule E2.2 that it is a security interest which falls within the description in section 859A(6)(a) of the Companies Act; or
- (b) Experian has by the Measurement Time, received an Officer's Certificate confirming that:
  - (i) the copy/copies of the Rent Deposit agreement(s) attached to that certificate is/are true, complete and up to date; and
  - (ii) that Rent Deposit creates a security interest which falls within the description in section 859A(6)(a) of the Companies Act,

and Experian is satisfied, based on the document(s) referred to in (i), that the criterion in (ii) was met.

“Rescue Notice” – is a notice issued under section 122(2)(b) of the Act or under section 130(3) of the Act.

“Revised Accounts” – means a set of Accounts that has been revised under section 454(1) of the Companies Act 2006, and where such restatement has been Filed.

“Royal Charter Company” – means a body established by or which has been granted a Royal Charter.

"Rules" – means these Rules issued by the Board for the 2018/19 Levy Year.

"s179 ABC Amount" – means:

- (a) Where an ABC Certificate has been Submitted which complies with Rule H1.1 or a Partial ABC Certificate has been Submitted which complies with H3.1, the Actual s179 ABC Amount, except where paragraph (c) applies.
- (b) Where none of paragraphs (a), (c) nor (d) applies, but details of one or more ABC Arrangements have been Submitted by the Measurement Time:
  - (i) where a value, as included in the Scheme Accounts as at the effective date of the Scheme's most recent valuation under Part 3 of the Act, has been Submitted on Exchange, the value attributed to the Scheme trustee's interest in the Trustee LP in the Scheme Accounts as at that date;
  - (ii) where no value as set out in (i) has been Submitted on Exchange in respect of one or more ABC Arrangements but the value at the date of implementation has been so Submitted, the value attributed to the Scheme trustee's interest in the Trustee LP as at that date;
  - (iii) where no value as set out in (i) or (ii) has been Submitted on Exchange in respect of one or more ABC Arrangements, 25 per cent of the total assets stated in the s179 Scheme Accounts.
- (c) Where paragraph (a) applies but Part F of the Rules also applies, if the effective date of the Post-Transfer Valuation is later than the date of the valuation reported on the ABC Certificate or Partial ABC Certificate in accordance with paragraph 3(3) of the ABC Appendix, the s179 ABC Amount shall be zero.
- (d) Where Rule C5 applies, the value attributed to the Scheme trustee's interest in the Trustee LP as Submitted to the Board for the purposes of calculating the Levies in accordance with that Rule.

"s179 Scheme Accounts" – means the "relevant accounts" within the meaning of regulations made under s179 of the Act used for the purposes of the Section 179 Valuation.

"SBL" – means the scheme-based pension protection levy as defined in section 175 of the Act.

"SAS" – means a Scheme which has been established (or has received transfers of some or all of the liabilities of another scheme) pursuant to a restructuring or other type of arrangement and is designated by the Board as a SAS.

"SAS Predecessor Scheme" means a Scheme which transfers some or all of its liabilities to a SAS at any time before or during the Levy Year.

"Scheme" – means an "eligible scheme" as defined in section 126 of the Act.

"Scheme Accounts" – means audited accounts of the Scheme prepared pursuant to the Accounts Regulations.

“Scheme Actuary” – the actuary in respect of the Scheme within the meaning of section 179(2) of the Act.

“Scheme Return” – means a completed return Submitted in respect of the Scheme via Exchange in accordance with sections 63 to 65 (inclusive) of the Act. For the avoidance of doubt, a Scheme Return does not include information relating to Contingent Assets, Deficit-Reduction Contributions or Full Transfers.

“Score” – is a Monthly Score, Adjusted Monthly Score or Mean Score calculated in accordance with Rules E2-E4 and the Insolvency Risk Appendix.

“Scorecard” – means the relevant table matrix which applies to the Employer as set out in Rule E4.1(1) and which appears in Part 2 of the Insolvency Risk Appendix.

“Score Measurement Date” – is the final day of any month from and including October 2017 to and including March 2018.

“Second LP” – means another limited partnership set up as part of the ABC Arrangement and of which the Trustee LP is a member.

“Section 60 Company” – means a company to which the exemption from the requirement as to the use of 'limited' under Section 60 of the Companies Act applies.

“Section 179” – means Section 179 of the Act and regulations and relevant guidance made and issued under that section.

“Section 179 Valuation” – means the results of an actuarial valuation of the Scheme which has been carried out in a manner which is in accordance with Section 179, whether as a matter of legal obligation or otherwise.

“Segregated Part” – in respect of an eligible scheme is as defined in Part 4, 5, 7 or 8 of the Multi-Employer Regulations.

“Segregated Scheme” – is as defined in the Multi-Employer Regulations.

“SIC Code” – means the Standard Industry Classification Code, 1992.

“SME Accounts” – means Accounts where either:

- (a) the account type indicator which is delivered to Experian by Companies House indicates that they are small, medium or dormant accounts; or
- (b) such account type indicator indicates that they are group accounts or there is no such account type indicator delivered to Experian by Companies House; and, in either case, they do not show a Turnover or a Pre-Tax Profit figure.

“Small Accounts” – means Accounts that are not Full Accounts. For the avoidance of doubt, Employers, Ultimate Parents and/or Group Subsidiaries with the following accounts classification at Companies House will be deemed to have Filed Small Accounts:

- (a) 2 – Small Abbreviated;
- (b) 3 – Medium Company;
- (c) 5 – Dormant;



- (d) 9 – Total Exemption Small Abbreviated;
- (e) E – Audit Exemption Subsidiary;
- (f) F – Filing Exemption Subsidiary;
- (g) G – Micro-entity accounts; and
- (h) Z – companies not obliged to file accounts.

“Special Category Employer” – is construed in accordance with Rule E3.1(11).

The "Standard ABC Confirmations" are statements that:

- (a) The Certifier is authorised by or on behalf of the Scheme trustee to complete the ABC Certificate.
- (b) The Certifier and the Scheme trustee are aware of the “Guidance in relation to Asset-Backed Contributions” published by the Board on its website.
- (c) The information contained within the certificate is complete and accurate.
- (d) The Certifier is aware that it is a criminal offence under section 195 of the Act for any person knowingly or recklessly to provide false or misleading information to the Board in circumstances in which the person providing the information intends, or could reasonably be expected to know, that it would be used by the Board for the purposes of exercising its functions and acknowledges that the information provided in the ABC Certificate will be used by the Board for the purposes of exercising its functions.

“Stressed Insolvency Value” – is as defined in paragraph 5 of the ABC Appendix.

“Submitted” and associated terms - are to be construed in accordance with Rule A2.2

“Subsidiary” – is a subsidiary undertaking as defined in section 1162 of the Companies Act, provided that, in the case of a limited liability partnership, section 1162 of the Companies Act shall be amended so that: (a) references in sections 1162(2)(a) and (d) to voting rights are to the members' rights to vote on all or substantially all matters which are decided by a vote of the members of the limited liability partnership; and (b) the reference in section 1162(2)(b) to the right to appoint or remove a majority of its board of directors is to the right to appoint or remove members holding a majority of the voting rights.

“Supplied Assets” – means the assets of the Scheme as set out in the Section 179 Valuation or the MFR Valuation (determined in accordance with Rule D2) or the Post-Transfer Valuation (determined in accordance with Part A of the Transfers Appendix) that will be transformed by the Board to a section 179 position as at 31 March 2018 (using the Appendices where appropriate).

“Supplied Liabilities” – means the liabilities of the Scheme as set out in the Section 179 Valuation or the MFR Valuation (determined in accordance with Rule D2) or the Post-Transfer Valuation (determined in accordance with Part A of the Transfers Appendix) that will be transformed to a section 179 position as at 31 March 2018 (using the Appendices where appropriate).

"SWOSS" – means a Scheme without a substantive sponsor as construed in accordance with Rule C5.

"SWOSS-Predecessor Scheme" – means a Scheme which transfers some or all of its liabilities to a SWOSS at any time before or during the Levy Year.

"tPR" – means the Pensions Regulator, established under section 1 of the Act and, where the context so requires, its predecessor, the Occupational Pensions Regulatory Authority.

"Thriffs & Mortgage Finance" – is as classified in the Credit Model White Paper by reference to PICs Code 40102010.

"Trade Union" – means a trade union within the meaning of Section 1 of the Trade Union and Labour Relations (Consolidation) Act 1992 whose name appears on the list maintained by the Certification Officer pursuant to that Act.

"Transferring Scheme" – is defined in Rule F1.3, and in the context of an Exempt Transfer means the arrangement that transfers all of its assets and liabilities to a Receiving Scheme.

"Trustee LP" – means the limited partnership in which the Scheme trustee becomes a limited partner for the purposes of the ABC Arrangement.

"Totally Non-Filing" – means Non-Filing in relation to all Score Measurement Dates.

"UK" – means England, Wales, Scotland and Northern Ireland. For the avoidance of doubt, the Channel Islands and the Isle of Man do not form part of the UK.

"Ultimate Parent" – means a company which is a Parent but is not a Subsidiary.

"Unsecured Part" – in respect of a Partially Guaranteed Scheme is the "unsecured part" as defined in The Pension Protection Fund (Partially Guaranteed Schemes) (Modification) Regulations 2005.

"Unstressed Assets" – is defined in Rule D2.1(1).

"Unstressed Liabilities" – is defined in Rule D2.1(1).

"Variables" – means the items referred to in Part 3 of the Insolvency Risk Appendix or, as the context so requires, such of them as appear in a particular Scorecard.

"Year End Date" – means the end date of the Employer, Group Subsidiary or Ultimate Parent's accounting reference period.

## A1.2 General Interpretation

The following general interpretation rules will apply to these Rules and the Appendices:

- (1) All references to dates and times in these Rules relate to Greenwich Mean Time or, at the times when it is in force, British Summer Time.
- (2) References to midnight on a day are to midnight at the end of that day.
- (3) Unless the context otherwise requires, terms used in these Rules bear the same meaning as in the Act.

- (4) References to Scheme "trustees" include managers of a Scheme if that Scheme does not have trustees.
- (5) Headings are not part of this determination and are only for ease of reference and shall not be used in its construction and interpretation.
- (6) References to any gender include the other gender.
- (7) References to the singular include the plural and vice versa.
- (8) References to specific Rules and Appendices are to the relevant provisions in these Rules and the Appendices to them and, except for paragraph (11) below, "Rules" includes the Appendices.
- (9) A reference to any statutory provision includes a reference to any amendment, consolidation or re-enactment of the provision from time to time in force and all secondary legislation made under it.
- (10) Except for the purposes of Rule D2.1(3), in the case of a Segregated Scheme, each segregated section shall (except where these Rules expressly or by implication require otherwise) be treated as if it were a separate Scheme for the purposes of these Rules. Similarly where a Segregated Part of a Scheme has been created on or before 31 March 2018, each of the Segregated Part(s) and the remainder of the Scheme shall (except where these Rules expressly or by implication require otherwise) be treated as if it were a separate Scheme for the purposes of these Rules. References to Schemes shall be construed accordingly.
- (11) In the event of any inconsistency between these Rules and the Appendices to this determination, the Rules shall prevail.
- (12) The term "calculate" and associated terms shall in any relevant case include "re-calculate" and its associated terms.
- (13) In determining whether it is satisfied as to any matter set out in these Rules, the Board shall take such steps as it thinks fit and may (but shall not be obliged to) seek further information from any party (including the Scheme trustee, any Employer or any member of the Employer's Group). The Board shall also take account of any guidance which it has published or which appears in the help files within Exchange or the Portal (including guidance in the form of "Frequently Asked Questions") from time to time. However, the Rules shall prevail in the case of inconsistency. The Board may, in particular, make assumptions in favour of a Scheme without further investigation, and the fact that the Board proceeds on the basis that it is satisfied of a particular matter shall not prevent the Board from reconsidering that matter on any application for review or in any future year.
- (14) Further guidance may be published by the Board as to how it expects to use its discretionary powers in these Rules. The Board will have regard to such guidance but may decide to depart from it. In the event of any inconsistency between these Rules and any guidance issued, these Rules will prevail.
- (15) References to Experian's "ordinary course of business" shall be construed as referring to the procedures Experian applies when calculating its Commercial Delphi insolvency risk score.

- (16) References to any English legal term, concept, requirement or provision shall, in respect of any jurisdiction other than England, be deemed to include what most nearly approximates in that jurisdiction to the English legal term, concept, requirement or provision.
- (17) The capitalised terms used in Rules E3.1 and in table 1, Part 3 of the Insolvency Risk Appendix shall, unless defined in Rule A1 (and subject to paragraph 1 of that Part 3) have the meanings set out therein for the purposes of interpreting these Rules.

## **A2. Validated data: the general rule for calculations**

### **A2.1 What is the general rule for calculating the Levies?**

For calculating the Levies, the Board shall use data which has been Submitted at the relevant Measurement Time except where expressly provided otherwise in these Rules.

### **A2.2 Methods of Submitting information**

Where these Rules refer to certain information being or having been Submitted (and any associated terms), the requirement shall be satisfied and the information treated as having been Submitted only if the Board is satisfied that:

- (1) except where (2), (3), (4), (5), (6), or (7) of this Rule A2.2 applies, the information:
  - (a) has been validly entered and submitted on Exchange on behalf of such Schemes as it relates to; or
  - (b) has been pre-populated on Exchange,and, in each case, is held on Exchange at the relevant Measurement Time.
- (2) in the case of hard copy supporting documentation required for submission of Contingent Assets, the documentation has been received by post or hand delivery to:

The Board of the Pension Protection Fund

Renaissance  
12 Dingwall Road  
Croydon  
Surrey  
CR0 2NA

marked for the attention of "Director of Legal, Compliance and Ethics Re: Contingent Assets", or to any other address on the Board's website which, at the time of delivery of the Contingent Asset, is stated as being an address for delivery under this Rule A2.2. For the avoidance of doubt, delivery by fax or email is not permissible.

- (3) in the case of a Scheme the trustees of which have been expressly permitted by tPR to complete their Scheme Return on paper rather than on Exchange, the information which is equivalent to what would be the contents of a Scheme Return

has been provided to tPR in such manner as tPR has stipulated (or, in the absence of such a stipulation, by post).

- (4) in the case of an ABC Certificate, it has been emailed to the following address: [ABCcert@ppf.gsi.gov.uk](mailto:ABCcert@ppf.gsi.gov.uk).
- (5) in the case of information required for the purposes of calculating the Levies in respect of a SWOSS or a SAS the information has been received in accordance with a method of provision specified by the Board.
- (6) the information has been received in accordance with a permitted alternative method. A "permitted alternative method" is any different method of provision of information to those methods set out at paragraphs (1), (2), (3), (4), (5), and (7) of this Rule A2.2 for the purposes of the 2018/19 Levy Year, which, after the date of final publication of this determination, the Board has expressly stipulated on its website (whether as an alternative or a replacement to those methods).
- (7) in the case of information required for the purpose of calculating the Levies in respect of an Exempt Transfer, the information specified by the Board in the form and from the sources specified in Part F of the Levy Rules and in the Transfers Appendix.
- (8) For the avoidance of doubt, and subject to Rule E2.8(2), this Rule A2.2 does not apply to provision of information to Experian. Rule E2.3 applies for those purposes.

### A2.3 The Measurement Time and deadlines

The Measurement Time for each item of information is the deadline for Submission of that information. The Measurement Time shall be midnight on 31 March 2018 except as set out below:

- (1) In relation to Deficit-Reduction Contributions, the Measurement Time shall be 5.00pm on 30 April 2018.
- (2) Subject to (5) below, in relation to New Schemes and No Return Schemes, the Measurement Time shall be construed in accordance with Rule A2.4.
- (3) In relation to Full Transfers, the Measurement Time shall be 5.00pm on 29 June 2018 for Submission of both Basic Transfer Information and Actuarial Transfer Information. In relation to Exempt Transfers, the Measurement Time shall be 5.00pm on 30 April 2018 for Submission of the information requirements in paragraphs 19 and 20 of the Transfers Appendix.
- (4) Where otherwise expressly stated in the Rules, the Measurement Time shall be as so stated.
- (5) In relation to a SWOSS, the Measurement Time shall be as set out in the Ongoing Governance Arrangement, or such other date as the Board shall require and notify in writing to the Scheme before the calculation of the Levies for that Scheme (or, where Rule A3.4 applies, their re-calculation).

- (6) In relation to a SAS, the Measurement Time shall be such date as the Board shall require and notify in writing to the Scheme before the calculation of the Levies for that Scheme (or where Rule A3.4 applies, their re-calculation).
- (7) In relation to hard copy documentation to be provided to the Board under these rules and where no Measurement Time is otherwise specifically stated in the Rules, the Measurement Time shall be 5.00pm on 29 March 2018.

For the avoidance of doubt, Monthly Scores are calculated in accordance with Part E.

#### A2.4 New Schemes and Schemes not yet required to file a Scheme Return

Subject to Rule A2.3(5):

- (1) in the case of a New Scheme, where reference is made to information or documents being Submitted by a particular date, references to the Measurement Time or a deadline shall be treated as requiring the information or documents to be Submitted not later than 28 days after the scheme becomes a Scheme, or by such later date as the Board shall require if it calls for other information or documents to be Submitted.
- (2) in the case of a Scheme which has not, by midnight on 31 March 2018, been required to complete a Scheme Return (a "No Return Scheme"), where reference is made to information or documents being Submitted by a particular date, references to the Measurement Time shall be treated as requiring the information or documents to be Submitted by the date on which the Scheme is required to complete and Submit a Scheme Return or by such earlier date as the Board shall require if it calls for information or documents to be Submitted.

### **A3. How the Board shall calculate the Levies**

#### A3.1 The SBL and the RBL

The Board shall calculate the SBL and the RBL in respect of each Scheme using Part C of these Rules.

#### A3.2 Acts and decisions of the Board

Any act or decision of the Board under these Rules may be done or taken on behalf of the Board of the PPF either by the Chief Executive of the Board or by such member of the Board's staff as may be authorised for the purpose.

#### A3.3 Information to be used in the calculation of the Levies

Subject to Rule A3.4 and Rule C5, the matters referred to in these Rules shall be assessed, measured, quantified or estimated at such dates and in such manner as is provided for in these Rules. In the absence of such provision, these Rules shall be applied in accordance with the position as it existed at midnight on 31 March 2018.

#### A3.4 Re-calculation for a SWOSS

Where a Scheme becomes a SWOSS at any time set out in that Rule, and the Board has already calculated the Levies in respect of, and/or notified the amount of the Levies to, that Scheme, the Board may re-calculate the amount of the Levies on the basis set out in Rule C5 and the SWOSS Appendix and issue a revised notification of the amount of the Levies.

### A3.5 Recalculation for a SAS

Where a Scheme becomes a SAS at any time set out in that Rule, and the Board has already calculated the Levies in respect of, and/or notified the amount of the Levies to that Scheme, the Board may calculate the amount of the Levies on the basis set out in Rule C5 and/ or as otherwise directed by the Board and issue a revised notification of the amount of the Levies.

## **A4. Payment of the Levies**

### A4.1 When are the Levies payable?

The Levies in respect of a Scheme are to become payable on the earliest of the following dates:

- (1) the date upon which the person liable to pay the Levies in respect of the Scheme is sent notification of the amount of the Levies in respect of the Scheme (or, in the cases in which these Rules provide for a revised notification to be issued, the date upon which that person is sent a revised notification);
- (2) the date on which any Scheme ceases to be a Scheme; or
- (3) 31 March 2019.

### A4.2 What if a payment has been made?

Where the Board issues a revised notification of the amount of the Levies in respect of the Scheme, the revised notification shall supersede the previous notification. Any amount already paid in respect of that Scheme pursuant to any previous notification shall be deemed deducted from the amount due pursuant to the revised notification. If the amount paid in respect of any previous notification exceeds the amount due pursuant to the revised notification, the difference between the notifications in question will be credited to the Scheme.

## **A5. Calculation principles**

In performing the calculations required by this determination:

- (1) Unless otherwise specified in this determination or in any Appendix, intermediate stages of any parts of the calculation that are carried out by the Board shall, if rounded, be rounded to the extent that is reasonably practicable for the Board in all the circumstances, save for U, L, UA and UL which shall each be rounded to the nearest penny at each stage of the calculation, and for the final amounts of the SBL and the RBL which shall each be rounded to the nearest pound; and
- (2) where a value which falls to be rounded in accordance with (1) above falls exactly halfway between two potential rounded figures it shall be rounded upwards.
- (3) For the avoidance of doubt, this Rule A5 shall not apply to the calculation of Monthly Scores.

## **Part B – Use of alternative information in exceptional circumstances**

### **B1. Where the Levies cannot be calculated under these Rules**

B1.1 When does this Rule B1 apply?

- (1) It is intended that the provisions contained in these Rules should in all cases permit the calculation of the amount of the Levies in respect of a Scheme.
- (2) In any exceptional situation for which these Rules fail to make the provision required for a calculation of the Levies to be performed, this Rule B1 applies.
- (3) This Rule B1 also applies in any case where it is not reasonably practicable for the Board to obtain any item of information which would normally be required for the application of these Rules.

B1.2 How will the Board calculate the Levies?

Where this Rule B1 applies, the Board hereby determines that the calculation of the Levies shall be performed in such manner and by using such assumptions as in the opinion of the Board:

- (1) is prudent and reasonably practicable for the Board; and
- (2) best gives effect in that situation to the general approach laid down by these Rules.

### **B2. Correction by the Board**

B2.1 When could data be corrected?

- (1) Subject to Rule B2.1(2) and (3), this Rule B2 applies if it appears to the Board that either:
  - (a) the information supplied for or used in the calculation of the Levies (including information contained in any data Submitted, if that information was incorrect at the time when it was Submitted) is incorrect in a material respect;
  - (b) a notification required by or under a certificate in relation to Contingent Assets has not been duly given; or
  - (c) a confirmation, certificate or declaration given for the purposes of these Rules was improperly given or contained information which was incorrect in a material respect.
- (2) Save for
  - (a) information relating to the identity of the Employer or Certified Guarantor; and
  - (b) information used to calculate an Appealable Score or Monthly Score (or an Appealable Score or Monthly Score itself) in respect of which the manner in which it is said to have been incorrect is not a matter capable of being dealt with through Rule E7,



and without prejudice to Rule E7.8, this Rule B2 does not apply in relation to any information which is used to calculate an Appealable Score or a Monthly score, or to Appealable Scores or Monthly Scores themselves.

- (3) For the purposes of Rule B2.1(1)(a), information is not incorrect where it is correct and legitimate in itself, but it would have been open to the person supplying it to supply some different or additional information which might have caused these Rules to be applied differently.

#### B2.2 Correction of the data

- (1) Where Rule B2.1(1)(a) applies, the Board may calculate the Levies on the basis of information which appears to it to be correct for the purposes of these Rules. Where the Levies have already been calculated in respect of a Scheme, the Board may review and revise the amount of the Levies calculated in respect of a Scheme on the basis of information which appears to it to be correct but it shall not be under an obligation so to act.
- (2) The Board is under no obligation to take into account corrected information merely because the Scheme has been disadvantaged by the failure of the trustees or those acting on its or their behalf to supply correct information at the proper time.

#### B2.3 What if a certificate or declaration is incorrect?

- (1) Where Rule B2.1(1)(b) or B2.1(1)(c) applies, in calculating the Levies in respect of the relevant Scheme the Board may disregard the relevant certificate or declaration if it believes that it has been improperly given.
- (2) Where Rule B2.1(1)(b) or B2.1(1)(c) applies, in calculating the Levies in respect of the relevant Scheme the Board may disregard any information in the confirmation, certificate or declaration which is believed to be incorrect.
- (3) Where the Levies have already been calculated in respect of a Scheme, the Board may review and revise the amount of the Levies calculated in respect of a Scheme on the basis set out in paragraphs (1) or (2) of this Rule B2.3 above but it shall not be under any obligation so to act.

### **B3. Reliance on information**

#### B3.1 The Board may obtain further information

The Board may, at any time prior to the calculation of the Levies in respect of a Scheme, take such steps as it thinks fit to obtain further or amended information for the purposes of that calculation.

#### B3.2 The Board may fill in gaps in its information

If, at the time of any calculation of the Levies in respect of a Scheme, any information necessary for such calculation has not been Submitted in the manner or format or at the time anticipated by these Rules, then the Board may instead use equivalent information Submitted or provided in a different manner or format or at a different time.

#### B3.3 The Board's powers in this Rule B3 are discretionary

The Board is under no obligation to use the powers in Rules B3.1 and/or B3.2 where the relevant information has not been Submitted on or before the relevant Measurement Time and will not do so merely because a Scheme has been disadvantaged by the failure of the trustees or those acting on its or their behalf to Submit information by the relevant deadline.

**B4. Disruption in the delivery of information**

B4.1 Without prejudice to Rule B3, the Board may at its discretion take account of information Submitted after any applicable deadline but only in circumstances where it appears to the Board that:

- (1) the information was despatched at an appropriate time, but was delayed or lost in transit; or
- (2) both:
  - (a) the provider of the information was prevented from meeting the deadline by the temporary inaccessibility of the PPF website or Exchange, or the interruption of electronic communications, or other (in the opinion of the Board) comparable cause; and
  - (b) the information was Submitted as soon as reasonably practicable thereafter.

## **Part C – How will the Levies be calculated?**

### **C1. SBL formula**

C1.1 Subject to Rule C3.3, the SBL in respect of a Scheme shall be:

$UL \times SLM.$

C1.2 UL shall be the value of the Scheme's Unstressed Liabilities. SLM shall be 0.000021 because that is the "scheme-based levy multiplier" for the 2018/19 Levy Year.

C1.3 For the avoidance of doubt, the SBL for a SWOSS shall be calculated as set out in this Rule C1.

C1.4 For the avoidance of doubt the SBL for a SAS shall be calculated as determined by the Board.

### **C2. RBL formula**

C2.1 Subject to Rule C3 and Rule C5, the RBL in respect of a Scheme shall be:

$U \times IR \times LSF$

C2.2 U shall be the underfunding of the Scheme and is calculated using Part D. IR shall be the measure of insolvency risk associated with the Scheme Employer(s) and is calculated using Part E. LSF shall be 0.48 because that is the "risk-based levy scaling factor" for the 2018/19 Levy Year.

### **C3. Variations to the SBL and RBL formulae**

C3.1 Subject to Rule C5, the maximum RBL in respect of a Scheme shall be:

$UL \times K$

where UL shall be the value of the Scheme's Unstressed Liabilities and K is 0.0050, because that is the "RBL cap" for the 2018/19 Levy Year.

C3.2 If the Scheme is authorised by the Board under section 153 of the Act to continue as a closed Scheme, the RBL shall be zero.

C3.3 If the Scheme is a Failed Scheme as specified in Rule C4 the SBL shall be zero and the RBL shall be zero.

C3.4 For a New Scheme, subject to Rules C3.5, C3.6, C3.7 and C5.5, the SBL and RBL shall be the product of multiplying, respectively, the amounts shown in Rule C1.1 and C2.1 (or, in the case of the RBL of a SWOSS, the amount calculated pursuant to Rule C5) by  $N/365$  where N is the number of days during the 2018/19 Levy Year for which the New Scheme is a Scheme.

C3.5 Unless they refer to provision of information or documents, in relation to a New Scheme (except for a Scheme to which Rule C5 applies), references in these Rules to the Measurement Time shall be read as references to the first date on which the New Scheme was a Scheme. This Rule C3.5 is subject to Rule E1.3.

C3.6 This Rule C3.6 applies if the Board is satisfied that:

(1) the New Scheme is the successor to the rights and liabilities of a Scheme which existed on 1 April 2018 (the "Predecessor Scheme") or to some substantial part of the rights and liabilities of such a Scheme;

- (2) the Levies which are or will be payable in respect of the Predecessor Scheme sufficiently take account of the assets and liabilities of the New Scheme;
- (3) the Levies in respect of the Predecessor Scheme either have been paid or will be promptly paid; and
- (4) the New Scheme is not a SWOSS or a SAS.

Where this Rule C3.6 applies the Board may determine the amount (which may be zero) of the Levies in respect of the New Scheme as set out in Rule B1.2.

#### C3.7 New Scheme is not materially underfunded

Except in the case of a SWOSS, where the Board considers that both:

- (1) no Section 179 Valuation information is conveniently available in respect of a New Scheme; and
- (2) it is unlikely that the New Scheme is materially underfunded on a Section 179 basis at the relevant time

the Board may determine that the amount of the SBL and/or the RBL shall be zero.

#### C3.8 Partially Guaranteed Schemes

- (1) The Board shall, where it judges it necessary, obtain from the trustees of a Partially Guaranteed Scheme such information as will allow the Board to make what is in its view an appropriate determination of the assets and Protected Liabilities of the Unsecured Part.
- (2) The information referred to in Rule C3.8(1) above shall be used by the Board in substitution for the Section 179 Valuation falling within Rule D2 or the Assets, Liabilities, Unstressed Assets or Unstressed Liabilities as defined in Rule D2.
- (3) In calculating the Levies for a Partially Guaranteed Scheme, the Board may also apply these Rules with such modifications as appear to it appropriate for the purpose of ensuring that the Levies payable in respect of the Scheme correspond so far as reasonably practicable to the amounts which would have been payable if the Unsecured Part had been a separate Scheme.

#### C3.9 Multi-Employer Schemes: Segregated Parts

In the case of a Multi-Employer Scheme, the Board may apply Rule C3.3 with such modifications as appear to it appropriate for the purpose of ensuring that:

- (1) zero Levies are only applied to the Segregated Parts (if any) to which that Rule C3.3 applies; and
- (2) appropriate Levies are charged to the remainder (if any) of the Scheme.

### **C4. What is a Failed Scheme?**

C4.1 A Scheme is a Failed Scheme if it meets all of the criteria in Rules C4.2 to C4.4 inclusive and:

- (a) has not been authorised by the Board under section 153 of the Act to continue as a closed scheme; and
- (b) is not a Scheme to which section 146 and/or section 147 of the Act applies; and
- (c) is not a SWOSS-Predecessor Scheme or a SAS Predecessor Scheme.

#### C4.2 Failure Notice received

A Scheme meets the criteria in this Rule C4.2 if, no later than midnight on 31 March 2018, the Board has either received or issued a Failure Notice in respect of the Scheme.

#### C4.3 No Rescue Notice

A Scheme meets the criteria in this Rule C4.3 if, before the calculation of the Levies for the Scheme concerned, the Board has neither received nor issued a Rescue Notice in respect of the Scheme.

#### C4.4 Failure Notice must be binding

A Scheme meets the criteria in this Rule C4.4 if, before the calculation of the Levies for the Scheme concerned, the Scheme Failure Notice has become a Binding Failure Notice.

### **C5. Calculation of RBL for a SWOSS**

#### C5.1 Application of this Rule C5

- (1) Subject to Rule C5.1(2), this Rule C5 applies to a "SWOSS", that is, a Scheme which meets any one or more of the following criteria at any time on or after 1 January 2017 and before 1 April 2019 (or at such later date as the Board may in its discretion decide):
  - (a) It is a Scheme in relation to which an Ongoing Governance Arrangement has been entered into; or
  - (b) It is a Scheme in relation to which the Board is satisfied that it has been agreed by tPR that an Ongoing Governance Arrangement will be entered into at some future date, whether in the current Levy Year or not.
- (2) For the purposes of Rule C5.1(1):
  - (a) for the avoidance of doubt, the Scheme will be a SWOSS if it meets the criteria in (a) during the period mentioned in Rule C5.1(1), even if it has already met the criteria in (b) before that period; and
  - (b) once one of the criteria in Rule C5.1(1) applies, it will be deemed to continue to apply until the Board is satisfied that this Rule C5 should no longer apply to the relevant Scheme.

#### C5.2 Ongoing Governance Arrangement

An "Ongoing Governance Arrangement" is an agreement (or agreements) and/or other documentation the purpose of which, in the opinion of the Board, is to set out the terms on which the Scheme is permitted to operate without a substantive sponsor.

C5.3 Subject to Rules C5.4 - C5.7 (inclusive), the RBL for a SWOSS shall be calculated in accordance with the SWOSS Appendix (and such of the Rules and Appendices as are specified in that Appendix, as modified by that Appendix). Save as specified in the SWOSS Appendix (and then with such modifications as are specified in that Appendix), Parts D – H of these Rules shall not apply to a SWOSS.

C5.4 The Board may, at its discretion, and subject to receiving such information (and at such times sufficiently in advance of the calculation of the Levies) as it considers appropriate, adjust the RBL calculated pursuant to Rule C5.3 as it thinks fit to take into account any arrangements documented in the Ongoing Governance

Arrangement which the Board considers may reduce the risk of compensation being payable in the event of an insolvency event occurring in respect of the Employer in relation to a SWOSS.

C5.5 Where the Board considers that the Levies payable by any SWOSS and its relevant SWOSS-Predecessor Scheme would not, in the absence of this Rule C5.5, adequately reflect the risk posed by the SWOSS and the SWOSS-Predecessor Scheme either individually or together during the whole of the Levy Year, the Board may do one or more of the following:

- (a) increase the RBL that would otherwise be calculated pursuant to Rule C5.3 (and Rule C5.4, as applicable), in relation to the SWOSS, in such manner as the Board considers appropriate in the circumstances;
- (b) modify the RBL and/or SBL that would otherwise be calculated pursuant to the Rules in relation to the SWOSS-Predecessor Scheme, in such manner as the Board considers appropriate in the circumstances;
- (c) apportion the Levies calculated pursuant to the Rules, as amended pursuant to (a) and (b) above, between the SWOSS and the SWOSS-Predecessor Scheme in such manner as the Board considers appropriate in the circumstances.

C5.6 If the Board has agreed, pursuant to the terms of the relevant Ongoing Governance Arrangement, to modify the RBL and/or SBL of a SWOSS and/or a SWOSS-Predecessor Scheme to that calculated pursuant to these Rules, or for there to be adjustments applied to the methodology set out in the SWOSS Appendix, the RBL and/or SBL will be calculated in accordance with the Ongoing Governance Arrangement.

C5.7 Where an appropriate Levy cannot be calculated for a SWOSS

In a situation where the Board is satisfied that, in the particular circumstances of a SWOSS, the Rules fail to make appropriate provision for the calculation of the RBL and/or the SBL, or where the Board has insufficient data to allow proper calculation of the RBL and/or SBL in accordance with this Rule C5 and the SWOSS Appendix, the Board hereby determines that the calculation of the Levies shall be performed in such manner and by using such assumptions as in the opinion of the Board:

- (a) is prudent and reasonably practicable for the Board; and
- (b) best gives effect in that situation to the general approach laid down by this Rule C5 and the SWOSS Appendix.

## **C6. Calculation of RBL for a SAS**

C6.1 The calculation of RBL for a SAS shall be performed in such a manner and by using such assumptions as in the opinion of the Board:

- (a) is prudent and reasonably practicable for the Board; and
- (b) best gives effect to the situation of the SAS.

## **Part D – How will underfunding be calculated?**

### **D1. How is U calculated?**

D1.1 U is calculated as (to be expressed as a monetary figure, rounded in accordance with Rule A5, or, if such amount is negative, zero):

- (a) the greater of (i) the shortfall (if any) between the Assets and the Liabilities and (ii) the shortfall (if any) between the Unstressed Assets and the Unstressed Liabilities where the Assets and Unstressed Assets are calculated including the value of any Deficit-Reduction Contributions figure which is stated in the most recently submitted compliant certificate (if any) under Rule G1 and adjusted (as appropriate) in accordance with the Transformation Appendix; (and where neither shortfall exists, this amount shall be taken as zero); less
- (b) the value of any Type B Contingent Assets or Type C Contingent Assets recognised by the Board for the purposes of the 2018/19 levy under Part G and adjusted (as appropriate) in accordance with the Transformation Appendix and the Contingent Asset Appendix; less
- (c) the ABC Value of any Qualifying ABC Arrangements; and less
- (d) the value of the Qualifying ABC Payments (whether or not the ABC Arrangement is a Qualifying ABC Arrangement).

D1.2 U may therefore be expressed by the formula:

$$U = \max[ \max[ (L - A - D), (UL - UA - D), 0 ] - CA - ABC, 0 ]$$

where L, A, UL and UA represent, respectively, the Liabilities, Assets, Unstressed Liabilities and Unstressed Assets, D represents the value of any validly certified Deficit-Reduction Contributions, CA represents the value of any validly certified Type B Contingent Assets or Type C Contingent Assets and ABC represents the total of the amounts referred to in D1.1(c) and (d).

D1.3 L, A, UL, UA, D, CA and ABC shall be calculated in accordance with Rule D2.

### **D2. Assets, Liabilities, Unstressed Assets and Unstressed Liabilities**

D2.1 What is meant by Assets, Liabilities, Unstressed Assets or Unstressed Liabilities of the Scheme?

- (1) Subject to Rule D2.1(3), D2.3, and Part F, where at the Measurement Time:
  - (a) a Section 179 Valuation has been Submitted; or
  - (b) a Section 179 Valuation has not been Submitted but an MFR Valuation has been Submitted;

any reference in these Rules to the Assets, Liabilities, Unstressed Assets or Unstressed Liabilities is to the value or amount of the Supplied Assets or Supplied Liabilities as appropriate, as shown in that Section 179 Valuation or MFR Valuation, but then adjusted in a manner which in the view of the Board best gives effect to the approach set out in the Transformation Appendix to these Rules (or, where applicable, the MFR Conversion Appendix to these Rules) and results in the

Scheme's assets and its liabilities being consistently treated for the purposes of the Transformation Appendix and the MFR Conversion Appendix.

(2) Where:

- (a) neither a Section 179 Valuation nor an MFR Valuation has been Submitted at the Measurement Time;
- (b) Rules D2.2 and D2.3 do not apply; and
- (c) the Board has, after the Measurement Time, but before calculation of the Levies, obtained a Section 179 Valuation in respect of the Scheme,

any reference to the Assets, Liabilities, Unstressed Assets or Unstressed Liabilities of the Scheme is to the value or amount of the Supplied Assets or Supplied Liabilities as appropriate, as shown in that Section 179 Valuation, adjusted first in accordance with the Transformation Appendix as in Rule D2.1(1) and second by reducing the value of the Assets or Unstressed Assets (as the case may be) by 5%.

(3) Where a Segregated Part has been created by the operation of an option or requirement to segregate on or before 31 March 2018 (whether or not any such Segregated Part has transferred to the PPF) and there is no Section 179 Valuation calculated by reference only to the Segregated Part and/or the remainder of the Scheme:

- (a) the Board shall, for the purposes of assessing the Assets, Liabilities, Unstressed Assets or Unstressed Liabilities of the Segregated Part, multiply the equivalent data for the entire Scheme (as defined in (c) below) by  $A/B$ , where A shall be the number of Allocated Members of the Employer for that Segregated Part, and B shall be the total number of Members in the entire Scheme.
- (b) the Board shall, for the purposes of assessing the Assets, Liabilities, Unstressed Assets or Unstressed Liabilities of the remainder of the scheme, multiply the equivalent data for the entire Scheme (as defined in (c) below) by  $C/D$ . C shall be the total number of Members who are not Allocated Members of the Employer for that Segregated Part (including for the avoidance of doubt any Member not formally attributed to any current Employer). D shall be the total number of Members in the entire Scheme.
- (c) the equivalent data for the entire Scheme shall be ascertained in accordance with Rules D2.1(1) and (2).

## D2.2 Schemes which are not yet obliged to complete a Section 179 Valuation

Where no Section 179 Valuation has been Submitted in relation to a Scheme but where the trustees are not obliged to complete a Section 179 Valuation at or before the Measurement Time, the Board may obtain from the trustees of that Scheme such information as will allow the Board to make a determination of the Assets, Liabilities, Unstressed Assets or Unstressed Liabilities of the Scheme equivalent to that in Rule D2.1 which in the view of the Board best gives effect to the general approach laid down by these Rules.

## D2.3 Schemes which have completed a valuation pursuant to section 143 or 156 of the Act

Where a Scheme has undertaken a valuation under section 143 or section 156 of the Act, the Board may obtain from the trustees of the Scheme such information as will allow the Board to make a determination of the Assets, Liabilities, Unstressed Assets or Unstressed



Liabilities of the Scheme in the manner which in the view of the Board best gives effect to the general approach laid down by these Rules.

### **D3. Investment Stress Threshold**

D3.1 What is meant by the Investment Stress Threshold?

- (1) A Scheme meets the Investment Stress Threshold where either of the following applies:
  - (a) Where a Section 179 Valuation has been Submitted as at the Measurement Time (whether or not there is a subsequent Post-Transfer Valuation in respect of the Scheme), the Supplied Liabilities of the Scheme as shown in that valuation equal or exceed £1.5bn;
  - (b) Where no Section 179 Valuation has been Submitted as at the Measurement Time, the Supplied Liabilities of the Scheme as a result of the application of Rules D2.1(2) - D2.3 inclusive (whether or not there is a Post-Transfer Valuation in respect of the Scheme) equal or exceed £1.5bn.

D3.2 The Board's requirement, as part of the Scheme Return, for additional information where a Scheme meets the Investment Stress Threshold

Where a Scheme meets the Investment Stress Threshold, the Scheme should have Submitted as at the Measurement Time the information specified in the Investment Risk Appendix.

D3.3 Approach where required information is not provided

- (1) This Rule D3.3 applies to any Scheme which meets the Investment Stress Threshold and in respect of which the information specified in the Investment Risk Appendix is not Submitted as at the Measurement Time.
- (2) The Board may make such assumptions in relation to the information that is not Submitted as, in its opinion, are appropriate, prudent, and reasonably practicable. These assumptions may (without limitation) be based upon or take account of other information provided by the Scheme for the 2018/19 Levy Year or previously and/or information Submitted by other Schemes, including (without limitation) data representing the mean or median situation of Schemes generally or any class of Schemes, or data representing the situation of those Schemes whose investments are most exposed to risk as considered by reference to the Transformation Appendix and Investment Risk Appendix, or any combination thereof.

D3.4 Schemes to which the Investment Stress Threshold does not apply

- (1) Subject to Rule D3.5(2) below, nothing in these Rules shall be taken as preventing any Scheme to which the Investment Stress Threshold does not apply from Submitting the information specified in Rule D3.2 above.
- (2) Where some or all of the information specified in the Investment Risk Appendix is not Submitted, without prejudice to the Board's powers under Rule B3 the Assets for that Scheme shall be calculated using the factors specified in paragraph 4.2 of the Transformation Appendix and in accordance with paragraph 4.7 of the Transformation Appendix but disregarding the factors specified within the Investment Risk Appendix, and the Liabilities, Unstressed Assets and Unstressed Liabilities for that Scheme shall be calculated in accordance with the Transformation Appendix.

- (3) In any case where a Scheme to which the Investment Stress Threshold does not apply Submits the information specified in the Investment Risk Appendix, the Assets for that Scheme shall be calculated using the factors specified in the Investment Risk Appendix and in accordance with paragraph 4.7 of the Transformation Appendix (and the Liabilities, Unstressed Assets and Unstressed Liabilities for that Scheme shall be calculated in accordance with the Transformation Appendix).

#### D3.5 Transfers

- (1) For the avoidance of doubt, the Investment Stress Threshold does not apply to a Post-Transfer Valuation, whether first provided in respect of the 2018/19 Levy Year or otherwise.
- (2) Where Rule F1 applies, any information provided pursuant to Rule D3.2 or Rule D3.4(3) by the Receiving Scheme may only be applied for the purposes of calculating the Receiving Scheme's risk-based levy if it is Submitted as at 29 March 2018 as part of the Scheme Return.
- (3) Where:
  - (a) Rule F1 applies; and
  - (b) a Receiving Scheme has Submitted information pursuant to Rule D3.2 or Rule D3.4(3) in accordance with Rule D3.5(2); and
  - (c) the Poor Data Methodology does not apply,the Levies of the Receiving Scheme shall be calculated as if the information in Rule D3.5(3)(b) above had been provided in respect of the Board's determination of the post-transfer Assets and Unstressed Assets of the Receiving Scheme.

## **Part E - Measuring Employer insolvency risk**

### **E1. How to calculate Insolvency Risk**

This Rule E1 sets out how to calculate IR for the purposes of Rule C2.1 and is subject to Rule E7 (Experian Appeals).

#### **E1.1 Single Employer Schemes**

In the case of a Scheme with a single Employer, IR is the Levy Rate (LR) of that Employer, which is calculated in accordance with Rules E1.3 - E5 and the Insolvency Risk Appendix, as applicable. For the avoidance of doubt, Rule E5.3 will not apply to such a Scheme.

#### **E1.2 Multi-Employer Schemes**

In the case of a Scheme with more than one Employer, the LR of each Employer is calculated in respect of that Scheme as set out in Rule E1.1 (but, for the avoidance of doubt, Rule E5.3 may apply) and IR is calculated as set out in Rule E6.3.

#### **E1.3 New and No Return Schemes**

In the case of a New Scheme or a No Return Scheme:

- (1) the LR of each Employer which existed at 31 March 2018 shall be calculated in respect of that Scheme as set out in Rule E1.1 (or Rule E1.2 where such Scheme has more than one Employer);
- (2) the LR of each Employer which did not exist at 31 March 2018 shall be calculated in respect of that Scheme in accordance with Rules E5.3 to E5.5, as applicable and all other Rules for calculating LR shall be disregarded.

### **E2. Data used to calculate Scores**

#### **E2.1 Data collection and use for Monthly Scores**

Monthly Scores and Adjusted Monthly Scores will be calculated in accordance with these Rules by reference to the position as at each Score Measurement Date, using data in relation to Employers (and, where relevant, their Ultimate Parents and Group Subsidiaries) to the extent and in the manner provided for by these Rules which either:

- (1) has been collected by Experian under Rule E2.2;
  - (2) has been provided to Experian under Rule E2.3;
  - (3) has been collected by the Board and provided to Experian under Rule E2.4 or Rule E2.5; or
  - (4) is available to Experian through its own Payment Performance Programme,
- in each case, by the time stipulated in Rule E2.8.

#### **E2.2 Routine Collection for Monthly Scores**

- (1) The Board has instructed Experian to collect (or procure the collection of) such of the data referred to in Rule E2.2(2) in relation to each Employer (and, where

relevant their Ultimate Parents and Group Subsidiaries) as is either Filed with one of the sources referred to in Rule E2.2(3), or available to Experian from such other sources as the Board instructs Experian to collect and use from time to time (whether generally or for specified purposes or to a specified extent) and which is relevant for the purposes of calculation under these Rules.

(2) The data to be collected is:

- (a) the Latest Accounts of the Employer, its Ultimate Parent and any Group Subsidiaries (as the case may be);
- (b) the three sets of Accounts Filed by the Employer, Ultimate Parent and any Group Subsidiaries (as the case may be) before the Latest Accounts and which have a Year End Date which is no more than five years before the Year End Date of the Latest Accounts (or, if there are fewer than three such sets of Accounts Filed with Year End Dates within that period, all the Accounts which have been Filed with a Year End Date within that period);
- (c) information about mortgages or other charges registered at Companies House in the UK (or another overseas electronic public registry in the following countries: Australia, Gibraltar, Hong Kong, India, Ireland, Isle of Man, the Channel Islands, Malaysia, New Zealand and Singapore) over the assets of the Employer, Ultimate Parent or Group Subsidiary (as the case may be);
- (d) the establishment or registration date of any Employer;
- (e) the most recent Annual Return or Confirmation Statement of the Employer, Ultimate Parent or Group Subsidiary (as the case may be), and in the case of a Confirmation Statement, any information delivered at the same time as the Confirmation Statement pursuant to section 853A(1)(b)(ii), and relevant information to which the most recent Confirmation Statement relates in any previous Annual Returns or Confirmation Statements in respect of the entity; and
- (f) data showing any of the matters referred to in paragraph 5.1 of Part 5 of the Insolvency Risk Appendix.

(3) The relevant sources are:

- (a) Companies House;
- (b) the Charity Commission;
- (c) any Other Permitted Source.

### E2.3 Voluntary provision of data

Scheme Employers, Ultimate Parents, Group Subsidiaries and trustees may voluntarily provide to Experian the following information by email to: [experianppf@mailgb.custhelp.com](mailto:experianppf@mailgb.custhelp.com) or, subject to Experian's written consent (in which case the Score Measurement Date or, as the case may be, the Measurement Time will be 5.00pm, and in respect of the Score Measurement Date for March 2018 will be 5.00pm

on 29 March 2018), by post or by hand to PPF Data Provision, Experian Ltd, Royalty Studios, 105-109 Lancaster Road, London W11 1QF:

- (1) Any of the information referred to in Rule E2.2(2)(a), (b), (d) and (e) in relation to an Employer, Group Subsidiary or Ultimate Parent (as the case may be) where that Employer, Group Subsidiary or Ultimate Parent (as the case may be) is not required by law to file that information with any of the organisations referred to in Rule E2.2(3);
- (2) Consolidated Accounts relating to the Ultimate Parent, for the purposes of calculating the Parent Strength Variable referred to in paragraph 3.3 of Part 3 of the Insolvency Risk Appendix;
- (3) Full Accounts, where the Employer is required by law to file accounts with Companies House but those accounts are permitted to be SME Accounts and so it has not Filed Full Accounts with Companies House, provided that
  - (a) any such Full Accounts provided under this Rule must be Consolidated Accounts where the accounts filed by the Employer with Companies House are Consolidated Accounts, and
  - (b) N-3 Accounts must be accompanied by Full Accounts for all years after the N-3 Accounts up to and including the Latest Accounts;
- (4) Officers' Certificates and associated documentation required for certain adjustments to calculate Adjusted Monthly Scores as set out in parts 4 and 5 of the Insolvency Risk Appendix and the associated definitions in Part A of the Rules;
- (5) In the case of a company which is not required to disclose in its Accounts the number of its employees, a certificate signed by its auditor stating that number and, if applicable, the number of employees calculated on a FTE Basis;
- (6) The bank statements referred to in the definition of "Highest Drawn Amount" and "Highest Deposited Amount"; and
- (7) Interim financial statements in relation to an Employer, Group Subsidiary or Ultimate Parent (as the case may be) where:
  - (a) the Employer, Group Subsidiary or Ultimate Parent (as the case may be) will be required by law to File Accounts with any of the organisations referred to in Rule E2.2(3) but not until after the penultimate Score Measurement Date;
  - (b) no Accounts have in fact been Filed by the penultimate Score Measurement Date;
  - (c) save as to the period in relation to which they are prepared, the interim financial statements meet the requirements in the definition of Accounts in Part A of these Rules; and
  - (d) the interim financial statements cover a period of at least 30 days.

Where such interim financial statements are accepted by Experian for the purposes of the 2018/19 Levies, references to "Accounts" in these Rules shall be read accordingly.

## E2.4 Credit Ratings

In relation to each Employer categorised as CRA Rated under Rule E3.1(9) below:

- (1) The Board will collect public credit rating data for that Employer as at each Score Measurement Date from the Credit Rating Agencies and will apply that data in accordance with Annex 1 to the Insolvency Risk Appendix to allocate a Credit Rating to the Employer.
- (2) The Board will supply the Credit Ratings to Experian for use in the calculation of the Employer's Monthly Scores in accordance with Part 4 of the Insolvency Risk Appendix.

## E2.5 Credit Model Scores

In relation to each Employer categorised as Industry-Specific under Rule E3.1(10) below:

- (1) For the purposes of generating a Credit Model Score for the Employer as at each Score Measurement Date, the Board (or in the case of any or all of the collection sources set out below) a third party appointed by the Board) will collect copies of the Latest Accounts of the Employer as at the previous Score Measurement Date (or at any subsequent date in respect of which the Latest Accounts are able to be processed for the relevant Score Measurement Date) from Companies House, the Financial Conduct Authority and/or Employers' websites and where Annual Accounts exist in respect of an Employer will apply the financial data from those Accounts in accordance with Annex II to the Insolvency Risk Appendix .
- (2) The Board will supply the Credit Model Scores to Experian for use in the calculation of the Employer's Monthly Scores in accordance with Part 4 of the Insolvency Risk Appendix.

## E2.6 Data Hierarchy

- (1) Subject to (2) below, in the event that the collection of data in accordance with Rule E2.1 results in conflicting data items, the following hierarchy will be applied to resolve the conflict (and, for the avoidance of doubt, no account will be taken of which source provides the most recent data):
  - (a) A Company/Charity Source;
  - (b) any Other Permitted Source (other than a source referred to in (a) above);
  - (c) any other source specified by the Board pursuant to Rule E2.2(1);
  - (d) voluntary provision pursuant to Rule E2.3,
- (2) The exceptions to the hierarchy set out in (1) above are as follows:
  - (a) in the event that there is a conflict between data collected from two or more sources at the same level in the hierarchy:
    - (i) the source or sources which provide the most recent data shall be used in preference; and

- (ii) if the application of (i) does not resolve all conflicts, the Board shall determine which source should be used by Experian;
- (b) if Consolidated Accounts in relation to an Ultimate Parent are voluntarily provided pursuant to Rule E2.3, these will be used in preference to any other Accounts collected by Experian pursuant to this Rule E2, provided that they have a Year End Date the same as or more recent than those other Accounts;
- (c) if Full Accounts are voluntarily provided pursuant to Rule E2.3, these will be used in preference to any SME Accounts Filed with Companies House as if the Full Accounts were Revised Accounts and notwithstanding the provisions of Rule E2.8(1), provided that such Full Accounts must have a Year End Date which is:
  - (i) in the case of Latest Accounts, the same as or later than; and
  - (ii) in the case of N-3 Accounts, the same as,

the relevant SME Accounts Filed with Companies House. For the avoidance of doubt, if SME accounts are subsequently Filed with a later Year End Date than the Latest Accounts or the N-3 Accounts, they will be used in place of the corresponding Full Accounts; and
- (d) where Accounts have been collected and applied for the purposes of the calculation of a Credit Model Score for a Certified Guarantor, those Accounts will be used in preference of any other source for the purposes of the calculation set out at paragraph 17(4) of the Contingent Asset Appendix.

## E2.7 Data Quality

Save to the extent expressly set out in these Rules and the Insolvency Risk Appendix, Experian shall apply such data quality procedures and shall resolve conflicts between data items using the same approach that it would adopt in its ordinary course of business from time to time.

## E2.8 Timing of data collection and use

- (1) Except where (2),(3), (4), (6) or (7) below applies, the Board and Experian will use such data as has either:
  - (a) been collected or received in accordance with Rule E2.1 and which Experian, the Board or an appointed third party (as relevant) has been able to process by the Score Measurement Date in question; or
  - (b) been Filed at least one calendar month before the Score Measurement Date.
- (2) The identity of any Employer for whom an LR is required to be calculated will be determined using data which has been Submitted at the Measurement Time.
- (3) To calculate the Adjusted Monthly Scores pursuant to part 5 of the Insolvency Risk Appendix, Experian will use such data as has either been collected or

received in accordance with Rule E2.1 by the Measurement Time and which it has been able to process by the date of calculation of the Levies.

- (4) Experian will take into account a written statement supplied by an auditor pursuant to paragraph 3.7 of Part 3 of the Insolvency Risk Appendix by the Measurement Time.
- (5) For the purposes of Rule E2.3, information will be deemed provided when it is actually received by Experian save that the Board may direct Experian to accept information received after any applicable deadline in the same circumstances as those set out in Rule B4.
- (6) A Certified Guarantor's Monthly Score will be calculated using such financial information as is Submitted by the Measurement Time.
- (7) Where information is Filed at any Other Permitted Source (with the exception of the Financial Conduct Authority), the Board and Experian will use such Accounts as have been Filed as at 31 December of the Levy Year immediately preceding that to which these Rules relate, in respect of any Score Measurement Date subsequent to the date that those Accounts were Filed. This sub-rule is subject to Rule E2.3.

### **E3. Employer Categorisation**

#### **E3.1 What are the Employer Categories?**

The Scorecard or method used to calculate the Monthly Score and Adjusted Monthly Score will be based on the Employer's category. Subject to Rule E3.2, the categories are:

- (1) *Non-Subsidiaries £30m+ and Subsidiaries:* An Employer which meets all of the following criteria at the relevant Score Measurement Date:
  - (a) it does not meet the criteria in (8) – (11); and
  - (b) it meets the criteria in one or more of (i), (ii) or (iii) below:
    - (i) it is not part of a Group or it is an Ultimate Parent and its Latest Accounts are Full Accounts which show a Turnover of £30 million or more;
    - (ii) its Latest Accounts are Full Accounts which show Total Assets of £500 million or more and a Turnover of £50 million or more; or
    - (iii) its Latest Accounts have not been Filed with Companies House in the UK, its address is not a UK address and, by 5.00pm on 29 March 2018, Experian has not, pursuant to Rule E2.3, received data which is sufficient to establish that, as at the Score Measurement Date in question, the Employer did not meet the criteria in (i) or (ii) above and did meet the criteria in one of (3), (4), (5), (6) or (7) below (on the basis that the references in those paragraphs to this paragraph (1) were disregarded) and its Latest Accounts show a Turnover above £30million.



- (2) *Non-Subsidiaries <£30m*: An Employer which meets all of the following criteria at the relevant Score Measurement Date:
- (a) it does not meet the criteria in (1) or (8) – (11); and
  - (b) it meets the criteria in one or more of (i), (ii) or (iii) below:
    - (i) it is not part of a Group and its Latest Accounts are Full Accounts;
    - (ii) it is an Ultimate Parent and its Latest Accounts are Full Accounts; or
    - (iii) its Latest Accounts have not been Filed with Companies House in the UK, its address is not a UK address and, by 31 March 2018, Experian has not, pursuant to Rule E2.3, received data which is sufficient to establish that, as at the Score Measurement Date in question, the Employer did not meet the criteria in (i) or (ii) above and did meet the criteria in one of (3) – (7) below (on the basis that the references in those paragraphs to this paragraph (2) were disregarded); and
  - (c) its Latest Accounts show a Turnover of less than or equal to £30million.
- (3) *Group £50m+*: An Employer which meets all of the following criteria at the relevant Score Measurement Date:
- (a) it does not meet the criteria in (1), (2), or (8) – (11);
  - (b) it is part of a Group; and
  - (c) its Latest Accounts are Full Accounts which show a Turnover of at least £50million.
- (4) *Group £10m to £50m*: An Employer which meets all of the following criteria at the relevant Score Measurement Date:
- (a) it does not meet the criteria in (1), (2), or (8) – (11);
  - (b) it is part of a Group; and
  - (c) its Latest Accounts are Full Accounts which show a Turnover of at least £10million but less than £50million.
- (5) *Group <£10m*: An Employer which meets all of the following criteria at the relevant Score Measurement Date:
- (a) it does not meet the criteria in (1), (2), or (8) – (11);
  - (b) it is part of a Group; and
  - (c) its Latest Accounts are Full Accounts which show a Turnover of less than £10million.
- (6) *Group Small*: An Employer which meets all of the following criteria at the relevant Score Measurement Date:

- (a) it does not meet the criteria in (1), (2), or (8) – (11);
  - (b) it is part of a Group but is not the Ultimate Parent; and
  - (c) its Latest Accounts are SME Accounts.
- (7) Independent Small: An Employer which meets all of the following criteria at the relevant Score Measurement Date:
- (a) it does not meet the criteria in (1), (2), or (8) – (11);
  - (b) it is not part of a Group or it is an Ultimate Parent; and
  - (c) its Latest Accounts are SME Accounts.
- (8) Not-For-Profit: An Employer which has Filed Accounts and which does not meet the criteria in (9) – (11) and either:
- (a) is one or more of the following on the relevant Score Measurement Date:
    - (i) A Charity;
    - (ii) A Section 60 Company;
    - (iii) A Royal Charter Company;
    - (iv) A Registered Society;
    - (v) A Trade Union;
    - (vi) An Employers' Association;
    - (vii) A Public Body;
    - (viii) A Housing Association;
    - (ix) A Forces Association; or
    - (x) A Political Party,

PROVIDED THAT it has not paid a dividend, made any other sort of distribution, or returned any capital to its members since 5 April 2005; or
  - (b) has, before the calculation of the Levies, provided the Board with evidence which the Board considers to be satisfactory that, as at the relevant Score Measurement Date, its articles or other constitutional documents:
    - (i) would not permit it to trade for profit;
    - (ii) would not permit the payment of dividends, or any return of capital; and
    - (iii) would require all the assets that would otherwise be available after payment of creditors to be transferred on its winding up either to another body with objects similar to its own, or to another body the objects of which are the promotion of charity.

- (9) *CRA Rated*: An Employer which meets all of the following criteria at the Score Measurement Date:
- (a) it does not meet the criteria in (11); and
  - (b) it is CRA Rated.
- (10) *Industry-Specific*: An Employer which meets all of the following criteria at the Score Measurement Date:
- (a) it does not meet the criteria in (9) or (11);
  - (b) it is on the BOE Bank List or the BOE Insurers List;
  - (c) the Board is satisfied that it falls within one of the following sub-categories of financial institutions:
    - (i) Diversified Banks;
    - (ii) Regional Banks;
    - (iii) Thrifts & Mortgage Finance;
    - (iv) Life & Health Insurance;
    - (v) Multi-Line Insurance;
    - (vi) Property & Casualty Insurance; or
    - (vii) Reinsurance; and
  - (d) the Board is able to calculate a Credit Model Score in respect of the Employer.
- (11) *Special Category Employer*: An Employer in relation to which the Board has:
- (a) by the Measurement Time, received an Officer's Certificate confirming that:
    - (i) one of the following criteria is met:
      - (A) the Employer is established by legislation or under international treaty; or
      - (B) the Employer is the Crown or is an entity classified as Central Government or is a foreign government (or an entity that has a similar relationship to a foreign government as a Central Government entity); and
    - (ii) the advantage derived from the levy calculated taking into account the Officer's Certificate does not amount to state aid;

**AND** the Board has confirmed:

- (b) the nature of the Employer's constitution, governance, function or sources of income are such that in the opinion of the Board the

application of Rules E2 – E5 (with the exception of those Rules which expressly apply to Special Category Employers) does not fundamentally capture the risk of the Employer’s Scheme(s) making a claim on the PPF; and

- (c) in the opinion of the Board it is very unlikely in practice that the Board will have to assume responsibility for the Employer’s Scheme(s) in the foreseeable future.

(12) *Non-Filing*: An Employer in respect of which one of the following applies:

- (a) None of (1) – (11) above applies to it as at the relevant Score Measurement Date;
- (b) The data collected or received in respect of it pursuant to Rule E2.1 at the relevant Score Measurement Date are insufficient for Experian to assign it to a category within this Rule E3.1;
- (c) The information Submitted as at the Measurement Time does not allow Experian to identify the entity which is the Employer;
- (d) The Employer:
  - (i) has at a Score Measurement Date filed Accounts as a dormant company as defined in section 1169 of the Companies Act 2006 (“Dormant Accounts”) as a result of which a Monthly Score is available under these Rules if this Rule E3.1(12) were disregarded (the “Dormant Account Monthly Scores”)
  - (ii) has, subsequent to any Score Measurement Date in respect of which a Dormant Account Monthly Score is calculated, been subject to a substantive change of circumstances such that the Employer has, for any Score Measurement Date subsequent to a Dormant Account Monthly Score, File Accounts that are not Dormant Accounts; and
  - (iii) in the opinion of the Board, the application of Rules E2 – E5 (with the exception of those Rules which expressly apply to Employers that are Non-Filing at any Score Measurement Date) does not fundamentally capture the risk of the Employer’s Scheme(s) making a claim on the PPF.

### E3.2 Categorisation Principles

- (1) The categorisation principles set out in Part 1 of the Insolvency Risk Appendix will apply for the purposes of assigning Employers to the categories referred to in Rule E3.1.
- (2) If the Employer's Latest Accounts Filed before 29 May 2014 show that it was not the Ultimate Parent or not part of a Group (as applicable) on or before 29 May 2014 and the Board considers that a Group Subsidiary or Parent has been created wholly or mainly for the purposes of reducing liability to levy, the Board may instruct Experian to categorise the Employer as if the position shown in the

Employer's Latest Accounts Filed before 29 May 2014 were reflected in its Latest Accounts Filed as at each Score Measurement Date.

**E4. Calculation of Monthly Scores and Adjusted Monthly Scores**

E4.1 Subject to Rule E4.2, the Monthly Score and Adjusted Monthly Score of each Employer is that calculated by the application of the following process:

- (1) Applying the data collected or received in accordance with Rule E2 to the relevant Scorecard which applies to the Employer's category as determined in accordance with Rule E3, as set out in the following table:

<b>Employer Category</b>	<b>Applicable Scorecard</b>
Non-Subsidiaries £30m+ and Large Subsidiaries	Scorecard 1
Non-Subsidiaries <£30m	Scorecard 2
Group £50m+	Scorecard 3
Group £10m to £50m	Scorecard 4
Group <£10m	Scorecard 5
Group Small	Scorecard 6
Independent Small	Scorecard 7
Not-for-Profit	Scorecard 8
CRA Rated	Scorecard 9
Industry-Specific	Scorecard 10

- (2) Applying the calculation principles, methods, procedures and formulae which are set out in Parts 3 and 4 of the Insolvency Risk Appendix and the adjustments set out in Part 5 of the Insolvency Risk Appendix to each Employer.

E4.2 Where an Employer is a Special Category Employer or is Non-Filing, no Monthly Score nor Adjusted Monthly Score will be calculated.

**E5. How to calculate LRs**

E5.1 LRs where Monthly Score can be calculated

- (1) This Rule E5.1 applies where Experian have applied the procedures set out within Rules E2-E4 and the relevant Parts of the Insolvency Risk Appendix in respect of an Employer and is able to provide a Monthly Score for an Employer in respect of a Scheme as at any Score Measurement Date(s).
- (2) Where this Rule E5.1 applies, the LR of that Employer in respect of a Scheme shall be the LR of the Levy Band within which the Mean Score falls, as shown in Table 4 in Part 7 of the Insolvency Risk Appendix.

## E5.2 LRs for Special Category Employers

- (1) This Rule E5.2 applies where at least one Employer in relation to a Scheme falls within the category under Rule E3.1(11).
- (2) Where this Rule E5.2 applies, the LR of that Employer in respect of a Scheme shall be the LR of Levy Band 1, as shown in Table 4 in Part 7 of the Insolvency Risk Appendix.

## E5.3 Scheme averages

- (1) This Rule E5.3 applies where at least one of but no more than 50% of a Scheme's Members are Allocated Members in respect of an Employer or Employers who are Totally Non-Filing.
- (2) Where this Rule E5.3 applies, the LR in respect of that Scheme for each such Totally Non-Filing Employer shall be the mean average of the LRs of the other Employers in relation to that Scheme.

## E5.4 Industry averages

- (1) This Rule E5.4 applies where at least one Employer in relation to a Scheme is Totally Non-Filing but where Rule E5.3 does not apply.
- (2) Where this Rule E5.4 applies, the LR for that Employer will be based upon the assignment of the Employer to an industry group based on two-digit 1992 Standard Industry Classification (SIC) codes, in accordance with this Rule E5.4.
- (3) The Employer will be assigned to whatever industry group Experian would assign it to in its ordinary course of business, provided that, if the Board considers that this is not appropriate in any particular case, the Employer will be assigned by the Board to whatever industry group appears to the Board to be most appropriate.
- (4) The LR for such an Employer shall be the LR which Experian notifies to the Board as being the Median LR for all UK-domiciled Employers within the industry group to which the Employer has been assigned pursuant to Rule E5.4(3) in respect of whom Scores have been calculated under these Rules (excluding Rule E5.3) for the purposes of the 2018/19 Levy Year.

## E5.5 Blended averages

- (1) This Rule E5.5 applies where Rule E5.4 applies save that:
  - (a) neither Experian nor the Board is able to determine the most appropriate SIC Code for an Employer; or
  - (b) the Board has not been provided with a Score for any Employers within the industry group to which that Employer has been assigned.
- (2) Where this Rule E5.5 applies, the LR for the Employer shall be the LR which Experian notifies to the Board as being the Median LR for all UK-domiciled Employers (irrespective of industry group) in respect of which it has provided the Board with Scores for the purposes of the 2018/19 Levy Year.

## E5.6 Calculation Principles

Rule E5 is subject to the calculation principles set out in Part 6 of the Insolvency Risk Appendix.

## **E6. Insolvency risk for Multi-Employer Schemes**

### E6.1 Membership numbers

The number of Allocated Members of a Scheme for each Employer is to be determined in accordance with the relevant FAQ issued by the Board and the relevant Exchange help file.

### E6.2 Categorisation of Multi-Employer Schemes

- (1) Each Multi-Employer Scheme is to be determined as being either a "Last Man Standing Scheme", a "Partial Segregation Scheme" or a "Centralised Scheme" in accordance with the definitions in this Rule E6.2.
- (2) A "Last Man Standing Scheme" is a Multi-Employer Scheme:
  - (a) which is not a Centralised Scheme;
  - (b) the rules of which do not include any requirement or discretion for the trustees to segregate assets on cessation of participation of an Employer; and
  - (c) in relation to which it has been confirmed to the Board (in such manner as specified on Exchange) by the Measurement Time that Appropriate Legal Advice has been received by the trustees which confirms that in his/her opinion, the statement in (b) is correct.
- (3) A "Partial Segregation Scheme" is a Multi-Employer Scheme which is neither a Centralised Scheme nor a Last Man Standing Scheme.
- (4) A "Centralised Scheme" is a Scheme:
  - (a) which was established as a centralised scheme for non-associated Employers as described in Part 21 of IR12 (2001), and whose rules do not include a requirement or discretion for the trustees to segregate assets on cessation of participation of an Employer; and
  - (b) in relation to which the Board has, if it so requests, received satisfactory evidence in support of the statements in (a) before the calculation of the Levies for that Scheme.

### E6.3 How is IR calculated for Multi-Employer Schemes?

- (1) In the case of a Centralised Scheme, IR shall be the weighted average of the LRs for each Employer, with each LR multiplied by a concentration index  $H_f$ , where  $H_f$  is calculated as the sum of the squares of the proportions of Allocated Members corresponding to each Employer.

$H_f$  may be expressed by the formula:

$$Hf = \sum_{i=1}^n (s_i \div T)^2$$

where n represents the number of Employers in relation to the Scheme,  $s_i$  represents the number of Members allocated to Employer i, and T represents the total number of Members in relation to the Scheme, i.e.:

$$T = \sum_{i=1}^n s_i$$

- (2) In the case of a Partial Segregation Scheme, IR shall be the weighted average of the LRs for each Employer.
- (3) In the case of a Last Man Standing Scheme, IR shall be the weighted average of the LRs for each Employer in relation to the Scheme, with each LR multiplied by  $0.9 + (0.1 \times Hf)$ , where Hf is as set out in E6.3(1) above.
- (4) In each case:
  - (a) the LR for each Employer shall be separately determined in accordance with Rules E1 - E5 and the Insolvency Risk Appendix and, when determining the LR of each Employer in a Last Man Standing Scheme or in a Centralised Scheme, the resultant calculation of the LR is not to be rounded; and
  - (b) a weighted average will be calculated of the LR (adjusted in accordance with E6.3(1) and E6.3(3) as appropriate) for all Employers, where the weightings are equal to the number of Allocated Members for each Employer, divided by the total number of Members.

## **E7. Experian appeals**

### **E7.1 What elements of the levy calculation can be appealed to Experian?**

Experian can only deal with appeals relating to an Appealable Score. For the avoidance of doubt, Experian cannot deal with appeals relating to:

- (1) the assignment of an Employer to an industry group in a case in which the Board has taken the decision about which industry group is most appropriate under Rule E5.4(3);
- (2) Monthly Scores (or equivalent) as at each Score Measurement Date (although each Monthly Score can be taken into account when Experian is dealing with appeals relating to Appealable Scores);
- (3) any decision as to whether or not an Employer is a Special Category Employer;
- (4) the calculation of any Monthly Score in respect of an entity scored on Scorecard 9 or Scorecard 10, or any decision as to whether or not an entity is assigned to Scorecard 9 or Scorecard 10.

### **E7.2 Who can appeal to Experian?**



The following can appeal to Experian:

- (1) a Scheme trustee in relation to any Appealable Score relating to the Scheme of which he is a trustee;
- (2) an Employer in relation to its own Appealable Score;
- (3) a Guarantor in relation to its own Appealable Score;
- (4) a person duly authorised to represent a person referred to in E7.2(1), (2) or (3);  
or
- (5) the Board.

E7.3 How can such a person appeal?

Save where an appeal is made by the Board, Experian can only deal with appeals which are in writing, sent to it by email to [experianppf@mailgb.custhelp.com](mailto:experianppf@mailgb.custhelp.com) with the title of the email including the words "PPF Appeal" or, subject to Experian's written consent, by registered post to PPF Appeals, Experian Ltd, Royalty Studios, 105-109 Lancaster Road, London W11 1QF and which comply with any other formalities that are stipulated by Experian.

E7.4 What are the time limits?

Save where an appeal is made by the Board, Experian can only deal with an appeal if:

- (1) either:
  - (a) it is sent to Experian by email no later than 28 days after the date shown on the notification of the Levies in respect of the relevant Levy Year; or
  - (b) it is sent by registered first class post no later than 26 days after the date shown on the notification of the Levies in respect of the relevant Scheme for the relevant Levy year; or
  - (c) the circumstances of a case are such that, in the opinion of the Board, it is reasonable for an appeal to be sent after the end of the period mentioned in (a) or (b) above, as the case may be, and the Board confirms this in writing to Experian;

**AND**

- (2) the relevant applicant also complies with any other relevant deadlines throughout Experian's appeal process as may be stipulated by Experian, or the circumstances of a case are such that, in the opinion of the Board, the non-compliance with such deadlines is reasonable and the Board confirms this in writing to Experian.

E7.5 When can Experian change an Appealable Score?

Experian can only change an Appealable Score where all other provisions of Rules E7.1 – E7.4 have been satisfied and one (or more) of the following applies:

- (1) Experian did not have access to or did not process data which would otherwise have been used for calculation pursuant to Rule E2.1 and one of the following applies:
  - (a) That data had been Filed at least one calendar month before the Score Measurement Date; or
  - (b) In the case of
    - (i) matters to be dealt with under these Rules in accordance with Experian's ordinary course of business or
    - (ii) information about mortgages or other charges collected by Experian pursuant to Rule E2.2(2)(c) or provided to Experian pursuant to Rule E2.3.

it is data which would normally have been available to, and would normally have been taken into account by, Experian and that lack of access was not related to any action or inaction of any of the following:

    - (A) the trustee(s) of the relevant Scheme;
    - (B) any Employer in relation to that Scheme;
    - (C) any Guarantor in relation to that Scheme; or
    - (D) any Ultimate Parent or Group Subsidiary relating to any Employer in relation to the Scheme.
- (2) An Appealable Score has been calculated otherwise than in accordance with Rules E2-E5 and the Insolvency Risk Appendix;
- (3) In the process of applying these Rules, an arithmetical error has been made by Experian;
- (4) An Appealable Score has been calculated by reference to an entity which is not the Employer on the basis of the information which has been Submitted in accordance with Rule A2.2 as at the Measurement Time, or Experian has erroneously failed to identify any entity as the Employer on the basis of that information. For the avoidance of doubt, any question as to the correctness of the information Submitted as at the Measurement Time concerning the identity of the Employer is to be addressed pursuant to Rule B2, and not by way of an appeal pursuant to this Rule E7;
- (5) An Appealable Score has been calculated without taking into account an Officer's Certificate provided to Experian for the purposes of excluding certain mortgages or other charges pursuant to Part 5 of the Insolvency Risk Appendix in a case where all requirements in relation to the relevant exclusion were met;
- (6) Experian considers that assignment to a different industry group under Rule E5.4(3) would be appropriate; or
- (7) In a case where Rule E5.5(1)(a) has applied, Experian considers that it is possible to assign the Employer to an industry group under Rule E5.4(3).

#### E7.6 What happens if there is a new Appealable Score?

If Experian decides to change an Appealable Score:

- (1) the relevant Appealable Score shall be the higher or lower number which Experian informs the Board ought to have been assigned to the Employer in respect of a Scheme; and
- (2) the Board will, where the application of the new Appealable Score results in a change to IR (in respect of the Scheme) from that which was initially calculated, issue a revised notification of the amount of the Levies in respect of the Scheme.

#### E7.7 Deemed correctness

Any item supplied to the Board by Experian as an Appealable Score will be deemed to be correct for the purposes of these Rules unless Experian's appeal process has been followed in respect of that Appealable Score pursuant to this Rule E7, if the basis upon which the Appealable Score is said to have been incorrect is a matter capable of having been dealt with through that appeal process.

#### E7.8 Statutory Review Rights

For the avoidance of doubt and without prejudice to Rule E7.7, the Board may review an Appealable Score pursuant to s.207 of the Act on the grounds that the decision reached by Experian following an appeal pursuant to this Rule E7 was incorrect.

#### E7.9 Determination by Board

Experian and the Board may agree that an appeal to Experian is to be determined by the Board.

## **Part F – Special rules for scheme transfers**

### **F1. When do these special rules apply?**

F1.1 Which transfers are covered by this Part?

- (1) Rules F1 – F3 apply where there has been a Full Transfer.
- (2) The Board shall not be obliged to take into account any transfers of assets or liabilities between Schemes which are not Full Transfers or Previously Recognised Transfers.

F1.2 Carry forward of certificates

For Schemes where block transfer information was Submitted and accepted for use in the 2017/18 Levies, and where no new Section 179 Valuation for that Scheme is Submitted in accordance with Rule D2.1 and no further certificate for that Scheme is Submitted before 5.00pm on 29 June 2018, the information used for 2017/18 will be carried forward and used in 2018/19.

F1.3 What is a Full Transfer?

A "Full Transfer" is where, on any date or dates prior to 1 April 2018:

- (a) there are fewer than two Members remaining in a scheme or a Segregated Scheme (the "Transferring Scheme"); and
- (b) the Transferring Scheme has transferred (in groups of two or more Members) Members to one or more other Schemes (each, the "Receiving Scheme"); and
- (c) Rule F4 does not apply;

and there remain fewer than two Members in the Transferring Scheme on 1 April 2018.

F1.4 What is the effect of a Full Transfer?

Where there has been a Full Transfer, this Part F of the Rules applies to the Transferring Scheme and the Receiving Scheme(s).

### **F2. The Board's expectation for additional information and the rules in relation to Full Transfers**

F2.1 The Board's expectations of Scheme trustees

- (1) If there is no Section 179 Valuation for the Receiving Scheme(s) which reflects the Full Transfer and has been Submitted at the Measurement Time, the trustees of the Transferring Scheme and the Receiving Scheme(s) shall be expected to agree and Submit the information in Rules F2.2 and F2.3 by 5.00pm on 29 June 2018 unless that information has already been Submitted.
- (2) Where a scheme becomes a Segregated Scheme after the Measurement Time and before 1 April 2019, the Board shall treat that scheme as though it were a New Scheme. Unless Rule F4 applies, the trustees of the Segregated Scheme shall be expected to agree and Submit the information in Rules F2.2 and F2.3 in accordance with the timeframe specified in Rule A2.4(1) in respect of New Schemes.

## F2.2 Basic Transfer Information

The Basic Transfer Information is specified in Part A of the Transfers Appendix attached to these Rules and is expected to be agreed and Submitted by or on behalf of the Schemes' trustees by 5.00pm on 29 June 2018.

## F2.3 Actuarial Transfer Information

The Actuarial Transfer Information is specified in Part A of the Transfers Appendix and calculated in accordance with the provisions set out in Part B of the Transfers Appendix attached to these Rules. The Actuarial Transfer Information is expected to be agreed and Submitted by or on behalf of the Schemes' trustees by 5.00pm on 29 June 2018.

## F2.4 The Board's objective

- (1) This Rule F2.4 applies where all of the information in Rules F2.2 and F2.3 is Submitted by 5.00pm on 29 June 2018.
- (2) Where this Rule F2.4 applies, the Board will make what is in its view an appropriate determination of the Assets, Liabilities, Unstressed Assets and Unstressed Liabilities of the Receiving Scheme(s) as at 31 March 2018.
- (3) The determination referred to in Rule F2.4(2) will be made taking the Full Transfer into account in a manner which, in the opinion of the Board, best gives effect to the general approach set out in the Transformation Appendix. In any case where a transfer of assets and liabilities occurs between 1 April 2017 and 31 March 2018 (inclusive), the Board shall make its determination based upon the Supplied Assets and Supplied Liabilities of the Transferring Scheme and the Receiving Scheme(s) post-transfer and shall adjust the Supplied Assets and Supplied Liabilities of the Transferring Scheme and the Receiving Scheme(s) in a manner which, in the opinion of the Board, best gives effect to the approach set out in the Transformation Appendix.
- (4) Any determination made under Rule F2.4(2) shall be used in substitution for the valuation that the Board would otherwise use in accordance with Rule D2.
- (5) For the avoidance of doubt, the provisions of this Part F apply to a Receiving Scheme that is a New Scheme or a scheme to which Rule D2.2 (Schemes which are not yet obliged to complete a Section 179 Valuation) applies.

## F2.5 Absence of information

- (1) Where any of the information in Rule F2.2 and/or F2.3 has not been Submitted by 5.00pm on 29 June 2018, and where Rule F4 does not apply, this Rule F2.5 applies.
- (2) Where this Rule F2.5 applies, the Board shall make a determination of the Levies of the Receiving Scheme(s) in accordance with the "Poor Data Methodology" provided that if the Board is satisfied that all efforts that were reasonable in the circumstances were made to Submit (or procure the Submission of) the information in Rules F2.2 and F2.3 by 5.00pm on 29 June 2018 or that the application of the Poor Data Methodology would result in a levy that was inappropriately low when compared with the general approach laid down by these Rules, the Board shall not be obliged to determine the Levies of that Receiving Scheme in accordance with the Poor Data Methodology and may instead:
  - (a) determine the Levies of that Receiving Scheme in accordance with the Poor Data Methodology but without applying the provisions of paragraphs 12 and 13 of the Transfers Appendix;

- (b) determine the Levies of that Receiving Scheme in accordance with the Supplied Assets and Supplied Liabilities contained in any Post-Transfer Valuation which reflects the Full Transfer(s) and which has been Submitted by the Receiving Scheme by 5.00pm on 29 June 2018 or in accordance with any other valuation data that in the view of the Board appropriately reflects the position of the Receiving Scheme whenever provided to the Board; or
  - (c) determine the Levies of that Receiving Scheme by using a combination of the approaches set out in (a) and (b) above and the Poor Data Methodology, in each case in such manner as in the view of the Board is appropriate when compared with the general approach laid down by these Rules.
- (3) The "Poor Data Methodology" is the methodology set out in Part C of the Transfers Appendix to these Rules.
- (4) Any determination made under Rule F2.5(2) shall be used in substitution for the valuation that the Board would otherwise use in accordance with Rule D2.

### **F3. The effect of a Full Transfer**

Where the Board makes a determination under Rule F2.4 or F2.5, in respect of each Transferring Scheme and Receiving Scheme to which it applies, the Board shall calculate the SBL and RBL and shall invoice, or re-invoice, as the case may be, based on that determination.

### **F4. Exempt Transfers**

F4.1 This Rule F4 applies in the following circumstances:

- (a) Self-segregation transfers
  - (i) a scheme becomes a Segregated Scheme such that the Board is required to treat the sections of the Segregated Scheme as separate Schemes;
  - (ii) a section of the newly-created Segregated Scheme (the "Parent Section") entirely comprises the assets and liabilities that constituted the entirety of the scheme immediately before the segregation;
  - (iii) the effective date of the Section 179 Valuation to be prepared for the Parent Section following the transfer described in that rule will be consistent with the Parent Scheme's existing statutory valuation requirements; and
  - (iv) the information requirements set out in paragraph 19 of the Transfers Appendix are met.
- (b) 1-to-1 transfers
  - (i) a scheme transfers the entirety of its assets and liabilities to a section of a Segregated Scheme, or an existing section of a Segregated Scheme transfers the entirety of its assets and liabilities to a scheme, so that the assets and liabilities transferred constitute the only assets and liabilities of that Receiving Scheme;
  - (ii) the Board is satisfied that the effective date of the Section 179 Valuation in respect of the Receiving Scheme following the transfer described in that rule will be within 12 months of the date of the transfer and will be submitted to tPR within 15 months of the effective date of that valuation; and

- (ii) the information requirements set out in paragraph 20 of the Transfers Appendix are met.

F4.2 When this Rule F4 applies:

- (a) the requirements of Rules F1 – F3 shall not apply; and
- (b) the Board shall calculate the levies of the Scheme(s) in question in accordance with any valuation data (whenever provided to the Board) that in the view of the Board appropriately reflects the position, in such manner as in the view of the Board is prudent and appropriate when compared with the general approach laid down by these Rules.

## **Part G - Reducing the RBL by reducing risk**

### **G1. Deficit-Reduction Contributions**

G1.1 When does this Rule apply?

This Rule G1 applies where:

- (a) a certificate in respect of a Deficit-Reduction Contribution that complies with Rule G1.2 has been Submitted by the Measurement Time; or
- (b) there has been provided or Submitted a certificate in respect of a Deficit-Reduction Contribution which complied with the requirements and deadlines set out in or under a Previous Determination; and
- (c) it appears to the Board (to the extent that it is to be recognised for the purpose of the calculation of the RBL) that the certified contribution has the effect of reducing the difference between a Scheme's assets and Protected Liabilities where Protected Liabilities exceed the assets, or increasing that difference where the assets exceed the Protected Liabilities.

G1.2 What must the certificate of Deficit-Reduction Contributions contain?

The certificate must contain the information specified in the Deficit-Reduction Contributions Appendix, which must be calculated in accordance with the rules set out in that Appendix.

G1.3 Which certificates can be taken into account?

A certificate shall not be taken into account:

- (1) unless it refers to, and the information contained within it has been calculated by reference to, the same Section 179 Valuation or MFR Valuation of the Scheme as is used under Rule D2 or, in a case to which Part F of these Rules applies, the relevant Post-Transfer Valuation.
- (2) if it includes in amount "a" (as described in the Deficit-Reduction Contributions Appendix to the Board's determination under s175 of the Act for the relevant Levy Year, and specifically under Option Alpha for the 2018/19 levy year onwards) either or both of the following:
  - (a) the amount paid to the Scheme trustee for the purposes of purchasing its interest in the Trustee LP;
  - (b) any Coupon Payments.

For the avoidance of doubt, this Rule G1.3(2) will apply to Deficit-Reduction Contribution certificates Submitted in respect of previous Levy Years which would otherwise be taken into account by the Board, as well as those Submitted for the 2018/19 Levy Year.

G1.4 Effect of Deficit-Reduction Contributions on the Levies

Where this Rule G1 applies, for the purposes of these Rules the Assets and the Unstressed Assets of the Scheme shall be increased by the Deficit-Reduction Contributions figure which is stated in the most recently provided or Submitted compliant certificate.

### **G2. Current Contingent Assets**

G2.1 When does this Rule G2 apply?



This Rule G2 applies where the Board is satisfied that there has been Submitted by or on behalf of the Scheme trustees, before the relevant Measurement Time:

- (1) a Contingent Asset Certificate; and
- (2) satisfactory hard copy supporting documents, as required by the Contingent Asset Appendix.

#### G2.2 What is a Contingent Asset?

A "Contingent Asset" must be one of either:

- (1) a Type A Contingent Asset, which is a guarantee from a parent company or any relevant associated undertaking in Acceptable Form and which complies with paragraphs 6 and 7 of the Contingent Asset Appendix;
- (2) a Type B Contingent Asset, which is a security in Acceptable Form and which complies with paragraphs 8 to 11 inclusive of the Contingent Asset Appendix;
- (3) a Type C Contingent Asset, which is a letter of credit or demand guarantee in favour of the Scheme trustees in Acceptable Form and which complies with paragraphs 12 to 16 inclusive of the Contingent Asset Appendix,

and in all cases it must comply with Rule G2.3.

#### G2.3 Further provisions about Contingent Assets

- (1) The Contingent Asset must comprise or result from an arrangement which becomes or became effective no later than 1 April 2018 except in the case of a New Scheme where it may take effect on the date on which the New Scheme becomes a Scheme if that is later.
- (2) It must appear to the Board that:
  - (a) the Contingent Asset reduces the risk of compensation being payable from the Board in the event of an insolvency event occurring in respect of an Employer in relation to the Scheme; and
  - (b) the reduction, if any, in a Scheme's levy that may result from the recognition of a Contingent Asset for levy purposes is reasonably consistent when compared with the level of that reduction in risk.
- (3) Where Rule G2.3(2)(b) is not satisfied but the Board's requirements for a Contingent Asset are otherwise met, and it appears to the Board that Rule G2.3(2) would be satisfied if the Contingent Asset were to be recognised in part, the Board may recognise the Contingent Asset to the extent that the Board deems consistent with the reduction in risk. The Board is under no obligation to take into account any Contingent Asset under this Rule G2.3(3).
- (4) Where the confirmation required by paragraph 26(2) of the Contingent Asset Appendix is on the basis of a Guarantor Strength Report that, in the opinion of the Board, meets the requirements for such a report as set out in Guidance as to contingent assets issued by the Board, Rule G2.3(2) is deemed to be satisfied.
- (5) Where the confirmation required by paragraph 26(2) of the Contingent Asset Appendix is not on the basis set out in paragraph G2.3(4) above, and the levy reduction that would otherwise result from the recognition of that Contingent Asset (if the Board's requirements for a Contingent Asset are otherwise met) would be £100,000 or more, the Board may permit the Trustees to provide further information for the purpose of the Board's considerations under paragraph G2.3(2)

and G2.3(3) above, but the Board shall be under no obligation to do so, and in considering whether to do so will have regard (alongside any other relevant factors) to the failure to obtain a Guarantor Strength Report prior to the Measurement Time.

#### G2.4 The Contingent Asset Certificate

In order to be a Contingent Asset Certificate, a certificate must:

- (1) contain the information set out in paragraphs 25 to 43 inclusive of the Contingent Asset Appendix which is relevant to the type of Contingent Asset;
- (2) certify that the Scheme benefits from a Contingent Asset as specified in Rule G2.2; and
- (3) provide all the information and certifications required by Exchange in relation to the relevant Contingent Asset;

provided that if the certificate required on Exchange requests less or different information or certifications than those set out in the Contingent Asset Appendix, then the correct and full completion and Submission of the relevant certificate in Exchange shall be treated as sufficient compliance with sub-Rules (1) and (2) above and this sub-Rule (3). The Board reserves the right to request the further or different information required in accordance with the Contingent Asset Appendix and to reject the certificate if such information is not supplied.

#### G2.5 Are Contingent Assets from previous years accepted?

- (1) Where a Contingent Asset was recognised by the Board for the purposes of calculating a Scheme's RBL for a Levy Year ending on or before 31 March 2018 this Rule G2.5 and, as the case may be, Rule G2.6, shall apply.
- (2) The Board shall give that Scheme credit for that Contingent Asset for the 2018/19 Levy Year where:
  - (a) the relevant requirements of Rules G2 and G3 are satisfied;
  - (b) the Contingent Asset is re-certified by a Contingent Asset Certificate being Submitted by or on behalf of the trustees on or before the Measurement Time; and
  - (c) the requirements of the Contingent Asset Appendix which are relevant to Contingent Assets which have been recognised in a previous Levy Year are satisfied.

G2.6 Where a Scheme's Contingent Asset has been recognised by the Board for the purposes of calculating a Scheme's RBL for a Levy Year ending on or before 31 March 2017 but was **not** so recognised for the 2017/18 Levy Year, then the Scheme may Submit the Contingent Asset as a recertified Contingent Asset with any documentation required by the Contingent Asset Appendix, provided that:

- (a) the requirements of Rule G2.5(2) are met;
- (b) the Board receives confirmation in the Contingent Asset Certificate that either the trustees do not believe that the legal position has changed since the levy year in respect of which the Contingent Asset was last certified or, if they have reason to believe the legal position may have changed, have Submitted a revised legal opinion;

- (c) the contingent asset agreement has remained in place between the relevant parties since the levy year in respect of which the Contingent Asset was last certified; and
- (d) the Contingent Asset was last certified in respect of a levy year no earlier than the 2013/14 levy year.

G2.7 Where the conditions in Rule G2.6(a), (b) and (c) are not met, nothing in this Rule G2 is to be taken as preventing the Scheme from Submitting the Contingent Asset for the consideration of the Board as a new Contingent Asset submission, with a new Contingent Asset Certificate and any other required documentation as if that Contingent Asset were being recognised for the first time for the 2018/19 Levy Year.

G2.8 What is the effect of the Board recognising a Contingent Asset for the 2018/19 Levy Year?

The Board shall take into account a Contingent Asset for the purposes of calculating the Scheme's Levies for the 2018/19 Levy Year and calculate the Scheme's RBL in accordance with the Contingent Asset Appendix and the Transformation Appendix but only if it appears to the Board that the asset meets all the relevant provisions of this Rule G2 and the Contingent Asset Appendix.

**G3. Cancellation, amendment and replacement of Contingent Assets**

G3.1 No recognition of any Contingent Asset unless previous year's Contingent Assets still in place and not weakened

(1) This Rule G3.1 shall apply if, in respect of a Scheme, the Board gave credit for one or more Contingent Assets (each referred to below as the "Original Contingent Asset") for the purposes of calculating the RBL for the 2017/18 Levy Year.

(2) Where this Rule G3.1 applies then, notwithstanding any other provision of the Rules, the Board shall not take into account any Contingent Asset for the purposes of that Scheme's Levies for the 2018/19 Levy Year unless:

- (a) that Scheme certifies to the Board that each Original Contingent Asset satisfies the requirements for recognition for the 2018/19 Levy Year; and
- (b) the condition specified in Rule G3.1(3) below is satisfied in relation to each Original Contingent Asset.

(3) The condition referred to in Rule G3.1(2) is that no amendments have been made to the terms of the Original Contingent Asset since it was last certified to the Board or, if any such amendments have been made, the Board is satisfied that they do not reduce the value of that Original Contingent Asset.

(4) This Rule G3.1 is subject to Rule G3.3.

G3.2 Withdrawal of recognition where Contingent Asset cancelled or amended during 2018/19 Levy Year

(1) This Rule G3.2 shall apply if the trustees of a Scheme notify the Board, or if the Board otherwise becomes aware, that at some time during the 2018/19 Levy Year the information contained in a Contingent Asset Certificate has ceased or will cease to be true and correct.

(2) Where this Rule G3.2 applies, if:

- (a) the instrument representing the Contingent Asset has been or is to be terminated;
- (b) its terms have been or are to be varied in such a way as will in the opinion of the Board reduce the value of the asset; or
- (c) any other step has been or is to be taken which has had or will have substantially the same effect,

the Board will calculate the RBL in respect of the Scheme as if that Contingent Asset had not existed at the Measurement Time (that is to say, the Contingent Asset shall be wholly disregarded for the purposes of calculating the RBL for the 2018/19 Levy Year).

- (3) This Rule G3.2 is subject to Rule G3.3.

#### G3.3 Is there material detriment to the Scheme?

- (1) If, in relation to a Scheme, the Board would be required to recognise one or more Contingent Assets for the purposes of the 2018/19 Levy Year, and is prevented from doing so only by the operation of Rule G3.1 or, as the case may be, Rule G3.2, then the Board may nonetheless recognise any or all of those Contingent Assets for the purposes of the 2018/19 Levy Year, in full or in part, if Rule G3.3(2) applies.
- (2) This Rule G3.3(2) applies if in the opinion of the Board the condition specified in Rule G3.3(3) is met either:
  - (a) in the case of Rule G3.1, comparing the position at 1 April 2018 with the position at 1 April 2017; or
  - (b) in the case of Rule G3.2, comparing the position following each relevant change to any Contingent Asset with the position at 1 April 2018.
- (3) The condition referred to in Rules G3.3(1) and (2) above is that any action or inaction of the trustees in relation to the Contingent Asset was reasonable and did not have a materially detrimental effect on the position of the Scheme in all the circumstances. For this Rule G3.3(3), "action or inaction" includes without limitation in consenting to amendment or termination of the instrument constituting a Contingent Asset or in failing to enforce rights available to them pursuant to any such instrument. For this Rule G3.3(3), the "position of the Scheme in all the circumstances" includes without limitation:
  - (a) any changes in the funding level of the Scheme (ignoring Contingent Assets) over the period in question;
  - (b) the absolute funding level of the Scheme;
  - (c) the implementation of new Contingent Assets in substitution for or in addition to those that were already in place; and
  - (d) the effect of the trustees' action or inaction when considered together with the effect of any earlier changes in relation to relevant Contingent Assets.

#### G3.4 Position where a Scheme has removed or reduced contingent asset cover

- (1) This Rule applies where:
  - (a) one or more Contingent Assets (the "Previous Contingent Assets") was recognised by the Board for the purposes of calculating a Scheme's RBL for

a Levy Year ending on or before 31 March 2018 (the "Earlier Levy Year"); and

- (b) one of those Previous Contingent Assets was not recognised (whether in full or in part and whether or not a certificate in respect of that Previous Contingent Asset had been Submitted) for the purposes of the Scheme's RBL for a Levy Year or years subsequent to the Earlier Levy Year (including, for the avoidance of doubt, the 2017/18 Levy Year by virtue of Rules G3.1 or G3.2 or otherwise).
- (2) Where Rule G3.4(1) applies, it is the Board's intention that the Scheme should not receive any recognition for any Contingent Assets in any Levy Year subsequent to the Earlier Levy Year unless and until in the opinion of the Board the position of the Scheme (including any continuing Contingent Assets for which recognition is sought) is no worse than it was prior to the point at which all of the Previous Contingent Assets remained recognised by the Board for the purposes of the calculation of the RBL.
  - (5) Recognition of Contingent Assets for the 2018/19 Levy Year shall be restricted accordingly.

### G3.5 General provisions regarding this Rule G3

For the purposes of this Rule G3:

- (1) A change in the value of real estate or securities comprising a Type B asset, after the date of the valuation given in the Contingent Asset Certificate, is not a matter which falls to be notified to the Board, and will not lead to any recalculation of the RBL.
- (2) A reduction in the face value of a Type C(ii) Contingent Asset in accordance with its terms upon the making of a Planned Contribution (as defined in the Type C(ii) Contingent Asset Standard Form referred to in the Contingent Asset Appendix) shall not be regarded as a variation in the terms of that Type C(ii) Contingent Asset, is not a matter which falls to be notified to the Board during the Levy Year, and will not lead to any recalculation of the RBL.
- (3) Under no circumstances will the RBL be reduced as a result of steps taken to increase the value of a Contingent Asset after the start of the 2018/19 Levy Year.
- (4) The replacement of a Type C(i) Contingent Asset which has expired, by another Type C(i) Contingent Asset of the same or greater value, whether issued by the same or a different counterparty, shall be deemed to be the continuation of the expired asset for the purposes of applying Rules G3.1 and G3.2.
- (6) The "value" of a Contingent Asset shall, in the case of a Type A Contingent Asset, take into account the covenant strength of (and the Realisable Recovery that could be certified in relation to) the guarantor(s) as well as the amount guaranteed.

## **Part H – Recognition of ABC Arrangements**

### **H1. When will the Board recognise an ABC Arrangement?**

- H1.1 Save where the ABC Arrangement is a Recent Scheme Funded ABC, the Board will recognise an ABC Arrangement where:
- (1) there has been Submitted by or on behalf of the Scheme trustees, as at the Measurement Time an ABC Certificate in respect of the ABC Arrangement;
  - (2) the Board is satisfied that the ABC Value as set out in the ABC Certificate represents a reasonable valuation and that both that valuation and any advice used for the purposes of it have been arrived at in a manner substantially consistent with guidance issued by the Board; and
  - (3) the Scheme trustees have provided to the Board any additional documents or information relating to the ABC Arrangement which the Board has requested prior to the calculation of the Levies, and such documents or information have been provided within 14 days of the receipt of the Board's request or such longer period as the Board may specify.
- H1.2 The Board may also recognise an ABC Arrangement where paragraphs (1) and (3) of Rule H1.1 are satisfied, but paragraph (2) is not satisfied, but it is under no obligation to do so.

### **H2. What is the effect of recognition of an ABC Arrangement?**

- H2.1 Where the Board recognises an ABC Arrangement, the ABC Value will be taken into account in the calculation of U, pursuant to Rule D1.1(c).
- H2.2 Subject to Rule H2.3, the ABC Value taken into account will be the ABC Value as set out in the ABC Certificate.
- H2.3 Where Rule H1.2 applies, the ABC Value will be such amount, if any, as the Board is satisfied could have been put forward as the ABC Value in the ABC Certificate and would have met the requirements of Rule H1.1(2).

### **H3. When will the Board take into account ABC Payments and Actual s179 ABC Amounts?**

- H3.1 Save where the ABC Arrangement is a Recent Scheme Funded ABC, the Board will take into account ABC Payments which have been made and certified on a Partial ABC Certificate or an ABC Certificate Submitted as at the Measurement Time in the calculation of U, pursuant to Rule D1.1(d), provided that Rule H1.1(3) and any guidance issued by the Board has been complied with.
- H3.2 Save where paragraph (c) of the definition of s179 ABC Amount applies, the Board will use the Actual s179 ABC Amount to calculate the s179 ABC Amount for the purposes of the Transformation Appendix where it has been certified on a Partial ABC Certificate or an ABC Certificate Submitted as at the Measurement Time, provided that Rule H1.1(3) and any guidance issued by the Board has been complied with.

**H4. What if there is more than one ABC Arrangement?**

Where there is more than one ABC Arrangement relating to a Scheme, the requirements for certification will apply separately to each such arrangement. For calculation purposes, the Board will sum the ABC Values, s179 ABC Amounts and ABC Payments for the purposes of these Rules, the Transformation Appendix and the ABC Appendix.