

# Guidance for calculating and certifying block transfers

## 2019/20 levy year

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## Part 1 -Terminology

- 1.1. A **block transfer** is the Board’s terminology for where the liabilities for two or more members transfer from one scheme to another.
- 1.2. A **Full Transfer** is where, on any date or dates prior to 1 April 2019:
  - (1) there are fewer than two members remaining in a scheme,
  - (2) the transferring scheme has transferred (in groups of two or more members) members to one or more other PPF-eligible schemes,and there remains fewer than two members in the transferring scheme on 1 April 2019.

As the definition of a Full Transfer is assessed as at 1 April 2019, a scheme will need to ensure that its position, as notified to the Board by 5.00pm on 28 June 2019, is in accordance with this definition. For example, if a transfer has been made out of a scheme and a subsequent transfer has been received by that same scheme, so that the transferring scheme has more than two members on 1 April 2019, the scheme would not have performed a full transfer.
- 1.3. This Guidance applies only in respect of Full Transfers (including Exempt Transfers). However, previous block transfers that the Board was required to take into account under the terms of a previous determination will continue to be recognised by the Board for levy year 2019/20 onwards if they meet the following definition:
- 1.4. A **Previously Recognised Transfer** is any transfer of assets and/or liabilities between schemes (whether or not a Full Transfer or an Exempt Transfer) which the Board was required to take into account in a levy year prior to 2019/20 under the rules applicable in the levy year in question. This definition encompasses transfers that would have been **Qualifying Transfers** within the terms of levy determinations prior to 2012/13.
- 1.5. **Exchange** is the Pensions Regulator's online scheme maintenance system which schemes should use to notify us of block transfers.
- 1.6. An **Exempt Transfer Application Form** means the form headed “Exempt Transfer Application Form (Self Segregation) or the form headed “Exempt Transfer Application Form (1:1)” as published by the Board on its website.
- 1.7. An **eligible scheme** is a scheme that falls within the definition set out in section 126 of the Pensions Act 2004. Very broadly speaking, defined benefit and hybrid schemes are eligible schemes.
- 1.8. An **ineligible scheme** is a scheme that does not fall within the definition set out in section 126 of the Pensions Act 2004. Very broadly speaking, defined contribution schemes and public sector schemes are ineligible schemes.

## Part 2 - Purpose of this Guidance

### The Board's objectives

- 2.1. The Board's key objective in respect of transfers is to ensure that liabilities that are transferred between schemes are appropriately included in the levies for one of those schemes.
- 2.2. If a Full Transfer takes place so that a transferring scheme becomes ineligible as at the start of the 2019/20 levy year, the Board would be unable to levy the transferring scheme. The transferred members may not be reflected in the scheme return information for the receiving scheme as that would have been assessed as at 31 March 2019. However the transferred members would still represent a risk to the Board that would not have been levied. Therefore the Board has imposed requirements on schemes which undertake Full Transfers.

### What this Guidance covers

- 2.3. This Guidance covers the certification of Full Transfers involving PPF-eligible schemes, and in particular the following transfers:
  - Transfers from PPF-eligible schemes to PPF-eligible schemes;
  - Transfers from PPF-ineligible schemes to PPF-eligible schemes; and
  - Transfers from either eligible or ineligible schemes where a new eligible scheme is created out of the transferred assets/liabilities.
- 2.4. Parts 1 to 3 of this Guidance are aimed at all stakeholders, including trustees/managers as well as scheme professionals. Parts 4 and 5 are primarily aimed at actuarial advisors as they cover the transfer certification and valuation requirements. Part 4 covers the information to be supplied by schemes, which is the estimated 'section 179' valuation position of each of the relevant schemes at a date after the date of the Full Transfer. The Board may use this valuation information in lieu of the formal section 179 valuation information to calculate the levy.
- 2.5. This Guidance does not specifically cover transfers to PPF-ineligible schemes. If a scheme has transferred all of its liabilities and assets to a PPF-ineligible scheme, such a transfer would not be a Full Transfer so the Board does not require it to be reported.

### Where are the Board's rules on block transfers?

- 2.6. The treatment of block transfers for the levy year commencing 1 April 2019 (levy year 2019/20) is set out in the 2019/20 determination (the **Determination**) and the Transfers Appendix, which can be accessed on the Board's website.
- 2.7. The Determination should always be consulted by schemes seeking to certify a block transfer. This Guidance is intended to provide a summary of the rules in

relation to block transfers for the 2019/20 levy year as an aid to understanding the requirements. It is not part of the Determination and is not a binding restriction on the way the Board will exercise its powers. The Guidance should be read in addition to, rather than in substitute for, the Determination and the Transfers Appendix, as the definitive rules in relation to block transfers for the 2019/20 levy year are set out in the Determination (including the Transfers Appendix). In the event of any conflict between the rules as they are described in this Guidance and as they are set out in the Determination, the Determination will prevail.

- 2.8. Part F of the Determination and the Transfers Appendix to the Determination set out the information required in relation to block transfers and how / when this information should be submitted to the Pensions Regulator in order for it to be taken into account for the levy for 2019/20.

## Part 3 - Treatment for 2019/20

### Transfers that will be taken into account

- 3.1. For 2019/20 the Board will take account of:
- Full Transfers that occur before 1 April 2019 (including Exempt Transfers), provided that the transfers are notified appropriately, and
  - Previously Recognised Transfers (though note the requirements relating to Asset Backed Contributions).
- 3.2. Transfer information should generally be submitted through **Exchange**. The deadline for submitting information for 2019/20 is **5pm on 28 June 2019**.
- 3.3. The transferring and receiving scheme(s) must supply the information specified in the Transfers Appendix.
- 3.4. Schemes should note that the Board's Full Transfer requirements do not extend to transfers **to PPF-ineligible** schemes (for example, to a money purchase arrangement or to a public sector scheme). This is because in such a case the members in question will have transferred out of the PPF eligible universe so no longer pose a risk to the Board that needs to be captured in the levy. The Board's Full Transfer requirements **do** extend to transfers **from** PPF-ineligible schemes, because in those circumstances the members would be entering the PPF universe and therefore represent a risk that needs to be captured in the levy.
- 3.5. The Board's requirements will apply as soon as **liabilities** have been transferred whether or not any of the corresponding assets have been transferred. This rule is to reflect the fact that the liabilities pose a risk to the PPF that should be levied whether or not the corresponding assets have been transferred.

### Partial transfers

- 3.6. Partial transfers (defined as Qualifying Transfers in previous levy determinations) will not be taken into account unless they meet the definition of Previously Recognised Transfer.
- 3.7. If a scheme has undertaken a transfer that is not a Full Transfer (including an Exempt Transfer) and they wish to have it reflected in the levy for 2019/20, the scheme should submit a new section 179 valuation reflecting the transfer in advance of the deadline for such valuations of 31 March 2019.

### Certifying a Full Transfer on Exchange

- 3.8. Entering a Full Transfer on Exchange must be initiated by the **transferring scheme**. It is only once the transferring scheme has entered the transfer that the receiving scheme will be able to participate in entering the transfer.
- 3.9. It is important to note that what a scheme might regard as a Full Transfer, for the purposes of Exchange, **may not in practice always meet the definition of a**

**Full Transfer for PPF purposes.** The definition set out in the Determination and noted at the start of this Guidance explains how the Board treats such transfers for levy purposes. This may not always accord with a scheme's understanding. Schemes should note that the Full Transfer definition assesses the position **as at 1 April** for each levy year. The key point is whether the definition applies **at that point**, not whether any one transfer during the levy year necessarily meets the definition. If a scheme has, for example, undertaken a series of transfers during the levy year they need to assess their position as at 1 April to see whether the definition applies. For example, a scheme may have transferred all its members to another scheme without meeting the Board definition of a Full Transfer if the scheme also received a subsequent transfer-in so that it has more than one member as at 1 April 2019. This also works both ways; what a scheme might not regard as a transfer (such as the division of a scheme into a segregated scheme) **might be regarded as a Full Transfer for PPF purposes.**

- 3.10. Schemes should, therefore, read references to Full Transfers on Exchange in the light of the Board's definition of Full Transfer. The Board accepts that this will not always be possible as the accurate classification of the transfer might not be possible as at the time of notification. However, the Board's transfer notification deadline of 28 June 2019 is intended to enable schemes to provide an accurate picture of their position as at 31 March 2019. Schemes are therefore expected to revisit and review their position as at the relevant notification deadlines.
- 3.11. When a Scheme is required to provide information via Exchange but has been unable to do so because of technical difficulties, they should contact the PPF Levy Customer Service Team and explain the nature of the difficulty encountered. The Board will consider whether, in the circumstances of the case in question, alternative arrangements can be made and advise the Scheme appropriately. If the Board advises a Scheme of such alternative arrangements and the Scheme subsequently complies with them within the required deadlines, it is the Board's expectation that the relevant requirement will be regarded as fulfilled.

### **Certifying a transfer on Exchange: ineligible schemes**

- 3.12. When a transfer of assets and liabilities occurs between schemes, the transferring and receiving scheme(s) are able in most cases to notify this information to the Board via the transfer screens on **Exchange**. Not all transfers, though, can be notified on Exchange:
- Transfers from an ineligible scheme to an eligible scheme **cannot** be notified on Exchange.
  - Transfers from an eligible scheme to certain ineligible schemes (i.e. to a defined contribution arrangement or to an insurance company) **can** be notified on Exchange.
  - Transfers from an eligible scheme to ineligible schemes that are not defined contribution arrangements or insurance companies (such as a public sector pension scheme) **cannot** be notified on Exchange.
  - Transfers where the Scheme assets, as at the effective date of the post transfer valuation, include a value attributed to the Scheme trustee's

interest in a Trustee LP which is part of an ABC Arrangement **cannot** be notified on Exchange.

For transfers that cannot be notified on Exchange, the scheme should complete the paper block transfer form appended to this Guidance and available from the Board's website, in order to notify the transfer. This method of notification constitutes, **only** for transfers that cannot be notified on Exchange, a 'permitted alternative method' of providing information to the Board for the purposes of Rule A2.2(5) of the Determination. Schemes should email the completed form to [information@ppf.gsi.gov.uk](mailto:information@ppf.gsi.gov.uk) with the subject heading 'Block Transfer Submission' providing contact details in case of any queries. The email submission must be sent so that it is **received** by the Board in accordance with the specified deadlines in the Determination for submission of block transfer information.

- 3.13. If, in the case of a transfer from an eligible scheme to an ineligible scheme, the transferring scheme itself becomes ineligible for that year's PPF levies by virtue of the transfer, the Board still expects this to be reported through a block transfer form so that the transferring scheme does not receive an invoice for the 2019/20 levy. If the scheme does not do so, and receives an invoice, it should notify the Board through an application for ineligibility (about which further details are available on the Board's website).

#### **What happens if a transfer is not certified, or is certified late?**

- 3.14. Where the Board becomes aware that a Full Transfer took place before 1 April 2019 but was not certified by the relevant deadline, then the levy for the receiving scheme will be calculated as set out in the Poor Data Methodology section of the Transfers Appendix to the Determination. This involves using the asset and liability figures of the transferring scheme but applying an uplift to the liabilities and is therefore a less favourable measure for a scheme<sup>1</sup>. If the Board has already invoiced the schemes without taking into account the transfer the Board is able to revisit those invoices and recalculate them. However, the Board is not obliged to determine the levies of the receiving scheme in accordance with the Poor Data Methodology if the Board is satisfied that the trustees of the receiving scheme have made all efforts that were reasonable in the circumstances to submit or procure that the transferring scheme submits the transfer information by the above deadline. The Board is also not obliged to apply the Poor Data Methodology if this would result in a levy that was inappropriately low (for example if it would require the Board to take into account a valuation that did not appropriately represent the position of a scheme). Please refer to Rule F2.5 of the Determination for further details.
- 3.15. As to the circumstances in which the Board may exercise its discretion not to apply the Poor Data Methodology, schemes should refer to the Board's Levy Practice Guidance which sets out principles and case studies showing how the Board expects to exercise its discretionary powers.

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<sup>1</sup> Note, the same approach to ABCs would be taken as for other schemes – i.e. the value of them in the valuation used to calculate the levy will be stripped out.

- 3.16. Schemes that wish their Contingent Assets, ABCs and/ or DRCs to be taken into account in the levy should note that these are not automatically transferred from the Transferring Scheme to Receiving Scheme. New certifications are required.

### Sections

- 3.17. Schemes should note that if a scheme has changed its structure to become a segregated scheme as defined in the Pension Protection Fund (Multi-employer Schemes) (Modification) Regulations 2005, **each new section will be treated as a separate scheme for levy purposes and will be given new, separate PSR numbers by TPR.**

### Exempt Transfers

- 3.18. For some Full Transfers meeting certain criteria, the Board can disapply the information requirements that would otherwise apply. These transfers are Exempt Transfers. For transfers that meet this definition, the Board does not require full post-transfer information, and will instead calculate the levies based on appropriate information in the circumstances.
- 3.19. There are two types of Exempt Transfer described in the Levy Rules – a self-segregation transfer and a 1-to-1 transfer. In either case a completed Exempt Transfer Application Form together with the required evidence must be provided to the PPF by 5pm on 30 April 2019 by e-mail to [information@ppf.gsi.gov.uk](mailto:information@ppf.gsi.gov.uk). In order to ensure appropriate processing of the information, we recommend that the covering email refers to “Exempt Transfer application” in its subject heading.

#### *Self-segregation transfer*

- 3.20. This is the first situation that will be classified as an Exempt Transfer if the criteria are met. It arises where a single employer scheme becomes a segregated scheme and the assets and liabilities of the scheme (prior to segregation) are unchanged and form a new section of the newly segregated scheme.
- 3.21. When notifying TPR that a transfer has taken place, and the schemes wish the transfer to be classed as the self-segregation form of Exempt Transfer, the trustees of the Parent Section (as defined in Rule F4) will need to Submit the appropriate completed Exempt Transfer Application Form and provide the following evidence to the PPF to demonstrate that the criteria are met:

- (a) A copy of the legal advice to the trustees of the Parent Section confirming:
  - (i) that the Parent Section comprises the entirety of the Parent Scheme immediately before the segregation and that its assets and liabilities remain unchanged;
  - (ii) the relevant provisions of the trust document effecting the sectionalisation which confirm point (i) above; and



- (iii) that the legal enforceability of any ABC Arrangement or Contingent Asset attaching to the Parent Scheme is unaffected by the transfer.
- (b) Confirmation from the Scheme Actuary to the Parent Section that:
  - (i) the Parent Scheme's most recent Section 179 Valuation fully reflects the position of the Parent section as its assets and liabilities are identical to those of the Parent Scheme immediately prior to segregation; and
  - (ii) any Deficit-Reduction Contribution certificate submitted in respect of the Parent Scheme remains compliant with the Deficit-Reduction Contributions Appendix following the transfer to the Parent Section.

For these purposes the most recent Section 179 Valuation means the most recent Section 179 Valuation that the Parent Scheme was required to complete by law, or such later Section 179 Valuation that the Parent Scheme has completed on a voluntary basis.

- 3.22. The format of the legal advice that the Board suggests advisers may wish to consider adopting is as follows:

*"Dear Trustee(s)/ Trustee Director.*

*[insert scheme/ merger details]*

*In accordance with the PPF's Guidance for Calculating and Certifying Block Transfers – 2019 /2020 Levy Year (the "Determination") we confirm that in our opinion the creation of the Segregated [insert the relevant segregated section name] on [insert the effective date] in accordance with the terms of [insert details of the governing documentation effecting the segregation] amounted to a "self-segregation transfer" within Rule F4.1(a) of the 2019/20 Determination.*

*Specifically we confirm:*

- (i) That the [insert details of the segregated section] (the "Parent Section") as defined in Rule F4.1(a) (ii) of the Determination comprises the entirety of the [insert the original scheme details] immediately before the segregation and its assets and liabilities remained unchanged by that transfer.*
- (ii) The transfer to the Parent Section was the effect of [insert the relevant effective provision] of [insert the relevant governing scheme documentation].*
- (iii) [The legal enforceability of [insert details of the relevant ABC Arrangement] and/ or [insert details of the Contingent Asset(s)] previously attaching to the Parent Scheme (as defined in paragraph*

*19.1 of the Transfer Appendix to the Determination) is/are unaffected by the transfer except to the extent that it/they now validly applies/apply to the Parent Section.]”*

- 3.23. Once the completed Exempt Transfer Application Form and the above evidence is received, the Board will consider whether it satisfies the criteria of Rule F4. If so, the Board’s expected approach is that it will use the Parent Scheme’s latest Section 179 Valuation and other data necessary for the calculation of the levy to calculate the Parent Section’s levies.
- 3.24. The effective date of the next Section 179 Valuation to be prepared for the Parent Section will be consistent with the Parent Scheme’s existing statutory valuation requirements.
- 3.25. If the Parent Section wishes to receive credit for any Contingent Asset previously attaching to the Transferring Scheme it will need to ensure that the Contingent Asset is re-certified as a Contingent Asset in respect of the Parent Section (bearing in mind the Board’s Re-execution Requirement in paragraph 4(18) of the Contingent Asset Appendix). Analogous requirements apply to existing ABC Arrangements. Any new Contingent Assets or ABC Arrangements (which did not previously apply to the Parent Scheme) would need to be certified for the Parent Section.
- 3.26. There may be circumstances where the self-segregation criteria could be met, but the Parent Section’s trustees are unwilling or unable to obtain the necessary evidence. The scheme may decide to request classification as a 1-to-1 transfer if the evidence for this latter classification is available.
- 3.27. Where the Board considers that the criteria for an Exempt Transfer are not met, or where the trustees do not request classification as an Exempt Transfer, the standard block transfer certification requirements will apply in relation to the transfer.

#### *1-to-1 Transfers*

- 3.28. This is the second situation that will be classified as an Exempt Transfer if the criteria are met. This type of Exempt Transfer occurs where the whole of the assets and liabilities of a scheme or section are transferred to then comprise the whole of the receiving scheme or section.
- 3.29. When notifying TPR that a transfer has taken place, and the scheme wishes the transfer to be classed as a 1-to-1 transfer as described above, the trustees of the receiving scheme will need to Submit the appropriate completed Exempt Transfer Application Form and provide the following evidence to the PPF to demonstrate that the criteria are met:

Confirmation from the Scheme Actuary to the Receiving Scheme that:

- (i) the Transferring Scheme’s most recent section 179 Valuation fully reflects the position of the Receiving Scheme as its assets and liabilities are identical to those of the Transferring Scheme immediately prior to the transfer, subject only to the creation of

- 'nominal accrual' in the Receiving Scheme to satisfy legislative and regulatory requirements;
- (ii) the most recent Section 179 Valuation in respect of the Transferring Scheme was Submitted within the deadline for Submission to TPR prior to the transfer; and
- (iii) any Deficit-Reduction Contribution certificate Submitted in respect of the Transferring Scheme remains compliant with the Deficit-Reduction Contributions Appendix following the transfer to the Receiving Scheme.

For these purposes the most recent Section 179 Valuation means the most recent Section 179 Valuation that the Transferring Scheme was required to complete by law, or such later Section 179 Valuation that the Transferring Scheme has completed on a voluntary basis.

- 3.30. Where the Board is satisfied that the only difference between the Transferring Scheme's assets and liabilities and the Receiving Scheme's assets and liabilities is because of the creation of nominal accrual in the Receiving Scheme, this should not, of itself, prevent a successful application for a transfer to be treated as a 1-to-1 Exempt Transfer. For this purpose the Board regards nominal accrual as a minimal period of token accrual in the Receiving Scheme that is designed to ensure that the Receiving Scheme meets certain legislative and regulatory requirements.
- 3.31. Once the Exempt Transfer Application Form and the above evidence is received, the Board will consider it. If the Board is satisfied the Section 179 Valuation of the Transferring Scheme appropriately reflects the position of the Receiving Scheme post-transfer, the Board's expectation is that it shall use the Transferring Scheme's latest Section 179 Valuation to calculate the Receiving Scheme's levies and direct TPR to transfer the Section 179 Valuation, together with any Deficit-Reduction Contribution certificate to the Receiving Scheme.
- 3.32. If the Receiving Scheme wishes to receive credit for any contingent asset attaching to the Transferring Scheme it will need to ensure that the contingent asset is **certified as a new contingent asset** in respect of the Receiving Scheme. The same provisions apply to ABC arrangements. For the avoidance of doubt, where a 1-to-1 transfer application has been Submitted as an alternative to a self-segregated transfer, the requirement for new certification of Contingent Assets and or ABC Arrangements applies.
- 3.33. Schemes should adopt the following approach to certification of their Deficit-Reduction Contributions:
- (a) If it is possible to certify the relevant Deficit-Reduction Contributions for the Transferring Scheme and / or the Receiving Scheme on Exchange this is the certification route that should be used. Hard copies of all certifications on Exchange should then be Submitted to the Board by 5 p.m. on 30th April 2019.

- (b) If it has not been possible to certify the relevant Deficit-Reduction Contributions for the Transferring Scheme and/ or the Receiving Scheme on Exchange hard copy certifications should be Submitted to the Board by 5 p.m. on 30th April 2019.

When the certifications have been made and hard copies Submitted to the Board by the required deadline the Board will aggregate the Deficit-Reduction Contributions certified for both the Transferring Scheme and the Receiving Scheme when determining the amount of the relevant scheme's Levy.

- 3.34. The Board will not regard undertaking any of the actions required to comply with these requirements as, of itself, precluding the Parent Scheme Actuary (in the case of a self-segregation transfer) and the Receiving Scheme Actuary (in the case of a 1:1 transfer) from providing the confirmation for Deficit-Reduction Contributions that are required.
- 3.35. The effective date of the first Section 179 Valuation in respect of the Receiving Scheme will be within 12 months of the date of the transfer and will be due to be submitted to TPR within 15 months of the effective date of that Section 179 Valuation. The Board expects this condition to be satisfied by the 15 month deadline. The Section 179 Valuation information can be Submitted to TPR in the first Scheme Return if in doing so Submission is within the 15 month deadline, otherwise it should be Submitted separately by the required deadline.
- 3.36. Where all of the information detailed above is Submitted by 30 April 2019 the Board will make what in its view is an appropriate determination of the Assets, Liabilities, Unstressed Assets and Unstressed Liabilities of the Receiving Scheme(s) as at 31 March 2019.
- 3.37. Where the Board considers that a Full Transfer does not meet the criteria for an Exempt Transfer, the block transfer valuation requirements will continue to apply.

#### **Other transfers between sections**

- 3.38. If a scheme has changed its structure to become a Segregated Scheme and does not provide the evidence to allow the Board to consider whether to treat the change as an Exempt Transfer, then the original scheme (assuming the transfers meet the criteria for Full Transfers) will therefore be treated as having made Full Transfers into a number of new schemes. In these circumstances, the Board's block transfer certification requirements will apply. The transfers to the newly-created sections must therefore be duly notified to the Board. For transfers into or between existing sections of schemes, the Board's block transfer certification requirements will apply, as each section is, by law, treated as a separate scheme.
- 3.39. Where a scheme has a PPF contingent asset in place and subsequently changes its structure to become a Segregated Scheme, the contingent asset will **not** carry forward to the newly-created sections for future levy years. Each newly created

section may submit a new contingent asset certificate relating to that section if they wish.

### **New schemes**

- 3.40. Schemes should note that if a Full Transfer is to a newly established scheme that would be a New Scheme under the Levy Determination, or a scheme that is not yet required to complete a Section 179 Valuation, **the Board's block transfer certification requirements will apply** unless the transfer can be classified as an Exempt Transfer.

### **Transfers accepted in previous levy years**

- 3.41. Where:

- a transfer was certified and accepted for use in the 2018/19 levy invoice;
- no further information is Submitted and accepted for use as described below; and
- no formal Section 179 Valuation has been Submitted that post-dates the transfer used in 2018/19,

the information used in 2018/19 will usually be carried forward and used for calculating the levy in 2019/20.

However, if the post-transfer valuation (see sections 4 and 5) included in the assessment of the assets a value attributed to the trustee's interest in an ABC Arrangement, that amount should be certified on an ABC Certificate (or Partial ABC Certificate) and will be stripped out in accordance with the Rules and the Transformation Appendix. Credit can, in certain circumstances, then be given for ABC Arrangements. See Part H of the Rules, the ABC Appendix and the ABC Guidance for further details on getting credit for ABC Arrangements.

### **Stressing and smoothing of assets and liabilities**

- 3.42. The block transfer certificate does not include provision for the breakdown of the assets underlying the post-transfer valuation. Consequently, where a post-transfer valuation has been submitted, the asset breakdown submitted by the Receiving Scheme by the deadline of 31 March 2019 will be used to transform the post-transfer valuation assets. This includes the five year smoothing and the application of the standard asset stresses (unless the Receiving Scheme submitted a bespoke stress analysis by 31 March 2019 as set out below).
- 3.43. Schemes with liabilities of £1.5bn or more must provide a bespoke investment stress analysis of their investment holdings. This threshold requirement **does not apply** to a post-transfer valuation; for schemes where the most recent valuation is a post-transfer valuation, the £1.5bn threshold check will instead be conducted against the most recent s179 valuation and if the liabilities shown in this valuation are £1.5bn or more, the mandatory bespoke stress analysis will be required.

- 3.44. Any scheme may choose to submit a bespoke stress analysis as at 31 March 2019. Any bespoke stress analysis that is submitted by a receiving scheme, by the deadline of 31 March 2019, will be taken into account for the purposes of calculating the levies of the **entire** receiving scheme post-transfer, but only if all the Board's Full Transfer requirements are met. In cases where the Full Transfer requirements are not all met and where the Poor Data Methodology applies, any bespoke stress analysis will only be taken into account for the purposes of calculating the levies of the **pre-transfer** part of the Receiving Scheme.

### Examples

- 3.45. **Scheme A transfers Deborah to Scheme B, David to Scheme C, and Alex to Scheme D.**

This is not a Full Transfer. For a Full Transfer, the requirement is that members are transferred in groups of two or more to one or more other schemes. Transferring individual members would not trigger the requirement.

- 3.46. **Scheme A transfers all of its assets to Scheme B on 30 May 2018, but leaves two members in Scheme A. The value of the assets transferred is £1.6m.**

This is not a Full Transfer as Scheme A has two members left. Scheme A remains an eligible scheme as it has two members left.

- 3.47. **Scheme A transfers all of its assets but not all of its liabilities to Scheme B on 28 February 2019, leaving one member in Scheme A.**

This is a Full Transfer, and Scheme A will be ineligible for the PPF levies because it has fewer than two members.

- 3.48. **Scheme A completes a transfer of all of its assets and liabilities to an insurance company arrangement on 28 February 2019.**

This is not a Full Transfer, as a transfer will only be a Full Transfer if it is to another PPF-eligible scheme. In these circumstances, the members in question have left the PPF universe, and Scheme A will be ineligible as at the start of the 2018/19 levy year, so no levy invoices would be raised. Scheme A should be able to notify the transfer on Exchange by selecting "insurance company" as the receiving scheme. If Scheme A is unable to do so, it may notify it to the PPF using the paper Block Transfer Form, and should then make an application to be deemed ineligible for the PPF levies.

- 3.49. **Scheme A completes a transfer of all of its assets and liabilities to an insurance company arrangement on 30 May 2019.**

This is not a Full Transfer, as it is after the deadline for a Full Transfer to be accepted for levy year 2019/20, and it will also only be a Full Transfer if it is to another PPF-eligible scheme. In these circumstances, Scheme A remained eligible as at the start of the levy year, so would be levied in full in respect of the transferred members.

3.50. **Scheme A transfers all of its assets and liabilities to Scheme B on 30 May 2019.**

This is not a Full Transfer, as it took place after the deadline for a Full Transfer to be accepted for levy year 2019/20. In these circumstances, Scheme A remained eligible as at the start of the levy year, so would be levied in full in respect of the transferred members.

3.51. **Scheme A transfers part of its assets and liabilities to Scheme X on 30 May 2018. Scheme B and Scheme C transfer all their assets and liabilities to Scheme X on 23 August 2018. Scheme A then transfers all of its remaining assets and liabilities to Scheme X on 6 February 2019.**

This constitutes three Full Transfers. Even though partial transfers have taken place in respect of the transactions relating to Scheme A, as at 1 April 2019 Scheme A, Scheme B and Scheme C have all transferred all their assets and liabilities to Scheme X. Scheme A, Scheme B and Scheme C would be ineligible for 2019/20. Only one set of transfer valuation information is required to be completed by Scheme X, capturing all the transfers.

3.52. **Scheme A transfers part of its assets to Scheme X on 1 March 2019 and more than 2 members are left in Scheme A after the transfer.**

This is not a Full Transfer as Scheme A will have more than 2 members remaining as at the Measurement Time. No additional reporting is required and the 2019/20 Levy will be issued as normal and calculated using the latest information and Section 179 Valuation held on Exchange as at 31 March 2019.

3.53. **Scheme A transfers part of its assets to Scheme X on 1 March 2019 and has more than 2 members remaining after the transfer. Scheme A then pays individual winding-up lump sums to each remaining member, or secures a buy-out of those members' benefits, in June 2019.**

This is not a Full Transfer as there are more than 2 members remaining as at the Measurement Time. Scheme A will be an eligible scheme for the 2019/20 Levy, but may apply for a waiver of the Levy.

3.54. **Scheme A formally winds up before 1 April 2019. Scheme A's trustees notify the Pensions Regulator via Exchange that Scheme A has wound up with all assets and liabilities discharged via payment of winding-up lump sums or full buy-out.**

Scheme A is an ineligible scheme for the purposes of the 2019/20 Levy as it has fully wound up before 1 April 2019 and has notified via Exchange. Scheme A will appear as an ineligible scheme and will not be invoiced for a Levy for 2019/20.

3.55. **Scheme A becomes a segregated scheme on 1 February 2019, creating two new sections, Section B (the 'Parent Section') and Section C. The Scheme A actuary confirms that Section B represents the whole of the old Scheme A with no changes having been made to its assets and liabilities as a result of the segregation. Section C is a transfer-in from another scheme, becoming a wholly segregated section of the new arrangement.**

The segregation of Scheme A with the creation of Section B qualifies as a self-segregation transfer providing the necessary evidence including legal advice has been provided by 30 April 2019. The segregation took place before 1 April 2019, and the actuary has confirmed that Section B is identical to the old Scheme A. In these circumstances Scheme A's latest Section 179 Valuation can be carried over to Section B. Section C may be eligible to be covered under the 1-to-1 Exempt Transfer rules (see 3.51 below).

- 3.56. **Scheme A transfers to become a segregated section of an existing scheme (Scheme B), on 1 March 2019. The Scheme B actuary confirms that the new section of Scheme B represents the whole of the old Scheme A with no changes having been made to its assets and liabilities as a result of the transfer.**

The transfer from Scheme A to a section of Scheme B meets the criteria for a 1-to-1 Transfer. The transfer took place before 1 April 2019, and the actuary has confirmed that the new section of Scheme B is identical to the old Scheme A. In these circumstances the Board would be expected to consider that Scheme A's latest Section 179 Valuation can be carried over to the new section of Scheme B. The new section will need to submit a new Section 179 Valuation to the Pensions Regulator within 15 months of its effective date, which will need to be within 12 months of the date of the transfer.

## Part 4 - Certification

- 4.1. To **report** a Full Transfer to the PPF, the appropriate screens on **Exchange** must be completed by the appropriate deadline by both the transferring scheme and the receiving scheme(s) if appropriate (see paragraphs 4.4 to 4.6). Exempt Transfers are not covered by this section – if the PPF confirms that a change can be treated as an Exempt Transfer they will arrange with TPR to have the s179 data transferred to the new section.

Each transfer requires provision of the following basic transfer information by the transferring scheme (with subsequent confirmation by the receiving scheme before submission by the transferring scheme):

- Name and PSR number of the appropriate counterparty (i.e. the receiving scheme or transferring scheme)
- Total amount of assets transferred
- First date on which the liabilities connected with the transfer passed to the receiving scheme (referred to as the "Liability transfer date" in the Transfers Appendix to the Determination)
- Last date on which the liabilities connected with the transfer passed to the receiving scheme.

In addition, the following actuarial transfer information must be submitted:



**Transferring scheme:** a declaration on Exchange that the transferring scheme has fewer than two members as a result of the Full Transfer and that Exchange will be updated if at any time in the future the transferring scheme has two or more members.

**Receiving scheme:** valuation details of the receiving scheme post-transfer, comprising the following information:

- Effective date of valuation (although the valuation may be carried out between 1 April 2019 – 30 June 2020, only transfers that took place up to and including 31 March 2019 can be reported for the 2019/20 levy)
- Version of S179 valuation guidance used
- Version of S179 assumptions guidance used
- Total assets (excluding any value attributed to the trustee's interest in an ABC Arrangement and, if the effective date of the valuation (first bullet above) is after the date the ABC Value was assessed, unless the ABC Value is nil, also excluding any Coupon Payments made after the ABC Value was assessed).
- Percentage of assets relating to insurance contracts not included in the scheme accounts
- Active members' liabilities, excluding expenses
- Deferred pensioners' liabilities, excluding expenses
- Pensioners' liabilities, excluding expenses
- Estimated expenses of winding up
- Estimated expenses of benefit installation/payment
- External liabilities
- Total protected liabilities
- Percentage of active members' liabilities matched by insurance contracts
- Percentage of deferred pensioners' liabilities matched by insurance contracts
- Percentage of pensioners' liabilities matched by insurance contracts
- Proportion of active members' liabilities relating to service before 6 April 1997
- Proportion of deferred pensioners' liabilities relating to service before 6 April 1997
- Proportion of pensioner members' liabilities relating to service before 6 April 1997

- Proportion of active members' liabilities relating to service between 6 April 1997 and 5 April 2009
- Proportion of deferred pensioners' liabilities relating to service between 6 April 1997 and 5 April 2009
- Proportion of active members' liabilities relating to service after 5 April 2009
- Proportion of deferred pensioners' liabilities relating to service after 5 April 2009
- Proportion of pensioner members' liabilities relating to service after 5 April 1997
- Number of active members at the valuation date
- Number of deferred pensioners at the valuation date
- Number of pensioners at the valuation date
- Average age of active members
- Average age of deferred pensioners
- Average age of pensioners

Certification that the valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund with the exceptions that a) the total assets may not have been taken from audited accounts since these were either not yet available or will not be prepared for the scheme at this date, and b) the requirement set out in regulation 7(1) might not be satisfied at the date of the certification; and c) that the total assets will exclude the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement and may exclude any Coupon Payments made after that value was assessed (if any).

Certification that the calculated value of the protected liabilities is, in the actuary's opinion, unlikely to be understated and that the value of the assets is unlikely to be overstated.

- 4.2. Note that, where the Scheme has entered into an ABC Arrangement, you should refer to the ABC Guidance alongside this guidance. When determining which assets to exclude from the certification, you should look at the value attributed to the Trustee's interest in the ABC Arrangement within the assets assessment used for the purposes of the Post-Transfer Valuation. Additionally, if the effective date of the Post-Transfer Valuation is after the date the ABC Value was assessed, unless recognition is not sought for the ABC Value (i.e. it is certified as nil), you should also exclude the value of any Coupon Payments made between the date the ABC Value was assessed and the effective date of the Post-Transfer Valuation.

- 4.3. Separate certification is required for each separate section or segregated part of a multi-employer scheme, in cases where liabilities are transferred to more than one scheme or section.
- 4.4. In the case where a scheme has discharged its liabilities through the purchase of annuity policies with an insurance company (in which case the contracts of insurance would be in the name of the members) block transfer information may be submitted and the relevant insurance company selected as the counterparty. In these cases, only the "transferring scheme" sections are required to be entered on **Exchange**.
- 4.5. Similarly, where a scheme has transferred its liabilities to an insured defined contribution scheme or to a scheme that is not required to record data on **Exchange** (e.g. a public sector pension scheme) only the appropriate part needs to be filled in.
- 4.6. Where a scheme has received a Full Transfer from a scheme that is not required to record its data on **Exchange**, or where the Scheme assets, as at the effective date of the Post-Transfer Valuation, would include the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement, the transfer should be completed using the Block Transfer Form in the Appendix. Schemes should email the completed form to [information@ppf.gsi.gov.uk](mailto:information@ppf.gsi.gov.uk) with the subject heading "Block Transfer Submission", providing contact details in case of any queries. The email submission must be sent so that it is **received** by the PPF in accordance with the specified deadlines in the Determination for submission of block transfer information.
- 4.7. Usually the scheme actuary will submit the information, although a substitute who is authorised by the actuary to input data on Exchange on behalf of the actuary is permitted to do so.

### **Basis of certification**

- 4.8. Where an actuary certifies on Exchange that the calculated value of the protected liabilities is unlikely to be understated and that the value of the assets is unlikely to be overstated, the Board does not regard this certification as entirely unqualified. Rather, the Board will regard actuaries as having provided this certification on the following basis:
  - (a) That the actuary has rolled forward (or backward) the assets in an appropriate manner;
  - (b) That the actuary has no reason to believe that the amount shown is more than the actual asset value at that date;
  - (c) That any estimates of asset values at a particular date can increase or decrease significantly (for example, as the processing of sales/purchases implemented on or before that date may not be completed), and that the asset value has not been adjusted to reflect this general uncertainty.
- 4.9. The Board does not regard the actuary's certification as extending to the following:

- (a) an opinion that the assets are not actually overstated, in particular (although not exclusively) in respect of schemes with significant holdings in unquoted/illiquid investments;
- (b) a confirmation that the actuary has taken steps to determine that the scheme accounts are fair and reasonable.

4.10. We are aware that some actuaries have previously provided accompanying notes explaining the basis on which the certification has been provided. The Board is happy for this practice to continue, and accompanying notes may be emailed to [information@ppf.gsi.gov.uk](mailto:information@ppf.gsi.gov.uk) with the subject heading "Block Transfer Accompanying Notes", and stating the PSR of the scheme in question.

**Factors to consider before certifying a Block Transfer**

4.11. Before certifying a Block Transfer and completing the Scheme Return for the receiving scheme, consideration should be given to whether there are any Contingent Assets and/or ABCs in respect of either the transferring scheme or the receiving scheme which may need to be re-submitted as a result of the Block Transfer.

## Part 5 - Calculating the estimated section 179 position

- 5.1. The valuation should be carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund, with the following exceptions:
- that the assets do not need to be taken from audited accounts if these are not available or will not be prepared for the scheme at the effective date of valuation (for example, where the Receiving Scheme is a new scheme or a newly created section of an existing scheme);
  - the requirement set out in regulation 7(1) may not be satisfied at the date of the certification; and
  - that the total assets will exclude the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement and, if the effective date of the valuation is after the date the ABC Value was assessed, unless the ABC Value is nil, any Coupon Payments made after the ABC Value was assessed (if any).
- 5.2. The same effective date must be used for the valuation of the assets and the liabilities.
- 5.3. The valuation should cover the total assets and liabilities of the scheme at an effective date after that of the transfer(s). This need not be the date immediately after the transfer. A convenient date (for example the scheme accounting date or a month end) may be used.
- 5.4. In cases where it would not be cost effective for the actuary to carry out a full accurate valuation of the relevant scheme, suitable approximations may be made. In all cases the actuary should be mindful of the requirement not to understate the value of the protected liabilities and not to overstate the assets, and should understand the basis on which the certification is expected to be made (see paragraphs 4.8 - 4.10 above).
- 5.5. If an audited asset statement is not available at the valuation date, it is expected that the actuary will be able to place a best estimate or prudent valuation on the assets using the techniques commonly used for other types of valuation (for example in pensions accounting under FRS17 or IAS19).

## APPENDIX - Block Transfer Form

This form is only to be used where the block transfer cannot be completed in full on Exchange or where the Scheme assets, as at the effective date of the Post-Transfer Valuation, include a value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement.

**Transfer Valuation for transferring/receiving scheme following a transfer to/from PPF ineligible scheme or where ABC involved**



This form is *only* for:

- transfers to or received from a *PPF ineligible scheme*, the details of which cannot be entered on Exchange; or
- transfers where, as at the effective date of the Post-Transfer Valuation, include a value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement.

Any transfers between two PPF eligible schemes or from a PPF eligible scheme to a Defined Contribution scheme or insurance company must be entered in Exchange. The valuation should show the position after the transfer has taken place.

The information provided in this certificate must be consistent with the most recent block transfer valuation information that has been calculated and certified by the scheme actuary. It is a criminal offence under Section 80 of the Pensions Act 2004 for any person knowingly or recklessly to provide false or misleading information to the Regulator in circumstances in which the person providing the information intends or could reasonably be expected to know that it would be used by the Regulator for the purposes of exercising its functions. It is a criminal offence under Section 195 of the Pensions Act 2004 knowingly or recklessly to provide false or misleading information to the Board of the Pension Protection Fund in the knowledge that the information will be used to calculate the pension protection levy.

Please complete all fields

Please refer to the attached copy of the Exchange Help File for information on how to fill in this form

<b>Your scheme</b>	
PSR	<input style="width: 100%;" type="text"/>
Scheme Name	<input style="width: 100%;" type="text"/>
<b>Details of transfer</b>	
Counterparty scheme name	<input style="width: 100%;" type="text"/>
Effective date of transfer	<input style="width: 100%;" type="text"/> Direction of transfer <input style="width: 100%;" type="text"/>
Amount of transfer	<input style="width: 100%;" type="text"/>
<b>S179 valuation</b>	
Effective date of this valuation (dd/mm/yyyy)	<input style="width: 100%;" type="text"/>
<b>Guidance and assumptions</b>	
S179 guidance used for this valuation	<input style="width: 100%;" type="text"/>
S179 assumptions used for this valuation	<input style="width: 100%;" type="text"/>
<b>Assets</b>	
Total assets (this figure should not be reduced by the amount of any external liabilities entered below but should be reduced by the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement and, if the effective date of the valuation is after the date of the ABC Value was assessed, unless the ABC Value is nil, any Coupon Payments made after the ABC Value was assessed (if any))	£ <input style="width: 60%;" type="text"/>
<b>Liabilities</b>	
Please tell us liabilities, excluding expenses for:	
Active members	£ <input style="width: 100%;" type="text"/>
Deferred members	£ <input style="width: 100%;" type="text"/>
Pensioner members	£ <input style="width: 100%;" type="text"/>

**Transfer Valuation for transferring/receiving scheme following a transfer to/from PPF ineligible scheme or where ABC involved**



Estimated costs of winding up	£	<input style="width: 95%;" type="text"/>
Estimated expenses of benefit installation/payment	£	<input style="width: 95%;" type="text"/>
External liabilities	£	<input style="width: 95%;" type="text"/>
Total protected liabilities including expenses	£	<input style="width: 95%;" type="text"/>

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**Insured benefits**

Insurance policy and matched liabilities that are required to be included in the section 179 valuation

Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value.  %

Please provide the percentage of the liabilities shown above that are matched by insured annuity contracts for:

Active members	<input style="width: 95%;" type="text"/> %
Deferred members	<input style="width: 95%;" type="text"/> %
Pensioner members	<input style="width: 95%;" type="text"/> %

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**Proportion of liabilities**

Please tell us the proportion of liabilities which relate to service in all different tranches:

	Before 6 April 1997	6 April 1997 to 6 April 2009	After 6 April 2009
Active members	<input style="width: 95%;" type="text"/> %	<input style="width: 95%;" type="text"/> %	<input style="width: 95%;" type="text"/> %
Deferred members	<input style="width: 95%;" type="text"/> %	<input style="width: 95%;" type="text"/> %	<input style="width: 95%;" type="text"/> %
Pensioner members	<input style="width: 95%;" type="text"/> %	<input style="width: 95%;" type="text"/> %	██████████

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**Number and average ages of members**

Please provide the number of members and average age (weighted by protected liabilities) as at the effective date of this valuation, for each member type, rounded to the nearest whole year.

	Number	Average age
Active members	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Deferred members	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Pensioner members	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>

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**Certification**

Please tick both of the boxes below and sign and date the certificate before returning it to the Pension Protection Fund by email to [information@ppf.gsi.gov.uk](mailto:information@ppf.gsi.gov.uk).

Please refer to the PPF's Block Transfer Guidance when providing the certifications below.

I certify that this valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 and with the appropriate section 179 guidance and assumptions issued by the Board of the Pension Protection Fund with the following exceptions: a) that the total assets may not have been taken from audited accounts since these are either not yet available or will not be prepared for the scheme at this date; b) that the requirement set out in regulation 7(1) may not be satisfied at the date of this certificate; and c) the value of the assets has been reduced by the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement and, if the effective date of the valuation is after the date of the ABC Value was assessed, unless the ABC Value is nil, any Coupon Payments made after the ABC Value was assessed (if any).

I certify that the calculated value of the protected liabilities (excluding the external liabilities) is, in my opinion, unlikely to be understated and that the value of the assets is unlikely to be overstated.



**Transfer Valuation for transferring/receiving scheme following a transfer to/from PPF ineligible scheme or where ABC involved**



Your name	<input type="text"/>
Your email address	<input type="text"/>
Date	<input type="text"/>
Signature	<input type="text"/>