

Appendix 2A to the Board's determination under Section 175(5) of the Pensions Act 2004 in respect of the financial year 1 April 2009 – 31 March 2010

Methodology for schemes which received a transfer of total assets and liabilities of another scheme prior to 1 April 2009 but did not formally notify the Board and provide the required information by the relevant deadlines

Summary

This document sets out the formulae developed by the Board of the Pension Protection Fund to calculate the estimated valuation position on a section 179 basis as at 31 March 2008 in cases where both of the following criteria are satisfied:

- An eligible scheme ("the transferring scheme") transferred the entirety of its liabilities to one or more schemes ("the receiving scheme(s)") prior to 1 April 2009, and
- Any such transfer was not notified to the Board through the Pensions Regulator's scheme maintenance system by the relevant deadlines set out in paragraph 42 of the schedule to the determination.

1 Background

- 1.1 For the period 1 April 2009 to 31 March 2010 (the "2009/10" year) a scheme's pension protection levy will be calculated taking into account its estimated section 179 valuation position at 31 March 2008. Appendix 1 to this determination sets out the formulae to be used for deriving this position in cases where a section 179 valuation has been submitted before the statutory deadline. Appendix 2 sets out the formulae where no such valuation has been submitted.
- 1.2 Although the Board has decided in general not to accept new block transfer certificates for the 2009/10 year submitted after the relevant 2008/09 year deadline, it makes an exception where an eligible scheme has transferred the entirety of its liabilities prior to 1 April 2009 (thus becoming ineligible for the 2009/10 pension protection levy). In such cases, the Board expects new s179 valuations to be submitted, as described in paragraph 42 of the schedule to the determination, by means of block transfer certificates, by 5pm on 30 June 2009. In addition, the existence and certain basic details of such a transfer must be notified to the Board, as described in paragraph 42 of the schedule to the determination, by 5pm on 7 April 2009.
- 1.3 Where these requirements have been complied with, the estimated section 179 valuation position at 31 March 2008 for the receiving scheme will be calculated by adjusting its assets and liabilities in line with the formulae set out in Appendix 1, with the estimated section 179 results as certified on the block transfer certificate being the inputs to the calculation described in that appendix. Where the existence and certain basic details of such a block transfer has **not** been notified by 5pm on 7 April 2009 or where the certificate has **not** been received by 5pm on 30 June 2009, the estimated valuation

position at 31 March 2008 for the receiving scheme is to be calculated as described in this appendix.

2 The calculation

- 2.1 The section 179 valuation results for the transferring scheme and the receiving scheme will be calculated at 31 March 2008 as described in Appendix 1 and/or Appendix 2 as appropriate.
- 2.2 The estimated value of assets for the transferring scheme at 31 March 2008 will be as calculated in Appendix 1 (or 2 where appropriate), but reduced by 5 per cent per annum compound in respect of the period, measured in years and proportions of years, between the date the transfer value was paid and 30 June 2009, subject to a minimum reduction of 5 per cent. Thus, the transferring scheme's assets are calculated as (using the terminology of appendices 1 and 2):

$$\begin{aligned} S179Ass &= S179Ass \text{ [as calculated in section 4.2.3 of appendix 1]} \\ &\quad \times 0.95^{(30 \text{ June } 2008 - \text{ Transfer payment date})} \end{aligned}$$

subject to a maximum of $S179Ass \times 0.95$.

- 2.3 In section 2.2, where a transfer of assets to a receiving scheme was made in two or more payments, the measurement period will commence from the first such payment.
- 2.4 Subject to section 2.7:
- the estimated value of assets for the transferring scheme, reduced in line with section 2.2 above, will be added to the estimated value of assets for the receiving scheme to give the estimated value of assets of the receiving scheme post-transfer; and
 - the estimated value of liabilities for the transferring scheme will be added to that for the receiving scheme to give the estimated value of liabilities for the receiving scheme post-transfer.
- 2.5 The levy for the receiving scheme will be calculated on the basis of the estimated valuation position post-transfer, as described in the above paragraph.
- 2.6 The receiving scheme will benefit from the inheritance of any validly certified deficit-reduction contributions from the transferring scheme. The 5% pa reduction that is applied to the transferring scheme's estimated assets will not be applied to the certified deficit-reduction contribution.
- 2.7 If the transferring scheme has transferred its assets and liabilities to more than one receiving scheme, an equal proportion of assets and liabilities will be assumed to have transferred to each receiving scheme, and references above

to the assets of the transferring scheme will be to the relevant proportion of those assets.