PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

THE 2017/18 PENSION PROTECTION LEVY CONSULTATION DOCUMENT: CONSULTATION RESPONSE BY THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION

31/10/2016

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

INTRODUCTION

We're the Pensions and Lifetime Savings Association; the national association with a ninety year history of helping pension professionals run better pension schemes. With the support of over 1,300 pension schemes and over 400 supporting businesses, we are the voice for pensions and lifetime savings in Westminster, Whitehall and Brussels.

Our purpose is simple: to help everyone to achieve a better income in retirement. We work to get more money into retirement savings, to get more value out of those savings and to build the confidence and understanding of savers.

The PLSA welcomes the opportunity to respond to this consultation. Our response to this consultation focuses on a few key areas where we feel further improvements could be made to proposals for the 2017/18 levy year:

- Changes to accounting standards
- Customer service
- Last man standing schemes
- Calculating the levy for schemes with no genuine sponsor

Changes to accounting standards

In our response to the consultation on the 2016/17 levy determination, we stated we were keen to see inconsistencies in calculations arising from the transition to the new UK GAAP rectified when applied to the 2017/18 levy. It is essential that the trend variables used to inform predictions of insolvency take into account *actual* changes in financial stability of a sponsoring employer, as opposed to changes in the visibility of the financial stability of a sponsoring employer. We are pleased to see therefore that the PPF has attempted to rectify this by allowing some employers to submit adjusted figures for certain trend variables. This will reflect the fact that some employers will be reporting large shifts in the trend variable as a result of reporting under FRS 102 for the first time. However, we would expect this adjustment to be made available for all impacted scorecards, and not just the not for profit and large and complex scorecards.

The consultation states that the not for profit and large and complex scorecards are the two scorecards that analysis suggests are the most impacted by the change in accounting standards. However, it also submits that those accounts that the PPF has commissioned PWC to analyse are biased towards the larger end and are from a small sample. This suggests that the PPF cannot rule out that other scorecards will be affected by this issue; therefore the levy determination should allow adjustments for *all* employers whose trend variables are impacted as a one off by the move to FRS 102.

Customer Services

We are pleased to see that the PPF and Experian have been working together to improve customer experience of the portal. Overall, the functionality of this portal has been well received by our members. However, a number of the Association's members are multi-employer schemes that use this portal to monitor the scores of their participating employers. In some cases, schemes have many hundreds of participating employers to monitor. The portal should enable schemes to compare and engage with information regarding multiple employers at the same time. Given the large membership base these schemes represent (our multi-employer scheme committee alone represents at least 22% of all active members); the PLSA believes it is important for Experian and the PPF to work with these schemes, to develop better functionality for them for the 2017/18 period.

Last Man Standing schemes

Last year, for the first time, PPF required schemes to obtain legal advice and to evidence that they were in fact last man standing schemes so as to benefit from insolvency risk adjustments. Where they were deemed not to be last man standing schemes, the PPF engaged with schemes to re-invoice the scheme for years where they inappropriately received an adjustment to their insolvency risk. While the PLSA agrees with the PPF's need to apply such an exercise, the process for them doing so has not always been clear, leaving many schemes 'in the lurch'. The PLSA would like to see greater clarity around the process the PPF employ to look at last man standing schemes in the 2017/18 levy year and for these to be more clearly communicated to schemes affected and their legal advisers.

Calculating the levy for schemes with no genuine sponsor

The consultation sets out some principles on which it would look to amend levy determination rules for schemes that continue to run without a sponsoring employer. We agree that the current levy determination methodology would not be suitable for such an employer and that if a scheme is to benefit from PPF protection without a sponsoring employer attached to it then this needs to be given thought; we'd expect to engage in a full consultation process on a substantive proposition in order to comment fully.