Barnett Waddingham
a true partnership approach

# Trustee meeting handbook

**Third edition**

April 2016

This handbook is a guide to help trustees with their governance of the scheme.

It should not be taken as a definitive statement of all aspects of pension legislation. If any issues arise, the trustees should discuss with their advisers what action to take.

# Contents

# Trustee meeting process

Trustees should note that at least ten days' written notice of meetings is required (unless all trustees agree otherwise, urgent decisions are required or a longer period is specified in the scheme rules).

**Items to be considered at every trustee meeting:**

### Quorum

Is there a quorum requirement for trustee meetings set out in the trust deed and rules?

*If yes, check that a quorum is present at the meeting.*

### Conflicts of interest / Bribery Act

Do any of the trustees have a material conflict of interest? (see page 10)

*If yes, consider how to deal effectively with the conflict.*

Have any of the trustees received a gift or hospitality (see page 11)

*If yes, record on gifts register and consider whether further action needed.*

### Minutes of previous meeting

Do the minutes of the previous meetings accurately record the decisions taken?

*Hold approved minutes for at least six years.*

Have actions agreed at the last meeting been progressed?

*It is good practice to review actions and record a note of progress.*

### Decisions since previous meeting

Have any decisions been made by the trustees, or on their behalf, since the last meeting?

*If yes, minute where and when the decision was made, and which trustees were involved.*

### Employer covenant

Have there been any events which reduce the security of the scheme (see page 15)?

*If yes, consider whether further investigation required.*

### Actuarial

Have there been any events which may have a material effect on funding (see page 12)?

*If yes, discuss with the Actuary.*

### Investment

Have there been any significant changes to the economic or investment environment?

*If yes, discuss implications with the investment adviser (see page 16).*

Has the investment manager failed to perform in line with objectives?

*If yes, ask the manager to explain (see page 16) and consider whether to take further action.*

### Administration

Have contributions been paid in line with the contribution schedule?

*If no, a report to The Pensions Regulator (TPR) may be required.*

Have any disclosure deadlines been breached?

*For example, the company must notify the trustees of any members leaving employment within two weeks. Consider whether reporting procedures should be amended.*

Has the administrator met their target delivery timescales?

*If not, ask the administrator to explain. If statutory deadlines have not been met consider whether a report to TPR is required.*

Have any formal complaints been received?

*If yes, disputes must be dealt with in accordance with the agreed procedures.*

Has there been any change to the basic scheme information (for example benefits, terms, contact names, dispute procedures)?

*If yes, notify all affected members and beneficiaries, not later than two months after the change, and ensure any consultation requirements have been met.*

### Internal controls

Have there been any breaches of the trustees' internal controls (see page 8)?

*If yes, investigate and take appropriate action.*

### Trustee knowledge and understanding

Are there any significant gaps in the trustees' knowledge (see page 8)?

*If yes, arrange appropriate training.*

### TPR and the PPF

Trustees should take care that any decision they make would not differ if the PPF did not exist. If this is the case the trustees should consider obtaining legal advice[1].

Have there been any notifiable events (see page 18) or breaches of legislation (pages 19-20)?

*If yes, consider whether a report to TPR is required.*

Have there been any changes to scheme details or any events (see page 20) that should be notified to TPR or HMRC?

*If yes, complete the relevant form.*

Have there been any changes to information used by the PPF?

*Ensure that Experian data is correct and relevant certificates have been filed (see page 22)*

Some additional items for regular review are included on page 20.

*1. See the 'Ilford' judgement (Independent Trustee Services Limited v Hope & others) (www.bailii.org/ew/cases/EWHC/Ch/2009/2810.html)*

# The role of a trustee

## The Pensions Regulator's guidance for trustees

TPR has produced a guide for trustees[1], summarising their main roles and responsibilities.

The Regulator's guidance also includes information for new trustees.

## Fundamental ethical responsibilities

The CFA Institute has published a voluntary code of conduct[2] which establishes an ethical framework for pension trustees alongside working in the best interests of all scheme participants and beneficiaries.  The code lists ten key 'best practices' in relation to trustees' ethical responsibilities.

**Trustees' fundamental ethical responsibilities in summary:**

- Act in good faith and in the best interest of the scheme participants and beneficiaries;
- Act with prudence and reasonable care;
- Act with skill, competence, and diligence;
- Maintain independence and objectivity by avoiding conflicts of interest refraining from self-dealing, and refusing any gift that could affect their loyalty;
- Abide by all applicable laws, rules, and regulations, including the terms of the scheme documents;
- Deal fairly, objectively, and impartially with all participants and beneficiaries;
- Take actions that are consistent with the established mission of the scheme;
- Regularly review the performance and actions of scheme service providers, such as investment managers, consultants, and actuaries;
- Maintain confidentiality of scheme, participant, and beneficiary information; and
- Communicate with participants, beneficiaries, and supervisory authorities in a timely, accurate, and transparent manner.



www.pensionsregulator.gov.uk/trustees/understanding-your-role.aspx [1]
www.cfainstitute.org/ethics/codes/pension/Pages/index.aspx [2]

# Governance

## Meeting plans

Trustees should consider producing an annual plan to help structure meetings and meet statutory requirements.

**Items that should be included on the plan each year include:**

- Annual Report & Accounts: must be made available within seven months of year end;
- Scheme funding:  a full actuarial valuation must be carried out at least every three years. The valuation should be completed within 15 months of valuation date (see page 13). Annual actuarial 'update' reports must be obtained within 12 months at each anniversary of the valuation date (unless a full valuation is carried out or scheme has fewer than 100 members);
- Summary funding statements: to be issued after each valuation or actuarial report;
- Annual benefit statements: to be issued to all active members. Statutory Money Purchase Illustrations must also be issued annually for money purchase benefits; and
- Scheme return: must be submitted to TPR annually and kept up to date.

**Other items which should be reviewed at reasonable intervals include:**

- Investment strategy, the Statement of Investment Principles (at least every three years), manager performance, risk controls and transaction costs (including for AVC providers);
- The Statement of Funding Principles (usually in conjunction with the scheme funding valuation and at least every three years);
- Sponsoring employer covenant - including recent business performance and outlook;
- Suitability of 'actuarial' factors (including for example cash commutation rates, early and late retirement terms and the assumptions underlying transfer value calculations);
- Internal controls procedures and knowledge and understanding requirements (see below);
- Member Nominated Trustee arrangements and Internal Dispute Resolution Procedures; and
- Adviser performance and effectiveness of trustees' decision making.

## Internal controls

**Trustees must have adequate arrangements and procedures to cover areas such as:**

- Safeguarding the assets of the scheme;
- Maintaining suitable funding levels;
- Ensuring the scheme is administered properly and members receive their correct benefits;
- Managing the scheme in accordance with the scheme rules and legislation; and
- Monitoring the employer's covenant (see page 12).

At least once a year, trustees should assess the risks in the operation of the scheme and consider what internal controls are needed. They should also check that their scheme administrators and investment managers also have suitable internal controls in place, including disaster recovery plans.

TPR has published guidance for trustees[1] on its website. Barnett Waddingham has produced a comprehensive checklist to help trustees formulate their internal controls policies.

## Trustee knowledge and understanding

TPR has published a code of practice[2] and scope guidance[3] relating to trustee knowledge and understanding.

The degree of knowledge and understanding required is that appropriate for exercising the trustee function properly. 'Appropriateness' relates to the size, nature and complexity of the scheme and the individual trustee's role.

**Trustees will need a good understanding of issues such as:**

- Their duties, responsibilities and powers;
- When they might have a conflict of interest; and
- Risk/reward concerns in the choice of asset classes.

**Trustees must be conversant with their own scheme documents, including:**

- The Trust Deed and Rules;
- The Statement of Funding Principles;
- The Statement of Investment Principles; and
- Any other documents relevant to the scheme.

'Conversance' means a working knowledge so the trustees can use the documents effectively when required to. In particular, trustees are not expected to read their Trust Deed and Rules thoroughly.

www.thepensionsregulator.gov.uk/codes/code-related-internal-controls.aspx [1]
www.thepensionsregulator.gov.uk/codes/code-trustee-knowledge.aspx [2]
www.thepensionsregulator.gov.uk/guidance/guidance-trustee-knowledge-and-understanding.aspx#s1822 [3]

Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts, the principles of funding and the principles of investment.

TPR suggests the following are key topics areas to be covered:

| Trust law and pensions legislation | Scheme funding | Pension scheme investments |
|---|---|---|
| The definition and nature of a pension trust | How funding works and how liabilities are valued | Major asset classes |
| Fiduciary duties and acting prudently | The employer/trustee relationship, the nature and strength of the employer covenant and trustee powers | Specialised asset classes |
| Operating in accordance with Trust Deed and Rules and key legislation | Funding risks | Risk versus reward |
| Conflicts of interest and disputes | Transfers and bulk transfers | Strategic asset allocation and benchmarks |
| The role of professional advisors and TPR | The importance of accurate data and calculations | Measuring performance |
| The liability of, and protections offered to, trustees | | |

Barnett Waddingham has a more comprehensive checklist available which trustees can use to identify any significant gaps in their knowledge.

New trustees have six months from their date of appointment to acquire the necessary knowledge and understanding, although they are still responsible for any decisions taken during this time. New trustees are expected to study the material at trusteetoolkit.thepensionsregulator.gov.uk or an alternative learning programme that covers all the items in the scope guidance.

It is good practice to keep records of learning activities. In particular, bespoke training providers should check the level of understanding before a training session and should check that trustees have participated and understood the material. Certification should be kept with a trustee's individual training records.

Trustees should keep their knowledge and understanding up to date and it is strongly recommended that this should be reviewed against the Scope Guidance at least annually.

## Conflicts of interest

The management of conflicts of interest is key to good scheme governance. TPR has published guidance for trustees in relation to conflicts of interest.

**In relation to actual or potential conflicts it is important that trustees agree a formal policy or procedure and that they:**

- Understand the importance of conflicts of interest;
- Identify any conflicts of interest;
- Evaluate, manage or avoid conflicts of interest; and
- Manage adviser conflicts.

The Regulator's guidance includes a number of principles.

**In brief, trustees should:**

- Document their conflicts of interest policy and keep the policy under review;
- Identify and consider conflicts that have arisen or may arise in future;
- Declare and minute all conflicts of interest arising during a decision making process;
- Maintain a register of trustees' interests, to be verified at each trustee meeting;
- Record the actions taken to manage or avoid conflicts of interest; and
- Consider whether to obtain legal advice if the conflict is non-trivial.

Options for managing or avoiding conflicts of interest include taking professional advice, withdrawing from conflicted discussions, using non-conflicted sub-committees, appointing an independent trustee or, ultimately, resigning as a trustee.

Trustees who are also directors of the sponsoring employer have additional responsibilities under the Companies Act 2006 relating to avoidance of conflicts of interest, and should seek legal advice if appropriate.

## Bribery Act 2010

The Bribery Act 2010 came into force on 1 July 2011. The Act formally classes bribery as a statutory offence and failure to prevent bribery can have significant consequences. The Ministry of Justice has produced guidance[1] on the Bribery Act.

Pension scheme trustees should consider the Bribery Act in relation to their conflicts of interest policy and incorporate a specific anti-bribery statement.

Trustees may face little or no risk of bribery but it is important to have adequate procedures in place to prevent bribery in order to protect them.

## Defined contribution AVCs

TPR published a Code of Practice[2] on 'The Governance and administration of occupational defined contribution (DC) trust-based pension schemes' (known as 'the DC Code'), together with associated guidance in November 2013.

The DC Code applies to all trust-based schemes providing DC benefits, including defined benefit (DB) schemes which provide a money purchase AVC arrangement.

Trustees are expected to understand and apply the principles to AVC arrangements. TPR recognises it will not always be appropriate to dedicate the same amount of resources to legacy AVC arrangements as with ongoing DC schemes.

## Schemes with DC sections

TPR has published a code of practice and guidance for DC schemes and DB schemes with DC sections (i.e. the DC Code).

**Such schemes must:**

- Have a robust process for appointing a Chair of Trustees;
- Periodically assess 'value for members'; and
- Produce an annual chair's statement.

These requests do not apply where the only DC benefits to relate to Additional Voluntary Contributions (AVCs)


[1] www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf
[2] www.thepensionsregulator.gov.uk/codes/code-governance-administration-occupational-dc-trust-based-schemes.aspx

# Funding

## Integrated Risk Management

TPR has published regulatory guidance[1] for pension scheme trustees and employers on developing an 'Integrated Risk Management' (IRM) approach to scheme funding.

The Regulator has historically emphasised the three key financial risks to pension schemes that TPR expects to drive scheme funding decisions. This new guidance is intended to help trustees model, understand and mitigate the ways in which funding (see below), investment (see page 16) and employer covenant risks (see page 15) interact. Trustees are expected to engage with sponsoring employers and their advisers to develop a strategy which addresses these risks both individually and collectively.

## Funding statements and code of practice

Trustees are required to instruct an actuary to carry out full funding valuations at least every three years. This helps trustees and companies agree the appropriate level of contributions to be paid into the scheme and the trustees to set an appropriate the investment strategy.

TPR publishes a funding statement[2] each year setting out its views on funding issues and current market conditions. The statement is relevant for all schemes, but is primarily aimed at trustees undertaking a valuation that year.

**Issues addressed in the statement include:**

- Setting appropriate assumptions for valuing scheme liabilities;
- Arranging an appropriate contribution schedule and recovery plan;
- Flexibility allowed in running the scheme; and
- Understanding risks in the scheme.

TPR has also issued a Code of Practice relating to DB pension scheme funding.

**The main principles embodied in the code include:**

- **Working collaboratively:** trustees and employers should work together in an open and transparent way.
- **Taking risk:** before the trustees take risk they should discuss with the employer their risk appetite and their ability to underwrite the risks taken.



http://tpr.gov.uk/guidance/guidance-integrated-risk-management.aspx [1]
www.thepensionsregulator.gov.uk/doc-library/statements.aspx [2]

- **Managing risk:** trustees should manage employer covenant, funding and investment risk in an integrated way. Any decisions should be in line with the trustees' long-term views on employer covenant, funding and investments.
- **Proportionality:** the trustees should bear in mind the scheme size, complexity and risk level when making decisions.
- **Balance:** trustees should consider the impact of funding decisions on the employer's growth prospects. The employer should treat the scheme fairly in relation to other creditors.

## The Scheme Actuary's role

Trustees should notify the Scheme Actuary - in writing, as soon as reasonably practicable - of any matter which the trustees believe is relevant to the Scheme Actuary's duties, including:

- **Changes affecting the status of the scheme**

  For example cessation of future accruals, closure to new members, a decision to wind up or otherwise discontinue the scheme, or a determination to defer winding up.

- **Changes to (or legal opinions on the interpretation of) the Trust Deed and Rules**

  For example in relation to defined terms (such as pensionable pay, normal retirement date), contribution or benefit levels, the priority of benefits in the event of the scheme winding up, or the running of an exercise under which members may change the form of their benefits*.

- **Unexpected changes to the membership**

  For example in relation to the salaries of scheme members; the numbers of active members, deferred pensioners or pensioners; or an exercise which could result in a number of members taking transfers from the scheme*.

- **Events in relation to participating employers**

  For example, a change in the trustees' view of the strength of a participating employer's covenant, an insolvency event in relation to a participating employer, a participating employer ceasing to have any employees in the scheme, or sales and purchases affecting the membership of the scheme.

- **Events in relation to investment matters**

  For example, a change in investment policy or investment management arrangements; or adverse investment performance relative to agreed objectives.

- **The exercise of a discretionary power**

  For example the augmentation of a benefit, or the granting of a discretionary pension increase.

- **Events in relation to financing**

  For example, non-payment of the employer's and/or employees' contributions stated in the most recent Schedule of Contributions; a change of policy in relation to the payment of expenses; a change in the arrangements for insuring death in service benefits; or a change to the scheme year for accounting purposes.

- **Events connected with TPR**

  For example, any event notified to TPR by the trustees or a participating employer; an application for a refund of surplus to a participating employer; reports sent to, or made by, the trustees to TPR; or any order, notice, direction or statement (or similar) issued by TPR.

** These events are considered incentive exercises. An industry-wide voluntary code of practice[1] has been produced which trustees should consider a best practice guide when dealing with such exercises.*



1 www.incentiveexercises.org.uk

# Employer covenant

Trustees must understand the nature and strength of the employer's support for the scheme.

**Events which may trigger a closer look (commonly called "type A" events) include:**

- A material change in employer credit rating or failure score;
- A restructuring of the employer's finances which would reduce the scheme's security as a creditor (e.g. issuing secured loans or payment of special dividends);
- Proposed corporate transactions involving the sale or acquisition of a subsidiary or business; or
- A proposed change in Principal Employer or participating employers.

If any of the above events occur, and are considered to be materially detrimental to the scheme, then employers can voluntarily seek clearance from TPR. If trustees believe that the employer should have sought clearance but has not done so, the trustees should report this to TPR.

In order to assess the employer's covenant, trustees should consider whether it is appropriate to question the employer directly or to obtain specialist accountancy advice.

**Some items of information which the trustees may wish to request, or ask a specialist adviser to investigate, are:**

- The employer's legal structure;
- The employer's latest accounts, management accounts and any business plans;
- The impact of the scheme on the employer's financial position;
- Details of the likely debt recovery in the event of an immediate wind-up;
- Details of the competing creditors to the scheme and their impact on the scheme as a competing creditor;
- Whether any contingent assets or guarantees are available as security;
- What contributions the employer can afford and still remain a viable business;
- Key customers and suppliers, and when key contracts and patents expire;
- Other key risks to the ongoing trading ability of the employer; or
- In the case of multi-employer pension schemes, the apportionment of the scheme's deficit to the employer which suffered the 'type A' event (if such an event has occurred).

TPR has published guidance to help trustees[1] understand the financial support provided by sponsoring employers, including guidance for trustees of multi-employer schemes.

[1] www.thepensionsregulator.gov.uk/guidance/monitoring-employer-support.aspx

# Investment

Trustees have a legal obligation to regularly review the scheme's investment strategy and to monitor the appointed investment managers against their benchmarks.

TPR has produced guidance for trustees[1] on setting the investment strategy, drawing up a statement of investment principles and making investments.

**Key issues to consider at each trustee meeting are:**

- An estimate of the changes in the funding level and reasons for any gains or losses;
- Whether any rebalancing is required;
- Progress against any triggers that have been set;
- Short-term cashflow requirements; and
- Outlook for the various investment markets.

Trustees should also consider whether there have been any significant changes which may mean the overall investment strategy should be reviewed.

**For example:**

- Significant changes to membership or benefits;
- Proposal to buy-out benefits or wind up the scheme;
- Significant market movements;
- Changes in employer covenant;
- Legislative or taxation changes; or
- Changes to contributions received or other significant cashflows.

**When assessing investment manager performance, the trustees may consider:**

- Performance over the last quarter, year and since inception with this manager, against the benchmark. All figures should be net of investment management fees;
- Reasons for good / poor investment performance; or
- Whether risk limits have been breached and, if so, reasons why.

www.thepensionsregulator.gov.uk/guidance/guidance-for-trustees.aspx#s1549 [1]

**Trustees can also consider other events that could impact on future performance, including:**

- Any changes to the investment process and the impact of these changes;
- Any changes in personnel at the investment manager;
- Business wins or losses; and
- Changes in ownership structure.

The trustees should meet with their appointed managers at regular intervals – at least annually in the case of 'active' managers.

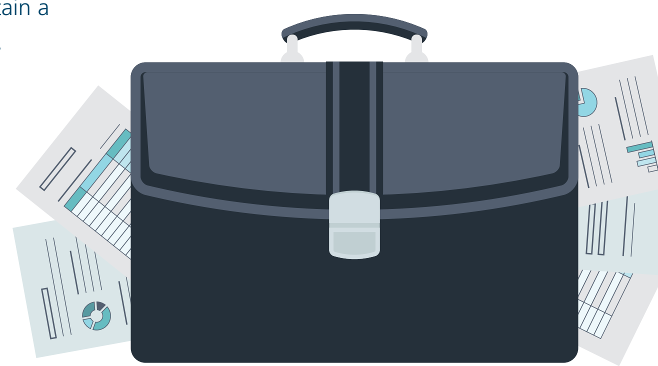
The trustees should review their investment strategy regularly (at least every three years) and consider whether the strategy and current managers remain appropriate. The trustees must also formally review their Statement of Investment Principles on a triennial basis, although schemes with fewer than 100 members are not required to maintain a Statement of Investment Principles.

## Myners Principles

In October 2008 the Government updated the Myners Principles which set out a best practice code of governance for pension scheme investment.

**The principles are useful for all trustees considering investment matters and cover the following topics:**

- Effective decision-making;
- Clear objectives;
- Risk and liabilities;
- Performance assessment;
- Responsible ownership; and
- Transparency and reporting.



# The Pensions Regulator

## The Scheme Return

TPR uses the Scheme Return to capture information about pension schemes that it uses to help perform its role. The Regulator shares the information collected with the Pension Protection Fund and the Pension Tracing Service.

DB schemes will be sent a reminder to complete the Scheme Return between November and January each year.

## Notifiable events

The trustees or employer must inform TPR in writing when certain notifiable events happen, as soon as is reasonably practicable.

### Always reportable

**Events reportable by the trustees:**

- A decision which will (or is intended to) result in a debt which is due (or which may become due) to the scheme not being paid in full where the compromise of debt is greater than 0.5% of scheme assets;
- Granting of benefits on favourable terms without either obtaining advice from the Scheme Actuary, or securing additional funding as advised by the Scheme Actuary; or
- Entering into a Flexible Apportionment Arrangement.

**Events reportable by the employer:**

- A decision which will (or is intended to) result in a debt which is due (or may become due) to the scheme not being paid in full;
- A decision by the employer to cease trading in the UK;
- Company director or partner is convicted for an offence involving dishonesty; or
- Employer is wrongfully trading under section 214 of the Insolvency Act 1986.

### Not reportable if

(a) the scheme is sufficiently funded (on the PPF's "section 179" basis); and

(b) there has been no material breach of the contribution schedule in the last 12 months.

**Events reportable by the trustees**

- Any decision which will (or is intended to) result in a debt which is due (or which may become due) to the scheme not being paid in full where the compromise of debt is less than 0.5% of assets;
- A decision to pay or receive a transfer value greater than 5% of the scheme assets (or £1.5 million if lower);
- Granting of benefits to a member that are greater in value than 5% of the scheme assets (or £1.5 million if lower); or

- Entering into a Scheme Apportionment Arrangement if entered into on or after the date the debt was triggered.

**Events reportable by the employer:**

- Any breach of a banking covenant, unless the bank has agreed not to enforce that covenant; or
- Any decision by a controlling company to relinquish control of the employer company.

## Pensions law

Pensions legislation is wide-ranging and voluminous.

**The Trustees must consider whether to report breaches of key legislation to TPR, including breaches of the following requirements (this list is not exhaustive):**

- Contributions must be paid in accordance with the Schedule of Contributions;
- Trustees must have an appointed actuary, auditor and fund manager. Trustees must not act on the advice of any adviser unless properly appointed in writing;
- Annual audited accounts must be available within seven months of the year-end;
- Full actuarial valuations must be obtained at least every three years, with annual updates in intervening years (unless the scheme has fewer than 100 members);
- Schemes must prepare and regularly review a Statement of Investment Principles and a Statement of Funding Principles
- Trustees must maintain dispute resolution procedures and internal control procedures;
- Strict deadlines apply to the provision of information about the scheme or member benefits (for example follow a request for a transfer value quotation);
- Amendments to past service rights cannot be made unless the trustees obtain either the relevant member's consent or an actuarial certificate of equivalence;
- Certain amendments to future benefits cannot be made unless there has been at least 60 days consultation with active members; or
- At least one-third of the trustee board must be nominated by scheme members.

## Reporting breaches of legislation

Anyone involved in the running of a pension scheme has a duty to report breaches of legislation, including (but not limited to) trustees, advisers, administrators and sponsoring employers.

If there is "reasonable cause to believe" that a breach has occurred which is "likely to be of material significance" to TPR then a report should be made "as soon as reasonably practicable". Not every breach has to be reported, but it is possible that failure to report may lead to a civil offence.

**Before deciding whether or not to make a report, consider whether the breach:**

- Involves dishonesty;
- Is a sign of inadequate controls or processes which are not being addressed;
- Is a result or incomplete or inaccurate advice;
- Was a deliberate act or a deliberate failure to act;
- Is one of a number of previous similar breaches; or
- Presents a material risk to the security of members' benefits (particularly if the breach relates to contributions, funding or investment).

The trustees may consider keeping a log of any breaches that are not reported, with the rationale for not reporting. A build-up of similar unreported breaches may itself be reportable.

## Changes to scheme information

Trustees should notify TPR if there have been changes to any of the following information. Notification should be provided using the online Exchange[1] service as soon as possible.

- Scheme name or address and contact details;
- Employer name, address or nature of business;
- Scheme status (for example open, closed, frozen or winding-up);
- The names and contact details of trustees;
- The type of benefits provided by the scheme;
- Significant changes to number of members; and
- Whether any scheme benefits are provided through an insurance or annuity contract.

Trustees should also consider if there have been any scheme events that should be notified to HMRC via an 'Event Report'.



www.pensionsregulator.gov.uk/trustees/exchange.aspx [1]

**For example, HMRC must be notified if:**

- An unauthorised payment has been made from the scheme;
- The scheme's legal structure changes;
- An ill-health pension has ceased to be paid as the ill-health condition is no longer met;
- Benefits become payable which exceed the Standard Lifetime Allowance in value;
- Benefits have been paid where a member has 'Enhanced Protection';
- A member's benefits are transferred to an overseas scheme; or
- A serious ill-health lump sum is paid to a member who is (or was) a director of an employer.

There are a number of other events which must be reported. A list can be found at www.hmrc.gov.uk/pensionschemes/psr-aft-event.htm

# The PPF

## Actions to reduce PPF Levy

During the first quarter of each year, trustees or employers should check the following to help minimise their scheme's PPF levy:

### Monitor and manage your Experian Failure Score

- Obtain a comprehensive Experian report to check that the information held is correct;
- Consider the impact of issuing updated accounts before 31 March each year; and
- Manage the factors used by Experian, including trade payments, group structure, number of principals, and other matters including the nationwide attribute recently introduced.

### Consider putting in place contingent assets

**Contingent assets include:**

- Guarantees given by other companies in the group (type A);
- Security over cash, real estate and securities (type B); or
- Letters of credit and bank guarantees (type C).

Contingent assets must be certified/re-certified using the Pensions Regulator's Exchange system, with any required supporting documents sent to the PPF in hard copy by the data deadline (normally by the end of March).

### Deficit reduction payments

Ensure that any material deficit reduction payments have been certified to the PPF – usually before or during April.

### Ensure that block transfers away from the scheme have been certified

A block transfer is the transfer of more than one member's liabilities out of the scheme. The primary purpose of certifying block transfers is to ensure that no PPF Levy is charged in cases where a scheme has transferred out all of its liabilities. Currently the PPF will only recognise full block transfers – where all members of a scheme transfer.

### Ensure the information provided on the Regulator's Return is correct

In particular, for multi-employer schemes check that the numbers of members shown as relating to each employer are reasonable. The PPF use the average Experian Failure Score based on the proportions of members for each employer.

Further information can be found at: www.ppf.gov.uk

Barnett Waddingham

a **true partnership** approach

For further information please contact your usual Barnett Waddingham consultant, alternatively you can contact us on: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www.barnett-waddingham.co.uk