

# **Annex A 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**

## **Rules for calculating and certifying block transfers**

### **Summary**

This document sets out how actuaries must calculate the amount to be certified, and how that amount should be communicated to the Board, in respect of block transfers for the 2009/10 levy year. Terms used in this Annex shall have the same meanings as prescribed in the schedule to the determination (if applicable).

### **1 Background**

- 1.1 For the 2009/10 levy year the Board will take account of a block transfer certificate where a scheme ("the transferring scheme") has become ineligible through the transfer of all of its liabilities to one or more other eligible schemes prior to 1 April 2009 ("the receiving scheme(s)").
- 1.2 In the circumstances set out in paragraph 42 of the schedule to the Board's determination, if the transferring and receiving schemes in such a transfer all submit block transfer certificates then the estimated section 179 valuation positions post-transfer shown on the receiving schemes' certificates will be used as the inputs for the transformation methodology as described in Appendix 1. In certain circumstances (also set out in paragraph 42) if such certificates are not submitted, and the Board becomes aware of such a transfer, then the transformation methodology will be adjusted as described in Appendix 2A to give the levy payable by the receiving scheme(s).
- 1.3 The deadlines for submission of information are:
  - By 5pm on 7 April 2009, the transferring and receiving scheme(s) must supply the name and PSR number of both such schemes, the date of the first transfer payment, the date of the last transfer payment and the amount of the assets transferred; and
  - By 5pm on 30 June 2009, provide the remainder of the information specified in this Annex.
- 1.4 For 2009/10 the Board will not take account of new certificates in respect of 'partial' block transfers, i.e. where the transferring scheme remains an eligible scheme as at 1 April 2009, where such certificates were submitted after the 2008/09 deadline.

### **2 Certification**

- 2.1 For schemes to which paragraphs 1.1 and 1.2 above apply, the Board will take account of a block transfer where valid certificates are submitted before the relevant deadline in paragraph 42 of the schedule to the determination (see 1.3 above). In certain circumstances a certificate submitted for a previous levy year may be used in the current year.

- 2.2 For other schemes where a certificate was submitted and accepted for use in the 2008/09 levy, and where no further certificate for that scheme is submitted before 30 June 2009, the certificate used for 2008/09 will be carried forward and used in 2009/10.
- 2.3 In 2008/09 and previous levy years, block transfers were certified to the Board via a certificate published on the Pension Protection Fund's website. For 2009/10 this certificate has been incorporated into the Pensions Regulator's online scheme maintenance system. Actuaries will therefore for 2009/10 be required to notify block transfers online via scheme maintenance<sup>1</sup>.
- 2.4 In order for a block transfer to be taken into account, a certificate on the Pensions Regulator's scheme maintenance system must be completed by the appropriate deadline by both the transferring scheme and the receiving scheme(s). Each certificate requires submission of the following information:
- Name and PSR number of the appropriate counterparty (i.e. the receiving scheme or transferring scheme)
  - Total amount of assets transferred
  - Date of first transfer payment
  - Date of last transfer payment
  - Valuation details of transferring scheme and receiving scheme post-transfer, comprising the following information:
    - Effective date of valuation
    - Version of S179 valuation guidance used
    - Version of S179 assumptions guidance used
    - Total assets
    - Active members' liabilities
    - Deferred pensioners' liabilities
    - Pensioners' liabilities
    - Estimated costs of winding up
    - Estimated expenses of benefit installation/payment
    - External liabilities
    - Total protected liabilities
    - Percentage of assets relating to insurance contracts
    - 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 active members' liabilities relating to service before 6 April 1997
    - 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 exception that the total assets may not have been taken

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<sup>1</sup> Except in circumstances where scheme maintenance is unable to support this, in which case an alternative method will be publicised on the Board's website after publication of this determination.

from audited accounts since these were either not yet available or will not be prepared for the scheme at this date.

- 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
- 2.5 The block transfer certificate will be available for electronic completion from December 2008.
- 2.6 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.
- 2.7 In the majority of cases the scheme actuary will submit the certificate, although a duly authorised substitute (for the purposes of the Pensions Act 2004) will be permitted to do so.

### **3 Calculating the estimated section 179 position for certification**

- 3.1 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: (a) 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; and (b) the requirement set out in regulation 7(1) may not be satisfied at the date of the certification.
- 3.2 The same effective date must be used for the valuation of the assets and the liabilities.
- 3.3 The valuation should cover the total assets and liabilities of the scheme at an effective date after the transfer value(s) have been paid.
- 3.4 Allowance should be made for full transfers up to and including 31 March 2009. No allowance should be made for transfers after this date. Transfers after this date will not influence the amount of the 2009/10 levy.