

# Guidance for calculating and certifying block transfers

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## Part 1 - Overview

1.1 When a transfer of assets and liabilities occurs between schemes, the transferring and receiving scheme(s) can notify this information to the PPF via the transfer screens on **Exchange**. Part of the information supplied is the estimated "section 179" valuation position of each of the relevant schemes at a date on or after the date of transfer. The PPF may use this valuation information in lieu of the formal section 179 valuation information to calculate the levy.

1.2 The treatment of block transfers for the levy year commencing 1 April 2010 (levy year 2010/11) is set out in the 2010/11 determination (the **Determination**) which can be accessed on the PPF's website via the following link:

[http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/1011\\_determination.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/1011_determination.pdf)

This guidance is intended to provide a summary of the rules in relation to block transfers for the 2010/11 levy year. The definitive rules in relation to block transfers for the 2010/11 levy year are set out in the Determination and schemes should always have recourse to the Determination when certifying block transfers. In the event of any conflict between the rules as they are described in this guidance and the Determination, the Determination will prevail.

1.3 In particular, Rule F of the Rules to the Determination and the Transfers Appendix to the Determination set out how the amount to be certified is calculated and how / when the information should be submitted to the Pensions Regulator in order for it to be taken into account for the levy for 2010/11.

1.4 The rules in relation to block transfers for the 2011/12 levy year will be set out in the 2011/12 determination, which has not yet been published. However, the expected deadlines for the submitting block transfer information for 2011/12 are summarised in Part 4 of this guidance.

## Part 2 - Definitions

A **full transfer** is where, on any date or dates prior to 1 April 2010:

- (1) there are fewer than 2 members remaining in a scheme; and
- (2) the transferring scheme has transferred (in groups of two or more members) members to one or more other schemes

and there remain fewer than two members in the transferring scheme on 1 April 2010.

A **qualifying transfer** is where:

- (1) on any dates prior to 1 April 2009, a scheme has transferred some of its liabilities for two or more members to another scheme or to an insurance company;
- (2) that transfer is not a **full transfer**; and
- (3) the value of the assets transferring exceeds one or more of:
  - (i) 5% of the asset value of the transferring scheme as stated in the last MFR or section 179 valuation as submitted on **Exchange** as at 31 March 2009;
  - (ii) 5% of the asset value of the receiving scheme as stated in the last MFR or section 179 valuation as submitted on **Exchange** as at 31 March 2009; or
  - (iii) £1.5 million.

**Exchange** is the Pensions Regulator's online scheme maintenance system, which schemes should use to notify us of block transfers.

## Part 3 - Treatment for 2010/11

- 3.1 Where a transfer was certified and accepted for use in the 2009/10 levy invoice, no further information is submitted and accepted for use as described in paragraph 3.3 and no formal section 179 valuation has been submitted that post-dates the transfer used in 2009/10, the information used in 2009/10 will be carried forward and used for calculating the levy in 2010/11.
- 3.2 For 2010/11 the Board will take account of
- **full transfers** that occur before **1 April 2010**; and
  - **qualifying transfers** that occur before **1 April 2009**.
- 3.3 Transfer information should be submitted through **Exchange**. The deadlines for submission of information for 2010/11 are:
- **Full transfers** – 5pm on **30 June 2010**
  - **Qualifying transfers** – 5pm on **30 June 2009**.

The transferring and receiving scheme(s) must supply the information specified in part 5 of this document

- 3.4 Where the Board becomes aware of a full transfer that took place before 1 April 2010 but which had not been certified by the above 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. 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. Please refer to Rule F2.5 of the Determination for further details.

[http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/1011\\_determination\\_appendix\\_transfers.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/1011_determination_appendix_transfers.pdf)

## Part 4 - Deadlines for 2011/12

- 4.1 Transfer information should be submitted through **Exchange**.
- 4.2 The deadlines of submission for 2011/12 are expected to be:
- **Full transfers** – by 5pm on **30 June 2011**
  - **Qualifying transfers** – by 5pm on **30 June 2010**.

The transferring and receiving scheme(s) must supply the information specified in part 5 of this document

## Part 5 - Certification

5.1 To report a block 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 5.4 to 5.5). Except in relation to the transferring scheme where there has been a full transfer (for which see below), each transfer requires submission of the following information:

- Basic transfer information
  - Whether the transfer is a full or a partial transfer
  - 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<sup>1</sup>, comprising the following information:
  - Effective date of valuation
  - Version of S179 valuation guidance used
  - Version of S179 assumptions guidance used
  - Total assets
  - 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 pensioner members' liabilities relating to service after 6 April 1997

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<sup>1</sup> Other than in the case of the transferring scheme in the case of a full transfer, where the valuation position post-transfer is not required.

- Proportion of active members' liabilities relating to service after 5 April 2009
  - Proportion of deferred pensioners' liabilities relating to service after 5 April 2009
  - 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
  - For the transferring scheme in relation to a full transfer, the actuarial transfer information is a declaration on **Exchange** that the transferring scheme has fewer than 2 members as a result of the full transfer and that **Exchange** will be updated if at any time the transferring scheme has 2 or more members.
  - 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 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
  - 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
- 5.2 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.
- 5.3 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**.
- 5.4 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** (eg a public sector pension scheme) only the appropriate part needs to be filled in.
- 5.5 Where a scheme has received a transfer from a scheme that is not required to record its data on **Exchange**, the scheme should contact the PPF's Stakeholder Support team in order to discuss how to notify the transfer.
- 5.6 Usually the scheme actuary will submit the information, although a duly authorised substitute (for the purposes of the Pensions Act 2004) is permitted to do so.

## Part 6 - Calculating the estimated section 179 position

- 6.1 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; and
  - the requirement set out in regulation 7(1) may not be satisfied at the date of the certification.
- 6.2 The same effective date must be used for the valuation of the assets and the liabilities.
- 6.3 The valuation should cover the total assets and liabilities of the scheme at an effective date after the transfer value(s) have been paid. 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.
- 6.4 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.
- 6.5 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).