

# Trustee Good Practice Guide

Guidelines for trustees managing pension schemes through  
the Pension Protection Fund assessment period

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# Welcome

## A message from the Pension Protection Fund (PPF) Chief Executive, Alan Rubenstein

Welcome to our guide for all trustees whose pension schemes are going through an assessment period.

This guide, along with the 'DB Scheme: Insolvent Employer' module within the Pensions Regulator's Trustee Toolkit and our website guidance, is designed to help you take your scheme through the assessment period, effectively and efficiently.

One of our key values is teamwork and partnership. We are committed to supporting trustees and their advisors through what is a complex and demanding time. By working in partnership together, along with the overall Trustee Guidance, we hope to achieve our objective:

- + to promote increased confidence and set reasonable expectations for members
- + to pay the right people the right compensation at the right time, and
- + see schemes complete the assessment period within 24 months.

These objectives can only benefit your scheme members.



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**As key parts of the assessment period are set out in primary legislation, you should make sure that you consider the regulatory requirements set out in the Pensions Act 2004 when using this guide.**

**The processes and procedures in the legislation set out what is expected from you and this guide should help you understand more fully your role and responsibilities.**

**Importantly, following these requirements means you can avoid the risk of being reported to the Pensions Regulator for underperformance.**

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## Welcome continued

### Our overall Trustee Guidance is split into three key areas.

#### → Regulatory statement

This statement, which has been produced jointly with the Pensions Regulator and the Department for Work and Pensions (DWP), sets out the approach to regulating trustees during the assessment period.



[www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf](http://www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf)

#### → Trustee Good Practice Guide

This explains how the assessment period works as well as sets out the principles we expect trustees and their advisors to adhere to throughout the process. These principles apply equally to independent and lay trustees – and both should make themselves aware of the contents of this guide.

Supporting this guide is the Pensions Regulator's Trustee Toolkit module for schemes in assessment (DB Scheme: Insolvent Employer). You can find this at:



[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

#### → Website guidance

This provides step-by-step details about what trustees and their advisors need to do throughout the life of a scheme in assessment. You can find this at:



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

Many of the procedures and the activities you are required to undertake during the assessment period are set out in law. This guide supplements the legislation and:

- + provides, in plain English, an overview of the assessment period
- + outlines what we expect from you during this period, and
- + sets out how we work with, and support you, during this period.

# Introduction

Before we explain in more detail about what you need to do to get through the assessment period, we will summarise what the assessment process is. This will allow trustees new to the assessment process to assess if they would benefit from the appointment of an independent trustee, experienced in the assessment process, to work with them. It will also jog the memories of trustees with previous experience of the process.

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# Introduction

## What is the assessment period?

The assessment period begins when there is a qualifying insolvency event in relation to an employer of an eligible scheme. While the assessment period starts from the date of the insolvency event, in practical terms it will only really begin when we confirm that a qualifying insolvency event has happened and your scheme is an eligible scheme.

During the validation stage of the process, we will work with you as trustees to determine whether your pension scheme is eligible for entry. A number of activities will need to take place (many are set out in legislation and common to those for a pension scheme 'wind-up'). These activities, along with the determinations made by the PPF, will assess whether a scheme is eligible for entry into the PPF.

**3** For more details about these activities.

As trustees, you remain in day-to-day control of the pension scheme and the payments during the assessment period. Your scheme will be assigned a PPF caseworker for the duration of the assessment period. They will monitor your scheme's progress through the assessment period and provide you with the necessary support and guidance.

If the section 143 valuation demonstrates that the scheme cannot afford to pay out more than PPF levels of compensation to all members we will take over responsibility for payments when the assessment period is complete.

As the assessment period structure and its associated activities are laid down in law, our requirements are much the same, regardless of the size and complexity of the pension scheme. But, the timescale for completing them will vary from scheme to scheme.

We split the process into three parts: validation, assessment and transition. We will assign a caseworker to each scheme to support trustees throughout this process.

**3** For more details about these three parts.

In order to achieve the process, quality and timescales associated with taking a scheme through the assessment period, it is your responsibility, as trustees, to ensure that adequate planning and the effective management of both the activities and the parties involved, take place. If this doesn't happen, we, and/or the Pensions Regulator, may intervene.

The principles and skills shown below are important during the assessment period and you should demonstrate that you have applied them throughout the period.

### → Principles

- + **Accountability**  
Adopt a principled and accountable approach.
- + **Communication**  
Effectively and regularly communicate with all relevant people to successfully manage the assessment process.
- + **Competence and proficiency**  
Understand, determine and possess the appropriate resources, capabilities and skills to successfully complete assessment.
- + **Proportionality**  
Strike the right balance between affordability for the pension scheme and security for scheme members.
- + **Working in partnership and transparently**  
Demonstrate openness in everything you do and work together to achieve the best results.

### → Skills

- + **Project management**  
Co-ordinate all aspects of the project to ensure you can manage it effectively and efficiently.
- + **Relationship management**  
Establish and maintain professional working relationships with everyone involved.
- + **Financial management**  
Manage and monitor all financial aspects of the scheme, including budgets and scheme assets in relation to the liabilities.
- + **Communication**  
Manage the information flows between all parties involved, including members, to avoid misunderstanding.
- + **Knowledge and understanding**  
Establish and maintain the necessary knowledge and skills so you can effectively and efficiently complete assessment.

## Introduction continued

### What does it take to complete the assessment period successfully?

Successful progression and completion through the assessment period entails:

- creation of a realistic and comprehensive project plan within two months of the assessment period starting, illustrating how the scheme will complete all the necessary activities within 24 months of starting the assessment period. The plan must be reviewed and agreed with the PPF caseworker.
- maintaining, regularly monitor and report against the project plan to all stakeholders involved (see section 4.2 for more details of who the stakeholders are)
- adherence to the realistic timescales proposed in the project plan within the agreed tolerances. Where slippage occurs outside the tolerances agreed, the trustees must explain why they have happened and the impact they have. Our aim is to prevent a situation where the project plan shows that the assessment period will be completed within a set time, eg 20 months, but there is slippage which is not reported on a monthly basis and so continually delays the completion of the assessment period, and
- all activities completed accurately and within 24 months of the assessment period starting.

The PPF caseworker will work with you, and monitor your progress during this period, to ensure that you are successfully completing all key activities in an accurate and timely manner. Successful completion of the assessment period is not just about meeting target deadlines – it is also about adhering to, and applying, the principles outlined in this document.

This means that you as trustee need to plan your activities carefully so that they are achieved in a timely, cost effective and proportionate manner.

**Successful completion of the assessment period is not just about meeting target deadlines.**

## Introduction continued

### How long does it take?

The assessment period lasts a minimum of 12 months. We expect trustees to finish all the tasks needed to complete assessment within the 12 months following that, where reasonably practicable. We appreciate that there will be exceptional cases and circumstances which may extend the assessment period, but these must be discussed and agreed with your caseworker at the outset.

Once a scheme enters the assessment period there are three possible outcomes:

- **Scheme Rescue** – if at any time during the assessment period it is determined that a scheme can be rescued, ie an employer can support the scheme in the future so it does not have to transfer to the PPF, it will withdraw from the assessment period
- **Transfer to the PPF** – a scheme will enter the PPF if it is determined that there are insufficient assets at the assessment date to pay out benefits at PPF levels of compensation, and
- **Overfunded Scheme** – if there is enough money, or other assets, at the assessment date to pay out benefits greater than PPF levels of compensation, it will either:
  - + be allowed to wind-up outside the PPF, generally through an insurer, or
  - + continue to operate as a closed scheme.

### Monitoring trustee performance

Throughout the assessment period, the PPF has a responsibility to ensure that all parties (see section 4.2) are performing their duties, in particular trustees, as their roles are fundamental to the successful completion of the assessment period. We will monitor and measure trustees' performance and assess how the partnership between the caseworker and the trustees is functioning. Our caseworker will carry out reviews of both independent and lay trustees on a regular basis throughout the period and provide structured feedback to all the necessary and interested stakeholders, eg the Pensions Regulator.

This is an important process as the Pensions Regulator will use this information when short-listing and appointing future independent trustees, and where necessary can use its powers to remove incumbent trustees during the assessment period if trustees are seriously underperforming.

**The assessment period lasts a minimum of 12 months.**

**The PPF has a responsibility to ensure that all parties are performing their duties.**

## Introduction continued

### Roles and responsibilities during the assessment period

It is your responsibility, as the trustees of the scheme, to make sure your scheme progresses through the assessment period along PPF guidelines with the support and experience of your advisors throughout.

During the assessment period, you and your advisors must continue to carry out the day-to-day duties involved with running your pension scheme as set out by law and in the scheme rules, subject to PPF requirements. You should familiarise yourself with these requirements which will give you a sense of what our assessment process will be like. You can do this by referring to the Pensions Regulator's Trustee Toolkit.



[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

Also, as trustees, you must be prepared to devote more of your time than you did before to the assessment period to manage the scheme proactively to make sure that it completes the assessment period in an accurate and timely manner.

**For example**, you may ordinarily attend quarterly meetings – which is generally sufficient for normal scheme business – but PPF cases can mean monthly and, in some cases, weekly meetings.

Your caseworker will support you and provide you with help and guidance during the assessment period.

At the beginning of the assessment period, you, as existing trustees, need to assess whether you are willing and/or able to offer the required level of commitment, or possess the necessary skills to fulfil your duties and responsibilities.

If you need further help to make sure you fulfil your duties and responsibilities, your caseworker and the Pensions Regulator can help select an independent trustee who can support the trustees during this process and provide valuable and relevant specialist knowledge.

**5** For more information about trustees' responsibilities, along with those of the PPF caseworker and the key advisors involved in the assessment period.

**Your caseworker will support you and provide you with help and guidance during the assessment period.**

## Introduction continued

### Other considerations

If your employer pays your indemnity insurance, you should be aware that it is unlikely that the policy will be renewed once it expires. This is because the employer has become insolvent and the Insolvency Practitioner is unlikely to pay the policy premium. Most scheme rules will prevent this cost being met through scheme assets. If this is the case, you may wish to contact your caseworker who will help you appoint an independent trustee, who has the appropriate indemnity insurance, to work with you during this period.

You may also face a conflict of interest if you are both a trustee and a company director, eg in relation to maximising section 75 debt. As trustees you would want to maximise this but, as a company director you will wish to keep this at a minimum. Or, indeed, if you were involved in past decisions which may later be found to be incorrect. The Pensions Regulator has issued regulatory guidance on how to manage and mitigate conflicts of interest.



[www.thepensionsregulator.gov.uk/guidance/conflictsofinterest](http://www.thepensionsregulator.gov.uk/guidance/conflictsofinterest)

You should refer any concerns about conflicts of interest to your caseworker as appropriate.



# The assessment process

This section provides a high level overview of the assessment process set out in the introduction section.

This information should also be used in conjunction with:

- + detailed information on our website which includes a step-by-step guide to the process, and
- + the Pensions Regulator's Trustee and Knowledge Understanding Toolkit module on PPF assessment.



[www.pensionprotectionfund.org.uk/TrusteeGuidance/Pages/TrusteeGuidancePPF.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/Pages/TrusteeGuidancePPF.aspx)

[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

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# The assessment process

## Validation

This part of the process is necessary to determine whether a pension scheme is eligible, under law, to enter the PPF. Validation should be completed within 28 days of us receiving notification that the employer has become insolvent and the relevant scheme documentation. This will also depend on how quickly the Insolvency Practitioner and trustees respond to any queries raised.

Key activities include:

Task	Responsibility
+ Telling us that an employer has become insolvent	Insolvency Practitioner
+ Selecting a caseworker to see the scheme through assessment	PPF
+ Submitting scheme information and documentation	trustees
+ Formally accepting the scheme into the assessment period, if appropriate	PPF
+ Issuing a notice confirming that the employer is insolvent and its pensions scheme has started the assessment process	PPF

In all cases, assessment begins on the date that the sponsoring employer of an eligible defined benefit pension scheme has a qualifying insolvency event. The Insolvency Practitioner responsible for winding-up the employer's affairs must, by law, notify us of the insolvency.

The Insolvency Practitioner will do this by issuing a section 120 notice (see glossary). As trustees, you should help the Insolvency Practitioner ensure that this notice is completed accurately and submitted to the PPF within 14 days. You can assist the Insolvency Practitioner by providing the following information:

- a copy of the scheme's current Trust Deed and Rules
- a copy of any subsequent Deeds of Amendment
- a copy of the current scheme booklet for members and any member communication issued in the last three years
- a copy of the Pensions Regulator's Return
- a copy of the latest actuarial valuation report and any advice received subsequent to the report
- a copy of the latest audited accounts, and
- copies of the trustee meeting minutes for the last three years and any resolutions made in that period.

**8.1** For more guidance and links on the section 120 notice.

**The assessment process splits into three main parts:**

- **validation**
- **assessment, and**
- **transition.**

**Typical timings for these three parts are:**

→ validation	28 days
→ assessment	never less than 12 months
→ transition	six plus months

A scheme need not necessarily complete all three parts. For example, we will withdraw from the pension scheme and end the assessment period if:

- + the employer has been rescued as a going concern, or
- + the business has been sold and another body takes on responsibility for the pension scheme liabilities.

This will be subject to a review process and completion of relevant procedures.

This guide assumes that a scheme is eligible to transfer into the PPF after the successful completion of the three parts above. Schemes do have to meet other criteria before entering the assessment period and these are set out in more detail on the website. For example, money purchase schemes are not eligible for the PPF.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## The assessment process continued

Your work should begin as soon as you know that your sponsoring employer is insolvent and the scheme is eligible for the PPF. This will include:

- developing key management tools, ie project plan and budget
- ensuring your advisors know about the scheme's position and can support you as required
- informing your members about the insolvency and letting them know about the PPF and its potential benefits, and
- meeting your PPF caseworker to plan activities and agree timescales.

If an employer can't formally enter insolvency, eg public bodies or unincorporated charities, you – or the Pensions Regulator – must tell us as soon as it is known that the employer cannot continue as a going concern. This is not an alternative way for a pension scheme to enter the PPF assessment period – it is only for those schemes whose sponsoring employers cannot become insolvent in the normal way. We will start the validation process once we have received the section 120 notice or application.

Before a scheme can enter the assessment period, we must be fully satisfied that the scheme meets all our eligibility criteria. That is why it is essential that you, as trustees, supply us with the right information and documentation as soon as you can.

**For example**, following the submission of a section 120 notice by the Insolvency Practitioner, the trustees should provide the extra information and documentation within five days, enabling us to confirm that there has been a qualifying insolvency event and the scheme is eligible to start the assessment period within 28 days.

### Your members should be kept informed about the assessment process.

More details about the information required can be found on the PPF website.

In particular, we will want to see a copy of the scheme's Trust Deed and Rules, including any deeds of amendment. We will also want confirmation from you about whether the scheme has triggered winding-up or if it has entered a compromise concerning its debts.

Without this information, validation may be delayed, resulting in overpayments to members which would need to be recovered later in the process – and other complications. You may well need to take legal advice at this stage to avoid such complications.

Once we have confirmed your scheme's entry into PPF assessment, you will receive a notice from us confirming the assessment date, ie the date of insolvency.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## The assessment process continued

### Assessment

During assessment, we want to ensure that all the data held for the scheme is accurate. This will ensure that members receive the right compensation payments.

The final stage of the process is the production of a section 143 valuation, ie a confirmation of whether the scheme can pay your members' benefits at PPF levels. If not, the scheme will transfer to the PPF.

#### Produce and monitor project plan and budget

A comprehensive project plan and budget are key to you being able to successfully see your scheme through the assessment period.

You should check the plan and budget with your caseworker to ensure that timescales are realistic and achievable. This will be a working document and the main way to track your progress.

Once the project plan has been agreed, you must start work on the key activities straight away – and you should, in partnership with your caseworker, aim to complete these activities within 24 months of the assessment date.

A template project plan and budget plan can be obtained from our website.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

**8.1** Alternatively a direct link to these can be found here.

#### Cancel the contracting out certificate, if appropriate

Because this task can take a number of months, you should look to do this as soon as possible to avoid any unnecessary delays further down the line. To ensure you complete this task quickly, work closely with your Insolvency Practitioner who will be acting on the employer's behalf.

#### Reduce existing pension payments during assessment

You should, as a priority, reduce payments to your members to PPF levels of compensation. If you don't, you will need to reclaim overpayments at some stage in the process, leading to potential delays and complications. For details of compensation levels, see our website.

#### → Key activities for trustees during assessment

- + Produce and monitor project plan and budget
- + If appropriate, cancel the contracting out certificate and reconcile GMPs
- + Reduce existing pension payments during assessment
- + Review ill health pensions
- + Review admissible rules
- + Review the equalisation history of the scheme
- + Obtain a set of audited accounts to support the section 143 valuation
- + Continue to prepare Annual Reports (including audited accounts) during the assessment period
- + Conduct a benefit and data audit
- + Communicate with members on progress through assessment
- + Notify the PPF of any significant changes in the investment of the scheme's assets or expenditure incurred by the scheme
- + Produce a section 143 valuation
- + Provide information to the PPF to fulfil its legal obligations

## The assessment process continued

### Review ill health pensions

You will need to provide us with details of payments being made in relation to people who have retired on ill health grounds in the last three years prior to the assessment date. This enables the caseworker to look at these payments for possible fraudulent behaviour – or any decisions that were made that have not complied with the scheme rules.

### Review admissible rules

This review will allow you to analyse all the scheme rules which took effect – and any discretionary increases in payments made – in the three years before assessment began.

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**9** See glossary section for more details.

If this review establishes that during the period stated above, the overall effect of rule changes and/or discretionary increases meant an increase in scheme liabilities, we will deem these inadmissible. This will leave only the ‘admissible’ rules and increases which will be used to calculate members’ compensation.

### Review the equalisation history of the scheme

Delays in assessment commonly happen due to issues around historic equalisation exercises carried out by trustees, ie making sure that male and female members receive the same benefits.

Problems we typically see involve the quality of legal documents which have resulted in schemes failing to close the Barber window or benefits which continue to be calculated on an unequalised basis, despite trustees ruling that the scheme should be equalised.

If these, or other problems, are identified during assessment, you should seek legal advice to agree the best course of action. You must liaise closely with your PPF caseworker about this.

### Obtain a set of audited accounts to support the section 143 valuation

Regulations which came into force in April 2007 require all schemes in assessment to complete a section 143 valuation supported by audited accounts for the period ending on the day before the assessment date.

## The assessment process continued

Depending on where your scheme is in the annual cycle of accounts preparation and audit, you will need to consider:

- whether it is reasonable to change the schemes formal accounting date to the assessment date and plan with your accountant and auditor to prepare an annual report and accounts for a period between six and 18 months long, ending with the assessment date, or
- whether to plan to prepare a set of special purpose accounts (which would not be intended to comply with the Disclosure Regulations especially as regards the trustees' report) for a "short" period to the assessment date, solely for the purpose of supporting the section 143 actuarial valuation; and then plan to prepare a full annual report and accounts at the usual accounting date.

### Continue to prepare Annual Reports (including audited accounts) during the assessment period

Your statutory duties to keep proper books and records, and to obtain audited accounts when an accounting reference date is reached during the assessment period, remain up to the date of the Transfer Notice.

### Conduct a benefit and data audit

We would expect you as trustees, in consultation with your caseworker, to check all the scheme data and benefit calculations to make sure they are accurate and complete. You will need to agree with the caseworker the cost and extent of the work needed to complete this audit.

### Communicate with members on progress through assessment

You should keep your members informed about all aspects of the assessment process and the progress you are making. You should also take this opportunity to explain the benefits of the PPF and the security which we offer. We have a range of publicity material which you should send to members directly.

**8.3** Alternatively a direct link to these and other communication templates can be found here.

### Notify us of any significant changes in the investment of the scheme's assets or expenditure incurred by the scheme

As the scheme enters the assessment period, you need to assess whether the scheme assets held are appropriate for a scheme in this period. You should consult the PPF investment team at this stage and work together with your investment advisors to determine an appropriate investment strategy for your scheme and make any changes to your investments where required.

**If your scheme is a multi-employer scheme, please contact your caseworker for more guidance.**

#### → Benefit audit

You should take the necessary action to make sure that the information held about individuals is accurate and all data complete, and that the scheme rules have been appropriately applied. This often includes the following activities:

- + reviewing scheme rules to ensure that they have been applied correctly to the calculation of members' benefits, and
- + identifying an appropriate sample population that represents each membership category and carry out manual calculations to test that the benefits calculated and held for each type of member is correct.

#### → Data audit

Ensure that accurate and complete data is held for each member and is sufficient for our administration system. See our website.

As evidence of work carried out, you should provide a summary of activity so that we can be satisfied that the audit is sufficiently thorough.

## The assessment process continued

The Provision of Information Regulations require you to notify the PPF of any 'significant' changes in the investment of your scheme assets within 14 days of the change in investments taking place.

If you decide that changes are required to your investment strategy, and the allocation of your assets, it is best practice that you tell us first before making any change. Where necessary, we have the power under section 134 of the Pensions Act 2004 to issue directions to trustees in respect of the investment of scheme's assets.

Any structural changes in your investments which re-allocate your investment holdings can be defined as 'significant'. This includes changes in:

- [asset classes](#)
- [re-allocation of assets, and](#)
- [fund managers.](#)

### Producing a section 143 valuation

The final stage of the assessment period is the production of the actuarial valuation. Work on the valuation can only start once we are satisfied with the quality of the scheme data. When this stage is reached, we will write to the actuary commissioning the valuation (usually, but not always, the scheme actuary).

Initially, the actuary will submit a draft report for review. Our actuarial team will review this draft to ensure it complies with legislation and guidance – and will work with the actuary to resolve any issues. Once we are satisfied with the draft report, we will request the submission of the final signed version of the valuation report for approval.

This valuation determines whether or not your scheme is able to pay all your members' benefits at levels higher than PPF compensation.

The assets taken into this valuation will be drawn directly from the audited accounts obtained by the trustees as at the same date (see page 3.4). However, the scheme actuary may be required to ignore certain assets of the scheme (such as those supporting money purchase benefits) included in those accounts. We may also require the actuary to include certain other assets not valued in those accounts, such as section 75 debt recoveries and annuity policies.

If the valuation demonstrates that you have insufficient assets to pay all your members' benefits at levels higher than PPF compensation, we will assume responsibility for the scheme.

### The valuation must be prepared in accordance with:

- + [the requirements of section 143 of the Pensions Act 2004](#)
- + [the relevant regulations, and](#)
- + [our guidance which is available on the PPF website.](#)

### Work on the valuation can only start once we are satisfied with the quality of the scheme data.

## The assessment process continued

If the valuation demonstrates that the scheme has sufficient assets to provide all members with benefits higher than PPF compensation levels, you will need to wind-up the scheme outside the PPF, generally through the buy-out process with an insurer. However, if you are unable to secure these benefits for members eg if the financial position of the scheme has deteriorated since the valuation, you can apply for a reconsideration by the PPF so long as it is within six months of the valuation becoming binding.

Once approved, your members will need to be informed about their final entitlements under the approved valuation. This notification is referred to as a valuation summary and a template is available on our website.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

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**8.3** Alternatively a direct link to this can be found here.

### **Provide information to the PPF to fulfil its legal obligations**

Throughout the assessment period, you are required to provide us with the necessary information and documentation to enable us to carry out our duties and fulfil our legal obligations in a timely manner. We have the power under section 191 of the Pensions Act 2004 to request any other relevant information we believe is necessary to carry out our duties.

## The assessment process continued

### Transition

We start the transition stage during the assessment process itself to minimise the time it takes to complete the overall assessment period. This stage takes about six months from the point at which the PPF requests the section 143 valuation and ensures that your scheme is prepared to pass from you, as trustees, into PPF ownership.

#### Contract review

We have to identify and review all the contracts that are in place between the trustees and their advisors, including (but not limited to):

- lawyers
- actuaries
- administrators
- fund managers, and
- investment managers.

We need to scrutinise them for exit clauses so we can determine whether they can be terminated immediately or must remain in place until all final activities have taken place.

#### Asset review

We need to understand the portfolio of assets that is held by the scheme so that we can ensure that they are transferred efficiently into the PPF once the transfer notice has been published.

This notice formally discharges your responsibilities, as trustees, for the assets and liabilities of the scheme. The scheme bank account will also have to be closed once the assets have transferred from the account.

#### Data transfer

Transferring data from the scheme to the PPF takes up much of the time during the transition period. It is vital that this data is accurate and complete so that we can be sure that all the members receive the correct compensation.

We also need to understand the state and volume of member files. Once we have gathered the information we need, these files will be transferred from the existing administrators to the PPF.

#### Closing accounts

You should also consider, with the support from your caseworker, whether you are going to obtain audited accounts at the date of transfer to the PPF. This will enable you to gain assurance that you have fully complied with the requirement to transfer all scheme assets and liabilities to the PPF.

#### → Key transition activities for trustees

- + Contract review
- + Asset review
- + Data transfer
- + Closing accounts

**A standard PPF template, called the data interface layout, is used to collect all the data before being loaded on to our administration system. See our website.**



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

# Principles

In this section, we discuss in more detail the key principles which we expect you, as trustees, to apply when managing your scheme through the assessment period. These are critical to ensure that you complete the assessment period successfully, accurately and in a timely manner.

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The PPF caseworker will contact you regularly throughout the assessment process and they will let you know if they think you are not adhering to these principles. We will expect you to work with your PPF caseworker to address our concerns. If you ignore our concerns, we will inform the Pensions Regulator who can investigate further and apply sanctions where appropriate.

Remember, these principles apply equally to all parties involved with a scheme in the assessment period. All parties should make themselves aware of these principles.

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# Principles

## Accountability

While you, as trustees, are ultimately accountable for taking a scheme through assessment, all parties involved – and that includes the PPF – must take responsibility for their actions. Any party that fails to do so may cause scheme members to suffer due to the increased uncertainty that prolonging the assessment period can bring about.

The first thing that everyone involved should do is to gain a thorough knowledge of the assessment process so that we can improve and speed up scheme transfers, rescues or other outcomes. For extra help, we recommend you complete the 'DB Scheme: Insolvent Employer' module within the Pensions Regulator's Trustee Toolkit which can be found on their website.



[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

When an assessment period starts, you must identify any unresolved or difficult issues and communicate them to your caseworker. Any delay in doing this could lead to your scheme members not receiving the correct compensation payments.

You should encourage open and honest working relationships, which avoid a 'blame culture' developing. People should be willing to admit mistakes, or any delays in their work. If they do not then relationships can break down, putting the assessment period at risk and members may not get the compensation they are entitled to.

We will hold trustees ultimately responsible for their advisors' actions as they are responsible for taking a scheme through the assessment period. If an advisor is causing unacceptable delays, then we expect you to intervene to resolve the situation. Your PPF caseworker will support you when you need to make important decisions – but they will not act as a 'quasi-trustee'.

### → What good practice looks like



- ✓ Trustees proactively keep all their stakeholders, including their advisors and caseworker informed on a regular basis on the key activities, forthcoming deadlines and progress made.
- ✓ Trustees and advisors are open and transparent about issues and delays as they arise, explaining why they have arisen, who is involved and presenting realistic proposals on how they are going to resolve them in a timely manner.

### → What bad practice looks like



- ✗ At the outset, trustees produce an estimated high level budget plan for undertaking the activities required during the assessment period. But they do not provide their caseworkers with regular updates and progress against the plan.
- ✗ Trustees do not tell us about any significant expenditure outside of the agreed budget plan. The caseworker is only notified of this spending after the event at the next progress meeting. Because of this, the caseworker must monitor both trustee and advisor costs closely throughout assessment period.
- ✗ Trustees are unable to provide a breakdown for fees and cannot itemise the work done so far.

## Principles continued

### Communication

#### Stakeholders

You will need to interact with the following key stakeholders during an assessment period:

- PPF caseworker
- scheme administrator
- scheme actuary
- legal advisor
- investment advisors and managers
- Insolvency Practitioner
- HMRC, and
- NISPI.

These may not be the only stakeholders involved. Depending on your scheme specifics, there may be other stakeholders you need to communicate with, eg trade union bodies, annuity providers etc.

Your primary responsibility is to ensure you communicate effectively and regularly with all your stakeholders. This ensures that should issues arise, they can be resolved immediately.

Communication is a two-way process and should not be limited to regular meetings, particularly if it leads to misunderstandings or delays. Should issues arise, you should take a proactive approach to resolving these issues by initiating dialogue with all concerned to ensure everyone can decide and agree on the best way forward. Poor communications should never be a cause for delay.

We are all responsible for keeping all parties informed throughout assessment. But other parties also have a responsibility to keep you, as trustees, informed about what they are doing.

#### → What good practice looks like



- ✓ As the scheme enters assessment, the trustees arrange a face-to-face meeting with all their advisors to seek input from all parties regarding the activities that need to be undertaken and to agree a timetable to complete the assessment period.
- ✓ Trustees produce a clear, practical and realistic project plan and pass it on to the PPF caseworker who reviews and agrees it. The plan is maintained and distributed regularly by the trustees throughout the assessment period.
- ✓ Monthly meetings, or more frequently if appropriate, are held between the trustees and the caseworker to discuss progress and issues.
- ✓ Trustee chairman proactively manages scheme advisors to make sure that they make progress on their respective actions, are aware of issues as they arise, eg where deadlines are likely to be missed, understand why they have happened and what the mitigating actions will be.
- ✓ Timing and content of all announcements of issues are agreed between trustees and the PPF to ensure consistency and accuracy.

#### → What bad practice looks like



- ✗ Trustees fail to provide the caseworker with realistic project and budget plans for undertaking the activities required to complete the assessment period.
- ✗ Trustees do not provide the caseworker with regular progress updates – the caseworker has to chase for updates.
- ✗ Trustees do not raise issues in a timely manner with their caseworker, eg an issue arises under the rules around reducing members' benefits and has a major impact on the administrators' ability to reduce member benefits to PPF levels. They do not inform the caseworker of the issue or impact until the next monthly meeting.

## Principles continued

### Scheme members

It is important that you take responsibility for communicating in a proactive manner to scheme members about their individual responsibilities and the assessment period. All key communications should be agreed with your caseworker before publication. This includes (but is not limited to):

- initial announcements about the scheme entering the PPF assessment period
- general announcements about the PPF during the assessment period, and
- valuation statements.

Members often receive little or no communication about the assessment process and its potential benefits. Well-informed members will feel more secure about the process and feel less need to complain. Members entering the PPF should receive clear communication on compensation and understand both the role and processes of the PPF.

Discretion will need to be exercised by the trustees to ensure that all parties receive appropriate communications. For instance, issuing members with highly technical updates regarding the assessment procedure could confuse members rather than inform them.

We have developed a range of member communications (Protecting People's Pensions) expressly designed to address the concerns of ordinary members in an accessible format.

We recommend that you familiarise yourself with the Protecting People's Pensions range of communications and issue them to your members as part of your communications strategy during the assessment period. In doing so, you will ensure each member receives a clear and concise explanation of the issues which most concern them during the assessment period.

To obtain copies of the Protecting People's Pensions range, please speak to your PPF caseworker or download them from our website.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

### → The Protecting People's Pensions range includes:

- + **Ten things you need to know about the PPF**  
Tells the member about who we are, how we are funded, and dispels some of the misconceptions they may have heard about us.
- + **Your journey to becoming a member of the PPF**  
Explains what happens during the assessment process and what members can expect to happen.
- + **Help! My employer has gone bust... and I think I might lose my pension**  
Explains how compensation works, and gives some fictitious examples which show how you may be affected if you begin to receive PPF compensation payouts.

## Principles continued

### Competence and proficiency

Trustees need to be able to understand and possess the appropriate resources, capabilities and skills to achieve the goals of the assessment period. We expect all parties involved in the assessment period, whether they are covered by a professional body's code of conduct or not, to behave competently and proficiently at all times.

Where it is necessary to appoint new advisors during the assessment period, you should only appoint advisors who can demonstrate that they have the skills needed to handle schemes through assessment, particularly those skills that are unique to the assessment period, eg production of a section 143 valuation by the appointed actuary.

You should also have the confidence to challenge those advisors on the advice they give and decisions they make. If you do not have this confidence, you should consult with your caseworker and consider appointing an independent trustee to support you in delivering your scheme through the assessment period.

You should encourage all advisors to hold regular training sessions to ensure their knowledge is up-to-date as this will prove invaluable if issues arise. We can also provide help in developing training materials and programmes.

You should work with all your advisors to plan the activities required during the assessment process to ensure that they have the resources available to carry out their tasks during the assessment period in a timely manner.

#### → What good practice looks like



- ✓ Following the review of the trustee guidance on the PPF website, and undertaking the 'DB Scheme: Insolvent Employer' module within the Pensions Regulator's Trustee Toolkit website, trustees acknowledge their limited knowledge of both wind-ups and PPF assessment process. They approach the PPF to help them to appoint an independent trustee to support them.
- ✓ Where trustees are unsure of the actions needed to undertake a particular activity, they refer to the trustee guidance on the PPF website, making use of the templates and Q&As available before seeking further help from their caseworker.
- ✓ Scheme actuaries complete a section 143 valuation in line with the guidance issued, on time and with few mistakes.

#### → What bad practice looks like



- ✗ Trustees tackle simple issues first, leaving the more complicated to last. When they do take on complicated issues, they fail to make decisions within the agreed timescales.
- ✗ Trustees fail to take decisions in a timely manner, eg a legal issue has arisen, and despite it being resolved and the go-ahead given, trustees still fail to make a decision for five months, causing unnecessary delay and expense.
- ✗ The actuary appointed to complete the section 143 valuation works independently of the assessment process and submits a draft that is incomplete or is based on data that has not been agreed by the PPF.

## Principles continued

### Proportionality

You must take a proportionate approach to all decisions you have to take during the assessment period.

**For example**, you should consider a decision which may have major financial impact on your members in more depth than one which has a minor impact.

You must not rush into key decisions for the sake of meeting deadlines, but equally you should not delay the assessment process by taking too long to make a decision. You should only take decisions once you have the adequate information or advice you need.

You should ensure that you have the right information you need to make fair and proportionate decisions and strike the right balance between the cost of delay and security for your members.

All decisions and actions taken by trustees must be documented with an appropriate audit trail in order to ensure that they are properly recorded should they need to be revisited in the future.

In particular, two areas where this principle must be applied are data and scheme assets.

#### Data

Proportionality and tolerances should be agreed between yourself and the PPF in respect of the scheme and member data you hold and its accuracy.

**For example**, if you, as trustees, make a decision on an area such as GMP tolerance levels without consultation, we could request that the issue be revisited as the level of tolerance may be greater than we would allow. This could result in a delay to the project plan or even a delay in transferring members to the PPF.

Some decisions and tolerances may be appropriate for one scheme but not for others. For instance, if your scheme has 20,000 members, you may be happy signing off something with 100 insignificant outstanding queries. This would not be appropriate if your scheme has only 200 members.

#### → What good practice looks like



- ✓ Trustees attempt to reconcile their data with that held by the National Insurance Services to Pensions Industry (NISPI) but can't match details for 235 of their 120,000 members. Trustees propose to the caseworker that to seek reconciliation for these members would be financially disproportionate, providing a complete analysis of the financial implication for the scheme. Trustees decide to accept the NISPI data rather than prolong an investigation with little benefit to members. The GMP reconciliation process is concluded in nine months avoiding unnecessary delay and expense.
- ✓ Trustees and their advisors copy to the PPF up-to-date asset allocations and portfolio values for each asset held on a regular basis.

#### → What bad practice looks like



- ✗ Trustees adopt a tolerance level in an attempt to reconcile the scheme data with that held by the NISPI. However, they cannot provide their caseworker with the rationale for adopting the tolerance level they have decided and the analysis indicates that the tolerance level is inappropriate.
- ✗ Trustees fail to analyse the number and value of the discrepancies between the scheme data and that held by NISPI.
- ✗ Failure to agree tolerances with the PPF means that the trustees have to revisit much of the work that has been undertaken to agree the data and the extra work leads to further costs and delays the completion of the assessment period.
- ✗ Trustees do not advise the PPF of a significant financial transaction that has taken place which involves the reallocation of their investments.

## Principles continued

### Scheme assets

One of the most important decisions you can make as trustees during the assessment period is how scheme assets are invested. The PPF investment team are available to discuss your strategy during the assessment period and should be consulted before any changes are made. You should recognise that generally the most significant financial risk to the scheme results from investments which are mismatched to the liabilities.

You and your investment advisors should ensure the following considerations are taken into account when taking decisions about the investments you hold:

- the length of time that your investments will be held for during the assessment period
- the current PPF investment strategy into which the assets may be transitioned at the end of the assessment period
- the economic environment at the time the decisions are being taken
- the liquidity, volatility and general fair value of the assets proposed for transacting
- the costs of transitioning assets, and
- the costs of taking advice, eg actuarial advice.

You should take the appropriate and proportionate action to consider whether your existing investment strategy enables you to:

- sufficiently reduce the scheme's exposure to deficit volatility, and
- broadly match the assets held with the liabilities of the scheme.

Our intention is to ensure that schemes reduce any significant mismatched risk throughout the assessment period, eg once you have validated and verified that member benefit data is correct, you need to reassess whether your assets still broadly match your liabilities.

As trustees you should inform your caseworker of any intended strategy change and regular asset valuations should be copied to us at least quarterly.

**Regular asset valuations should be copied to us at least quarterly. You should discuss with us in advance of any changes to investment strategy. In any event, you are required to notify the PPF of any significant changes in your scheme assets within 14 days of the reallocation taking place.**

If necessary, we can make sure that the necessary action is taken and the relevant information is provided by:

- issuing directions under section 134 of the Pensions Act in respect of:
  - + the investment of assets
  - + incurring expenditure
  - + instigation or conduct legal proceedings, and
  - + other such matters as may be prescribed (none yet prescribed), and
- requiring relevant information to be provided under section 191 of the Pensions Act 2004.

## Principles continued

### Working in partnership and transparently

It is vital that all parties involved with taking a scheme through assessment build strong working relationships with each other. Without all parties working towards a common goal, the assessment process can be delayed unnecessarily due to poor communications and lack of co-operation.

Trustees and the PPF caseworker should be open in all that they do, particularly when dealing with other parties, to avoid misunderstandings which could lead to a breakdown in relations. They should both work closely together to ensure the scheme is managed through the assessment period as efficiently and effectively as possible.

Your caseworker will provide guidance and direction, working with the trustees as an integrated team, to ensure the scheme progresses through the various stages without any major issues. We will guide and support you as trustees during what can be a stressful time for you and your members to ensure the scheme progresses through assessment without undue delay.

Close co-operation is vital to ensure that you do not miss important deadlines so each should actively encourage good working relationships with specialist PPF teams and external organisations.

We have demonstrated our commitment to this process by producing this guidance which we developed in full consultation with the industry. We also spent a lot of time nurturing relationships with industry bodies such as the Pensions Regulator and NISPI so we share information and give out consistent industry messages.

#### → What good practice looks like



- ✓ Lay trustees identify a potential conflict of interest and inform their caseworker, eg they are both trustee and scheme member and are unable to make an impartial decision which would mean benefits increase for a small number of members, including themselves. They take the appropriate action to seek advice about how to resolve the potential conflict and advise the PPF of the proposed course of action.
- ✓ The trustees avoided a potentially difficult issue by seeking appropriate advice allowing them to take a timely and objective decision.

#### → What bad practice looks like



- ✗ Trustees fail to hold progress meetings for four months despite requests from the PPF caseworker. In the absence of such meetings, advisors start to work on their own timescales, lacking co-ordination with each other. This results in the scheme actuary not knowing about the anticipated due date for an important piece of work.



# Key roles and responsibilities

The PPF assessment process places additional responsibilities on all parties involved with a pension scheme, especially trustees. Therefore, whether you are lay or professional trustees, you should use this guidance as the basis for continuing professional development.

## → In this section

- The role of the trustees 5.1
- The role of the caseworker 5.12
- Other key roles 5.15



## Key roles and responsibilities

# The role of the trustees

Whether you are lay or professional trustees, your duties are set out in law and in your scheme rules. The PPF assessment process will place extra obligations on you to ensure that your scheme completes the process successfully.

Together with your advisors, we expect you to have the necessary skills (detailed later in this section) for taking a scheme through the assessment period and that you have an overview of the legal environment in which we have to work. If you or your advisors need extra help then refer to the Pensions Regulator's Trustee Toolkit 'DB Scheme: Insolvent Employer' module on their website.



[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

You need to recognise and accept that as trustees of a scheme in the assessment period, you will be taking on a significant increase in workload compared with the normal day-to-day duties involved in managing a pension scheme.

Section 3 detailed the key activities for trustees that are specific to the assessment period. While you are ultimately responsible for making sure these activities are carried out, we recognise that you will delegate the task of carrying out some of these activities to your advisors. As trustees, you will still remain responsible for making sure they are carried out appropriately.

Also, we expect trustees to make sure that there is a framework in place throughout the assessment period that ensures all activities and stakeholders (including your advisors) are co-ordinated, informed, managed and proactively communicated in an effective and efficient manner.

We have outlined in this section the key skills which we believe are fundamental to delivering and supporting this framework. These, along with the application of the key principles explained in section 4, should ensure that you have an appropriate framework in place to successfully deliver your scheme through the assessment period. These are not exhaustive and we encourage you to expand your skills and knowledge as much as you can.

### → In this section

→ Project management	5.3
→ Relationship management	5.5
→ Financial management	5.7
→ Communication	5.9
→ Knowledge and understanding	5.10

## Key roles and responsibilities continued

### The role of the trustees

You need to carefully consider what you are required to do and evaluate whether you have the appropriate skills and/or resources to deliver this framework along with the key activities described in section 3.

If you are unwilling or unable to carry out these duties and responsibilities, you may wish to consider whether your existing advisors have the necessary skills and resources to support you in delivering this framework, without jeopardising the delivery of the activities required throughout the assessment period.

If you and your advisors are unable to carry out these duties and responsibilities, your caseworker or the Pensions Regulator can help you appoint an independent trustee to advise and support you. The independent trustee will be selected from a shortlist, all of whom have demonstrated that they have the necessary skills, resources and experience to deliver this framework and support existing trustees through the assessment period.

As existing trustees of the scheme, you will still need to work alongside the independent trustee because you possess valuable knowledge about the scheme and its members and have good working relationships with your advisors.

There is no right or wrong answer as to whether you should undertake these extra duties and responsibilities yourself, delegate them to your advisors or appoint an independent trustee to support you. We have seen many examples where each scenario has worked well, and where each has worked less well and the PPF has had to intervene. You need to take into consideration what is required, the capabilities of all the parties involved alongside the specifics of your own scheme.

**The key skills we believe you, your advisors or an independent trustee need to create a framework to successfully take a scheme through assessment are:**

- **project management**
- **relationship management**
- **financial management**
- **communications, and**
- **knowledge and understanding.**

## Key roles and responsibilities continued

### The role of the trustees

#### Project management

The ultimate aim of the assessment process is to assess the eligibility of your scheme for transfer into the PPF. We believe that effective project management is crucial. As trustees, you are responsible for managing the assessment period in a controlled project environment.

If you do not put in place a rigorous and transparent project management plan then you risk overlooking key stages in the process and missing important deadlines.

#### Monitoring

A project plan is a management tool aimed at ensuring that the scheme completes the assessment period successfully and quickly. It should be monitored and updated regularly throughout the assessment period. We accept that some of the tasks and timescales on the initial project plan may be estimated but these should be finalised as soon as reasonably possible within the first two months of the assessment period. It should also be updated if the information gathered changes the activities on the project plan.

Fundamental to your project plan will be the need to monitor all risks and issues. If you spot any 'significant' problems, then tell your caseworker immediately. You should also explain how you are going to deal with the problems to reduce the impact they may have on your project plan and the progress of the scheme through the assessment period.

You should take a proportionate approach in determining whether a problem is 'significant' and consider the following:

- whether the impact on the progress of the scheme and the project plan is within the tolerances agreed with the PPF caseworker at the outset
- proportion of the members the issue or problem affects, and
- the impact on the financial resources of the scheme, in terms of both the problem itself and the cost of rectifying it.

A 'significant' issue for one scheme may not be the same for another scheme.

#### What we expect you to do

##### → You should

- + identify any issues (eg legal, equalisation, data etc) which may affect assessment period timescales
- + incorporate any actions needed to address identified issues into the plan and ensure they are monitored regularly
- + provide us with an up-to-date project plan on an agreed basis
- + list key activities as well as how long they will take to complete, and
- + ensure the project plan has been created in consultation with everyone concerned and is realistic and achievable. The project plan should be completed within two months of the assessment period starting.

**To help you with this work, we provide a project plan template on the PPF website. We have also developed a list of key activities with recommended timescales and earliest possible start dates.**



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## Key roles and responsibilities continued

### The role of the trustees

#### Communicating

Once you have a project plan, you should communicate it to all parties. This is essential to prevent any delays caused by, for instance, limited availability of resources.

Regular and timely progress reporting between everyone involved is essential to ensure that:

- any changes to the original plan are communicated so that everyone is working to the same timescales, and
- issues can be identified and managed in an effective manner.

**For example**, scheme actuaries are often given little advance notice about the need to complete a section 143 valuation – and this can delay the project plan. While we are ultimately responsible for instructing the actuary to produce the valuation, you should monitor progress on the data audit and advise the actuary on when it is likely that work on the valuation can begin.

#### Making decisions

You should take a proportionate approach throughout the assessment period and you should make key decisions only after carefully considering the best interests of both the scheme and its members. Always consult with your PPF caseworker before taking such decisions.

You should also only take any significant decisions once you have the information you need to make a fair and proportionate decision. Simple queries should be dealt with in a timely way to avoid unnecessary delays.

You should also make sure you have a single point of contact who will be accountable for ensuring that information is provided to all parties at the right time. This gives your caseworker confidence that there is one person with a working knowledge of all issues and who can make quick but considered decisions when necessary.

#### Appointing advisors

You may be able to appoint an advisor to handle the day-to-day management of the assessment process – but only in certain circumstances.

**For example**, a very large scheme with trustees who are used to delegating responsibility may appoint an advisor. But they would need to ensure that they, in turn, properly manage the advisor as ultimate responsibility for the scheme still rests with them.

**Your project plan should be communicated and shared with all parties.**

**Key decisions should take into consideration the best interests of both the scheme and its members.**

## Key roles and responsibilities continued

### The role of the trustees

#### Relationship management

Because a number of parties are involved, good working relationships must be established from the start. This will be achieved by working in partnership, agreeing realistic timescales and ensuring that everyone is clear about their individual roles. As existing trustees of the scheme, we would expect you to already have good working relationships with your scheme advisors.

You will be the main point of contact throughout the assessment process, unless agreed otherwise. That is why you must make yourself available to ensure there are no delays when making important decisions and that communication channels are open at all times.

This also means that you need to effectively manage relationships between advisors to ensure that they work together in a competent, proficient and supportive way – and, importantly, that they know they are accountable for their own actions.

If you have good working relationships then you can deal with any issues or concerns in a proficient and constructive way.

It is important that you tell your caseworker about the progress you are making in dealing with issues and concerns. If you do not, the PPF can only assume that you have made no progress which could be reflected in your own evaluation.

**7** For more details on evaluation.

You can also ask your PPF caseworker for advice on any matters that arise during assessment, as they will have experience of other schemes which have had to deal with similar issues.



**But, remember: it is not the caseworker's job to make decisions on your behalf.**

**You, as trustees, are ultimately responsible for your scheme.**

**If there is a dispute between advisors or other professionals**

**→ You should**

- + reconcile all parties to come to an amicable agreement
- + tell your caseworker before the relationship between the parties deteriorates even further, and
- + arrange regular meetings – either face-to-face or by phone – to encourage regular open communication and positive working relationships.

## Key roles and responsibilities continued

### The role of the trustees

#### Conflicts of interest

You should be aware of any conflicts of interest either among fellow trustees or between your advisors. If conflicts of interest are not handled in a proficient way, they can impede the assessment process.

Ideally, you should have a pre-agreed policy for handling conflicts. If you do not, then ensure you discuss them openly and transparently with all parties. If anyone fails to acknowledge that a conflict exists, you should raise this with your caseworker.

#### High profile cases

Sometimes schemes with high profile employers may attract a lot of attention. If you are trustees of such a scheme, you should talk to your caseworker about any contact you have with people such as the media, politicians or bodies such as trade unions to ensure they receive consistent messages.

Effective communication is essential. If you need any help with drafting materials for external parties, then talk to your caseworker who has extensive experience of dealing with such issues. An example of some of the issues you may encounter can be found on the PPF website.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)



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**Remember, high profile cases should be handled with extra care as they are more likely to attract negative comment which could delay the assessment process.**

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#### Informing members

Throughout the assessment period, you will be responsible for communicating with your scheme members. They must be kept informed about any issues so that you manage their expectations and ease any concerns.

It is essential that you tell them, in the most timely way, about the expected outcome of the assessment period, eg whether the scheme will transfer to the PPF or whether it will be rescued.



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**Remember, you must not issue any key correspondence or any other communications to the membership as a whole without agreeing the contents with your caseworker. An illustration of some of the key correspondence can be found in section 4.3.**

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**You should have a policy for handling conflicts.**

**You will be responsible for communicating with your scheme members.**

## Key roles and responsibilities continued

### The role of the trustees

#### Financial management

You will be responsible for managing the finite financial resources available to you in the most cost-effective way possible. While we would not want you to miss out certain tasks based on cost alone, we would want you to take a proportionate approach to your decisions.

**For example**, once a scheme has taken reasonable steps to trace members – such as using the Department for Work and Pensions' tracing service, publishing a notice in local media or asking other members to provide details of any missing members – the PPF would not expect the trustees to spend its limited resources on tracing the final few members if it would result in disproportionate cost to the scheme. Members will still be able to trace their pensions at retirement once the scheme has transferred to us as we will have notified the tracing service of its transfer.

#### Managing assets

So that you can minimise your scheme's deficit, you will need to manage your scheme assets properly. From the outset and throughout the assessment period as the profile of your scheme changes, you should consider if your scheme asset allocation is appropriate and, if not, make changes where possible. You should pay particular attention to illiquid assets such as property or fine art which could be difficult or slow to disinvest.



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**Again, any significant changes or actions must be pre-cleared and agreed with your caseworker.**

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Any structural changes in your investments, not for the purposes of paying pension benefits to your members, which reallocates your investment holdings can be defined as 'significant'. This includes changes in:

- asset classes
- allocation of assets, and
- fund managers.

**You need to manage the finite financial resources available to you.**

## Key roles and responsibilities continued

### The role of the trustees

We expect trustees to act prudently and proportionately with regard to any financial transaction taking place that involves the reallocation of the schemes' investments. We consider it best practice and require that at least two authorised signatories approve any such financial transaction. Also, if we believe that the trustees have acted imprudently when authorising a transaction, we may exercise our power under section 134 to make a direction regarding the investment of the scheme's assets.

You are also required under legislation to provide us within 14 days of the change taking place details of any significant changes in the:

- investments of the scheme, or
- level of expenditure incurred by the scheme.

During the assessment period, you should also ensure that you and/or your investment managers provide us with copies of the up-to-date asset valuations for the investments you hold on a quarterly basis. This information will provide an overview of the investments held by all schemes in the assessment period, enabling us to form an opinion on the investment profiles of all the schemes.

Also, where we do not have enough information about a scheme's assets, or if it is over six months old, we will request further information regarding the current value of your investments.

**8** A link to the information that may be requested is available in the tools section.

#### Trustee and advisory budget

You will need to agree a budget for your involvement in the assessment process as well as that of your advisors.

While we accept that any initial budget will be estimated, you must justify any significant increase and, in certain circumstances, seek approval from your caseworker (see reporting section). As you become aware that the estimated budget may exceed agreed tolerances with your caseworker, you should notify your caseworker, giving an indication of the expected increase and the reason.

Everyone involved is accountable for their budget and responsible for managing it as it is not in your members' interests to overspend without justification.

**We have produced a budget template on our website which you can use for budget management.**



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## Key roles and responsibilities continued

### The role of the trustees

#### Communication

You should work together with your advisors and with your caseworker to agree how and when you should communicate with each other, and with your members.

This agreement should be reviewed on a regular basis and adapted according to circumstances. You should also give your caseworker an updated project plan each month which highlights the progress made and where deadlines may be missed.

#### Meetings and updates

You will be responsible for holding regular meetings with your advisors and with ourselves to monitor progress. Because advisors are as accountable as trustees, we expect them to provide timely updates to caseworkers, via the trustee where required, and in between, through organised meetings, if necessary, without them having to be chased by the trustee.

#### Scheme members

You should tailor your communications to your scheme members and a professional communications strategy can help with this. Also, the PPF produces its own material for scheme members which we would encourage you to use to explain things such as the assessment process and how compensation works. You can find these on the PPF website or you can ask your caseworker for copies.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## Key roles and responsibilities continued

### The role of the trustees

#### Knowledge and understanding

You are not required to have any qualifications or undertake any formal training to be a trustee. We believe they can greatly improve your understanding of your role, particularly as your scheme enters an assessment period. You are, therefore, strongly encouraged to acquire knowledge and understanding of the Pensions Regulator's Trustee Knowledge and Understanding Code of Practice and to complete the Pensions Regulator's Trustee Toolkit training modules.

#### Trustee Toolkit

Firstly, we would encourage you to use the Pensions Regulator's Trustee Toolkit to boost any training you already have as part of its Trustee Knowledge and Understanding Code of Practice.

We strongly recommend the module which is dedicated to the assessment period. This will provide a good introduction to the process, or enable you to refresh your knowledge.

Training should be integral to your role and you should take advantage of training opportunities to ensure that you can perform your role in respect of a scheme in the assessment period.

#### Advisors

As said before, the assessment period process requires special knowledge and experience. If you feel both your own and your fellow trustees' knowledge is limited or out of date, you should ensure that you have the right advisors in place to cover any gaps in your knowledge.

You should always bear in mind that you are still ultimately responsible for all decisions relating to your scheme. It is your responsibility to ensure your knowledge and understanding is sufficient to fulfil your responsibilities as a trustee during the assessment period.

#### Existing trustees

You should not underestimate the history and knowledge that you and the other existing trustees hold when your scheme enters assessment. Should all trustees choose to stand down and be replaced by an independent trustee, we would recommend that at least one or two trustees remain in a consultative role, on an ad hoc basis. These trustees can prove invaluable when reviewing historic decisions and scheme changes.

## Key roles and responsibilities continued

### The role of the trustees

#### Complying with obligations

Once a scheme enters an assessment period, it must comply with the obligations set out in the Pensions Act 2004<sup>1</sup> (see footnote for details). Having a high level of knowledge and understanding should enable you to comply fully with these obligations but you should get help from your caseworker when necessary.

If you fail to meet your legal obligations, you could face civil penalties or professional censure. It is important to remember that the caseworker provides information and guidance – but cannot provide legal or actuarial advice. You must seek such advice from your scheme's advisors.

Entering assessment does not mean you can ignore statutory or regulatory requirements in place for schemes outside assessment. These include, for instance, producing an annual report and accounts.

#### PPF powers

While there is no general legal requirement to follow our guidance, we will closely monitor any schemes which fail to apply the guiding principles we have set out. If a scheme continually performs badly, we can apply certain powers and, in extreme circumstances, seek to remove trustees. Importantly, we will report on trustees' conduct to the Pensions Regulator. This will be taken into account when it makes future independent trustee appointments.

We believe that by committing to development of your knowledge and understanding this will help you comply more easily with all relevant legal requirements and other obligations.

You can find out more information about our powers and when we will use them in the Regulatory Statement.



[www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf](http://www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf)

**If you fail to meet your obligations under law, you could face legal action or professional censure.**

<sup>1</sup> Once a scheme enters an assessment period, it must comply with the legal framework set out in Part 2 of the Pensions Act 2004, section 107 to 220, Schedules 5-9 and associated regulations.

## Key roles and responsibilities continued

# The role of the caseworker

Every pension scheme which enters an assessment period is assigned a caseworker to provide it with help and guidance. The caseworker is our project manager and is the main point of contact for trustees throughout the assessment period.

As trustees of the scheme, you remain responsible for the day-to-day operation of the scheme, including meeting all the scheme's reporting and compliance requirements until the end of the assessment period (whatever its outcome).

The caseworker must also demonstrate the same five key skills that a trustee needs during the assessment period (see role of the trustee section). This ensures that there is a fair and consistent approach to the assessment process, regardless of the type of scheme.

This section of the guidance is to help you understand the role of the caseworker, enable you to use them to their full potential and get maximum benefit from the support you receive.

### → In this section

- |                                |      |
|--------------------------------|------|
| → Project management           | 5.13 |
| → Stakeholder support          | 5.13 |
| → Influencing external parties | 5.13 |
| → Feedback process             | 5.14 |

### The key skills of the caseworker are:

- **project management**
- **stakeholder support**
- **influencing external parties, and**
- **delivering effective feedback.**

## Key roles and responsibilities continued

### The role of the caseworker

#### Project management

The caseworker will review and monitor the progress of schemes in the assessment period. They will do this by tracking progress against the agreed project plan and budget. Where there is delay or unbudgeted costs, you will have to provide a valid reason to the caseworker as soon as possible. As trustees, you will remain ultimately responsible for project managing the scheme through the assessment process.

The caseworker will also assess whether information provided by all parties meets the minimum quality standards. If it does not meet these standards, the caseworker will talk to you to ensure you can address the issues.

As the caseworker is responsible for managing the PPF's various roles throughout the assessment process, you can rely on them to co-ordinate the PPF's internal activities.

#### Stakeholder support

Many people involved with the assessment period may be unfamiliar with the process. The caseworker can be a useful contact for those who need support and guidance.

However, trustees should make a distinction between guidance and decision-making. The caseworker will not make decisions on behalf of stakeholders, particularly trustees. While the caseworker can offer support and guidance, it is for the trustees and their advisors to make the ultimate decisions.

The caseworker will commit to responding to a query from a stakeholder within an agreed timeframe to manage expectations.

#### Influencing external parties

You should tell your caseworker if advisors or other people are holding up the assessment process and your involvement has failed to improve matters.

With a significant number of schemes in the assessment period at any one time, we can often identify whether particular advisors are struggling to meet targets across all their schemes and find out whether or not this is justified. If this is the case, PPF senior management will talk to the advisors concerned to help resolve the situation.

**Information provided by all parties should meet the minimum quality standards. These are described in more detail on our website.**



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

**The caseworker will not make decisions on behalf of stakeholders.**

## Key roles and responsibilities continued

### The role of the caseworker

#### Feedback process

Caseworkers are committed to playing a key role in monitoring and providing feedback to all parties involved with delivering a scheme successfully through the assessment period, including trustee performance.

We monitor trustees against specific areas such as ability to manage schemes through assessment within time and budget and adherence to the five principles:

- **accountability**
- **communication**
- **competence and proficiency**
- **proportionality, and**
- **working in partnership and transparently.**

Caseworkers provide regular feedback on individual trustees so both we and the Pensions Regulator can evaluate scheme trustees or the independent trustee company as a whole (see the feedback and performance management section).

## Key roles and responsibilities continued

# Other key roles

The interaction between the trustees and the caseworker is fundamental to ensuring that a scheme progresses successfully through the assessment period. The following advisors also play a vital role in ensuring that the key activities during the assessment period are completed accurately and in a timely manner.

### Scheme administrator

Your scheme administrator continues to remain responsible for carrying out their day-to-day duties involved with administering a pension scheme.

We would also expect your scheme administrator to be involved with helping you to complete the following key activities during the assessment period:

- reducing existing pensions in payment during the assessment period
- reviewing ill health pensions
- conducting a benefit and data audit, and
- preparing the scheme and member data for transfer to the PPF.

### Scheme actuary

During the assessment period, the primary role of your scheme actuary – or, in exceptional circumstances, an actuary appointed by the PPF – is to produce an actuarial valuation of the scheme's liabilities in accordance with section 143 of the Pensions Act 2004 and relevant guidance.

### Legal advisor

We would expect your legal advisors to provide you with guidance and support in carrying out the following key activities:

- review admissible rules, and
- review the equalisation history of the scheme.

### Investment advisor

We would expect your investment advisors to work with you during assessment to determine an appropriate investment strategy for your scheme as it progresses through the assessment period and to make any changes to your existing investments as required. Any proposed changes should be discussed with your caseworker.

## Key roles and responsibilities continued

### Other key roles

#### Scheme auditor

During the assessment period, the scheme auditor is expected to work closely with the trustees and the scheme accountant to ensure that:

- all parties agree an accounts preparation and audit strategy for the assessment period which guarantees continuity of audit scrutiny and maximises the value for money of each set of accounts produced
- the scheme actuary has available an audited set of accounts to support the section 143 valuation that deals properly with any multi-employer or segregation issues, and
- the scheme complies with relevant regulations such as the Occupational Pensions Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, which continue to apply to the scheme throughout the assessment period.

# Reporting

To ensure we complete assessment within the preferred timescales (within 24 months), we need to be kept regularly informed, with documentary evidence about the progress you are making and any early warnings about possible delays.

## → In this section

→ Legislative reporting	6.1
→ Regular reporting	6.2
→ Exception reporting	6.4
→ Escalation lines	6.4

To help you understand the assessment process more fully, the Pensions Regulator – in conjunction with the PPF – has developed a new Trustee Knowledge and Understanding Toolkit module for schemes in an assessment period ('DB Scheme: Insolvent Employer' module). This sets out all the key tasks that you need to undertake during assessment.

It is not designed to be a definitive list of all activities required for your scheme but provides an outline of the process from beginning to end, based on a typical scheme.

While this guidance is not prescriptive, you should adhere to certain reporting requirements unless agreed otherwise with your caseworker. If you believe these requirements are not suitable for your scheme, then talk to your caseworker to agree a mutually satisfactory way forward.

There are three types of reporting that your caseworker will expect from you; legislative reporting, regular reporting and exception reporting.



# Reporting

## Legislative reporting

The Pension Protection Fund (Provision of Information) Regulations 2005 set out the information you are required, by law, to provide to the PPF, within specified timeframes. These requirements are set out below for your information.

Description of the information to be provided to the PPF	Period during which the information is to be provided
<p>In respect of a member of the scheme entitled to a reviewable ill health pension:</p> <ul style="list-style-type: none"> <li>+ their name</li> <li>+ a description of their position as an employee in relation to the employer in relation to that scheme</li> <li>+ the annual amount of their reviewable ill health pension</li> <li>+ the date on which the award of that pension was made</li> <li>+ if applicable, the date they left the employment of the employer in relation to that scheme, and</li> <li>+ a statement containing a brief description of their illness or injury.</li> </ul>	<p>Within 28 days beginning on the notification date (see glossary section).</p>
<p>The number of ill health pensions awarded each year for the previous six years immediately before the assessment date.</p>	<p>The period of 28 days beginning on the notification date.</p>
<p>Details of any legal proceedings by, or against any of the trustees or managers of the scheme in their capacity as trustees or managers which are pending immediately before, or on, the assessment date.</p>	<p>Within 28 days beginning on the notification date.</p>
<p>Details of any relevant contract of insurance which is in being on the assessment date.</p>	<p>Within 28 days beginning on the notification date.</p>
<p>The identity of the maker of any further contributions towards the scheme paid under section 133 (admission of new members, payment of contributions etc), together with the amount of any such contributions.</p>	<p>Within 14 days beginning on the last day of the month in which the contribution was paid.</p>
<p>Details of any significant changes:</p> <ul style="list-style-type: none"> <li>+ in the investment of the scheme's assets, or</li> <li>+ in the level of expenditure incurred by the scheme.</li> </ul>	<p>Within 14 days.</p>
<p>Details of any change in address or telephone number of the trustees or managers.</p>	<p>Within five days.</p>
<p>The identity of those individuals within the trustees' or managers' organisation who will have responsibility for providing information to the PPF.</p>	<p>Within 28 days beginning on the notification date.</p>
<p>Any change in identity of:</p> <ul style="list-style-type: none"> <li>+ the individuals who have notified the PPF as having responsibility for providing information to the PPF, and</li> <li>+ the Insolvency Practitioner.</li> </ul>	<p>Within 14 days.</p>

## Reporting continued

### Regular reporting

Throughout the assessment period your caseworker will expect you to provide regular updates about the scheme's progress through the assessment period.

#### Project plan

A key management tool is the project plan. You need to ensure that it is comprehensive and maintained throughout the assessment period. It should reflect the specific features and complexities of your scheme, with reference to the resources needed by both trustees and advisors to complete tasks effectively.

To help you with this we have developed a template project plan that is available on our website, which you can use as a starting point for your project plan. This will need to be adapted to take into consideration the specific features and issues for your scheme.



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

**8.1** Alternatively a direct link can be found here.

You should maintain the plan regularly and share it with your caseworker and advisors as appropriate. This should be sent, complete with relevant documentation, to your caseworker at least every month. You should clearly mark progress and changes so your caseworker can monitor progress.

#### Progress reports and meetings

You should also hold regular meetings with your advisors and us – face-to-face where possible – to address any potential issues. Under normal circumstances, quarterly meetings will be enough – but, if several activities are taking place at the same time, we would suggest monthly meetings may be more appropriate.

Also, you should provide a brief highlight report indicating the achievements and progress over the period, any overdue deadlines and the activity planned for the following period.

**You need to ensure that the project plan is comprehensive and maintained throughout the assessment period.**

## Reporting continued

### Budget

Once your scheme has entered assessment, you should agree a budget with your caseworker to ensure it represents value for money and is realistic. Once approved, you need to send it to your caseworker once a month highlighting actual against estimated spend.

### Summary

The table summarises the type of reporting and the frequency that your caseworker will expect from you during the assessment period.

Description of the information to be provided	Method of reporting	Frequency
Updated project plan	Project plan	Monthly
Updated budget plan	Budget plan	Monthly
Progress reports	Highlight report	Monthly
	Face-to-face progress meetings	Quarterly, unless agreed otherwise, eg if several key activities are taking place at the same time.
Up-to-date asset valuations	Copies of the investment updates you receive from your investment managers.	Quarterly

**To maintain consistency between schemes, we have developed a budget template on our website which you should use to monitor both your and your own advisors' budgets.**



[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## Reporting continued

### Exception reporting

There will be times when you will need to report a particular issue to your caseworker outside the regular reporting cycle, eg if a member raises an issue about the PPF benefits or you encounter issues with your advisors etc.

You should bring to your caseworker's immediate attention any delay which would put back overall timescales as the caseworker may be in a position to resolve the particular problem, or reduce the delay.

Also, you should tell your caseworker if you are likely to exceed your budget in an area before you exceed that budgeted amount.

As part of your existing internal controls and governance procedures (go to the Pensions Regulator website) in running a pension scheme, we would assume that you already have a mechanism in place to record and monitor any issues which arise, eg risk register. As well as telling your caseworker, you should also document and manage in line with your existing procedures, any exceptional issues identified during the assessment period.



[www.thepensionsregulator.gov.uk/codesofpractice](http://www.thepensionsregulator.gov.uk/codesofpractice)

### Escalation lines

If you continually fail to report progress and provide the necessary information to your caseworker within the agreed timescales, the caseworker will bring your case to the attention of PPF senior management.

If you do not satisfy our concerns, you could be investigated by the Pensions Regulator and us, and where necessary further action may be taken.

# Feedback and performance management

The PPF is committed to enhancing the knowledge and experience of all parties involved with ensuring a scheme successfully progresses through the assessment period, in an accurate and timely manner. To do this, we will provide regular feedback about performance to all parties concerned, either at an individual or corporate level.

More specifically, as the trustees' role is fundamental to the assessment period, we want to make sure that trustees have the appropriate skills and behaviours to carry out their responsibilities and perform at the required levels.

We intend to develop a methodology aimed at measuring trustees' performance in a transparent and consistent way.

Broadly, it will be designed to support the values and strategic objectives of the PPF and focus on the five key principles highlighted in this guidance.

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#### **4** For more information.

Following the feedback from the initial consultation, the PPF will be consulting further with the industry to develop a fair and proportionate mechanism to measure trustees' performance – and provide appropriate feedback – in a way which adds the most value to both trustees and interested stakeholders.

More information about this process will be released following this additional consultation.



# Tools

The following section contains some of the key tools and templates which the PPF has developed to help progress you through the assessment period.

→ In this section	
→ Management tools	8.1
→ Technical tools	8.1
→ Communication tools	8.3



# Tools

## Management tools

### Project plans

General planning guidance



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee\\_Guidance\\_Management\\_Plan\\_Guidance.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee_Guidance_Management_Plan_Guidance.pdf)

Template project plan



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee\\_Guidance\\_Management\\_Plan\\_Table.xls](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee_Guidance_Management_Plan_Table.xls)

### Budget plans



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee\\_Guidance\\_Budget\\_Plan\\_Template.xls](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee_Guidance_Budget_Plan_Template.xls)

## Technical tools

Detailed guidance on each of the key activities can be found on our website.

### Quality standards



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee\\_Guidance\\_Action\\_Log.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee_Guidance_Action_Log.doc)

### Notifying the PPF of a qualifying insolvency event



[www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/ReceiptofS120Notice.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/ReceiptofS120Notice.aspx)

Section 120 notice



<http://ppf-forms.org.uk/>

Information to provide with the section 120 notice



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Information\\_Requirements\\_following\\_S120\\_notice.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Information_Requirements_following_S120_notice.pdf)

### Produce and monitor project plan and budget

See details in the management tools section above.

### Cancel the contracting out certificate, if appropriate

Please refer to chapter 5.



[www.hmrc.gov.uk/forms/2007/ca14c.pdf](http://www.hmrc.gov.uk/forms/2007/ca14c.pdf)

## Tools continued


### Reduce existing pension payments during assessment

Calculate compensation levels for all and ensuring benefits are paid at PPF compensation levels.

-  [www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/FinancialManagement.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/FinancialManagement.aspx)
- [www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/financial\\_management\\_-\\_appendix.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/financial_management_-_appendix.pdf)

### Review ill health pensions

Consider ill health review section.

-  [www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/DataAudit.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/DataAudit.aspx)
- [www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/OutstandingIll-healthAwards.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/OutstandingIll-healthAwards.aspx)

### Review admissible rules

Review the section or scheme rules to establish which are admissible (as this is central to paying benefits at PPF levels) section.

-  [www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/FinancialManagement.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/FinancialManagement.aspx)
- [www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/financial\\_management\\_-\\_appendix.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/financial_management_-_appendix.pdf)

### Obtain a set of audited accounts to support the section 143 valuation

-  [www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/accounting\\_q\\_as.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/accounting_q_as.pdf)

### Conduct a benefit and data audit

-  [www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/DataAudit.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/DataAudit.aspx)

Template log for providing an audit trail of all the actions taken.

-  [www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee\\_Guidance\\_Action\\_Log.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee_Guidance_Action_Log.doc)

### Notify the PPF of any significant changes in the investment of scheme assets or expenditure incurred by the scheme

-  [www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee\\_Guidance\\_Investment\\_Table.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee_Guidance_Investment_Table.doc)

Template for providing PPF with investment valuation updates.

-  [www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee\\_guidance\\_investment\\_valuation\\_update\\_form.xls](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee_guidance_investment_valuation_update_form.xls)

## Tools continued

### Produce a section 143 valuation



[www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/ActuarialValuation.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/ActuarialValuation.aspx)  
[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/section\\_143\\_guidance\\_sep06.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/section_143_guidance_sep06.pdf)

### Data transfer



[www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/DataAudit.aspx](http://www.pensionprotectionfund.org.uk/TrusteeGuidance/DetailedTrusteeGuidance/Pages/DataAudit.aspx)  
[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/PPF\\_Standard\\_Data\\_Interface\\_for\\_Trustees\\_version\\_5.0.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/PPF_Standard_Data_Interface_for_Trustees_version_5.0.pdf)

## Communication tools

### Initial announcement



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Member\\_Communication\\_Guidance.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Member_Communication_Guidance.pdf)

### Valuation statements

Where the section 143 valuation indicates that the scheme should transfer to the PPF.



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee\\_guidance\\_valuation\\_summary\\_transfer\\_letter.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee_guidance_valuation_summary_transfer_letter.doc)  
[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee\\_Guidance\\_Statement\\_of\\_Entitlement\\_transfer.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Trustee_Guidance_Statement_of_Entitlement_transfer.doc)

Where the section 143 valuation indicates that there are sufficient assets within the scheme to provide benefits at or above PPF levels of compensation for all members.



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee\\_guidance\\_valuation\\_summary\\_withdrawal\\_letter.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee_guidance_valuation_summary_withdrawal_letter.doc)  
[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee\\_guidance\\_statement\\_of\\_entitlement\\_withdrawal.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee_guidance_statement_of_entitlement_withdrawal.doc)

Additional paragraphs which may be inserted into the relevant statement of entitlements.



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee\\_guidance\\_valuation\\_summary\\_paragraphs.doc](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/trustee_guidance_valuation_summary_paragraphs.doc)

## Tools continued

### Introducing the PPF



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/introducing\\_the\\_ppf.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/introducing_the_ppf.pdf)

### Ten things you need to know about the PPF



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/ten\\_things\\_blue.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/ten_things_blue.pdf)

### Your journey to becoming a member of the PPF



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/assessment\\_leaflet\\_blue.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/assessment_leaflet_blue.pdf)

### Help! My employer has gone bust...and I think I might lose my pension



[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/ppp\\_leaflet\\_blue.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/ppp_leaflet_blue.pdf)

# Glossary

The following glossary contains terms relating specifically to the PPF assessment period.





# Glossary

## Admissible rules

When a pension scheme enters an assessment period, a review is undertaken to identify changes to the pensions scheme rules in the three years before the assessment date:

- any discretionary increase under the pension scheme rules that were made or came into effect which were made or took effect, and
- rules that come into force by reference to an insolvency event in relation to the employer or any associated event.

If the review establishes that immediately before the assessment date, the aggregate effect of recent rule changes resulted in an overall increase in the pension scheme's liabilities those changes will be disregarded by the PPF leaving only those rules which are admissible. Additionally any pension scheme pension scheme rule which came into operation through the winding-up of the pension scheme or any associated event will be treated as void.

## Assessment date

The date of the qualifying insolvency event.

## Assessment period

The period following the qualifying insolvency event during which the PPF determines whether it should formally assume responsibility for the pension scheme. During this period the scheme continues to be managed by the trustees, subject to various restrictions and controls.

The assessment period is likely to last a minimum of one year and could be longer depending on the complexity of the financial situation of both the employer and the scheme.

## PPF compensation

Individuals who, at the assessment date, have already reached normal pension age or are in receipt of a survivor's pension or a pension on the grounds of ill health:

- are compensated at the level of 100 per cent of their current pension in payment at the assessment date
- the pension in respect of service from 6 April 1997 will increase, and
- this increase is in line with the Retail Prices Index to a maximum of 2.5 per cent per annum.

For those individuals who have not reached normal pension age at the assessment date and are not in receipt of a pension on the grounds of ill health or a survivor's pension:

- the compensation level is 90 per cent of their accrued benefits at the assessment date
- revaluation in line with the Retail Prices Index for each year between the assessment dates and the commencement of compensation payments
- subject to an overall cap adjusted according to the age at which compensation comes into payment, and
- once in payment, indexation as for retired members.

## Contracting out

Using a pension scheme to meet certain conditions to provide benefits (GMPs, Protected Rights) in place of the State Second Pension. Employees and the sponsoring employers of contracted out occupational schemes pay reduced rate National Insurance contributions.

## Contracting out certificate

The certificate issued by HMRC, in respect of an occupational pension scheme which satisfies the conditions for contracting out, confirming that the employees in the employments named in the certificate are to be treated as being in contracted out employment.

## Equalisation

The European Court of Justice ruling that since the Barber Judgment of 17 May 1990 men and women must have equal rights to join occupational pension schemes, occupational pensions earned from service must be equal for men and women and that normal pension ages must be the same for both sexes.

## Guaranteed Minimum Pension (GMP)

The minimum pension which a salary related occupational pension scheme must provide in respect of contracted out contributions paid between April 1978 and April 1997, as a condition of contracting out.

Replaced by the Reference Scheme Test for contributions paid after 1997.

## HM Revenue & Customs (HMRC)

Formed in 2005, following the merger of the Inland Revenue and HM Customs and Excise. Responsible for the tax approval of pension schemes and taxation of contributions and benefits.

## Indemnity insurance

Trustee indemnity insurance covers trustees against personal liability when legal claims are made against them, either by their pension scheme or by a third party. Provided that the trustees have authority under the scheme rules, they are entitled to be insured against claims that may arise from their legitimate actions as trustees, and will be covered against liability as long as they have acted honestly and reasonably.

## Independent trustee

An individual or corporate body with no direct or indirect involvement with the pension scheme, employer or member, other than performing the duties of the trustee.

## Insolvency practitioner

In the United Kingdom, only an authorised or licensed insolvency practitioner may be appointed in relation to formal insolvency procedures.

## Glossary continued

### National Insurance Services to Pensions Industry (NISPI)

A directorate within the National Insurance Contributions Office. The National Insurance Contributions Office is part of HMRC.

NISPI deals with occupational pension schemes and appropriate personal pension schemes that are contracted out of the state additional pension.

### Notification date

The day on which the Board notifies the trustees or managers of the scheme:

- in accordance with regulation 3(3)(b), (10)(b) or (d) of the date on which the assessment period began, ie the assessment date, or
- of the request for information.

### Pensions Act 2004

The Pensions Act 2004 is an Act of Parliament to improve the running of pension schemes.

### Pensions Tracing Service

A service operated by the Pensions Service allowing members of pension schemes to trace lost pension scheme benefits.

### The Pensions Regulator

The UK regulator of work based pension schemes. The Pensions Act 1995 and the Pensions Act 2004 gives the Pensions Regulator a set of specific objectives:

- to protect the benefits of members of work based pension schemes
- to promote good administration of work based pension schemes, and
- to reduce the risk of situations arising that may lead to claims for compensation from the PPF.

### The Pensions Service

Part of the Department for Work and Pensions (DWP) which is responsible for administering and paying the state pension.

### Qualifying insolvency event

A qualifying insolvency event in relation to the employer of an eligible scheme is an insolvency event of a description prescribed under section 121 of the Pensions Act 2004 that occurs on or after 6 April 2005. This is irrespective of any previous insolvency event prior to this date. Please see the PPF website for the list of qualifying insolvency events.

### Section 120 notice

The statutory notice for an Insolvency Practitioner to notify the PPF that an insolvency event has occurred in relation to a company that sponsors an occupational pension scheme.

### Section 143 valuation

An actuarial valuation prescribed under section 143 of the Pensions Act 2004. See assessment process section 3 for further details.

For additional information please consult the following documents, which are available on the PPF website:

Guidance for undertaking the valuation in accordance with section 143 of the Pensions Act 2004  
[www.pensionprotectionfund.org.uk/section\\_143\\_guidance\\_sep06.pdf](http://www.pensionprotectionfund.org.uk/section_143_guidance_sep06.pdf)

Top ten tips for actuaries preparing section 143 valuations  
[www.pensionprotectionfund.org.uk/top\\_10\\_tips\\_.pdf](http://www.pensionprotectionfund.org.uk/top_10_tips_.pdf)

### Stakeholders

In this instance, stakeholders are individuals or organisations that have a direct interest in a scheme. In the case of an occupational pension scheme these include:

- trustees
- employers
- employees
- advisors, and
- regulatory bodies.

### Trust Deed and Rules

The Trust Deed and Rules are the documents which govern the scheme and set out how the benefits are calculated and payable.

### Trust

A legal concept whereby assets are held by one or more persons (the trustees) for the benefit of others (the beneficiaries) for the purposes specified by the trust instrument. The trustees may also be beneficiaries.

### Trustee Knowledge and Understanding

The Pensions Act 2004 (sections 247-249) requires trustees to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Trustees are also required to be conversant with their own scheme's policy documents. (The Pensions Regulator has taken the phrase 'conversant with' to mean having a working knowledge of those documents such that the trustees are able to use them effectively when carrying out their duties as trustees.)

### Trustee Toolkit

An online learning system developed by the Pensions Regulator to help trustees meet the requirements for trustees knowledge and understanding in relation to occupational pension schemes.

[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

### Winding-up

The process of terminating an occupational pension scheme, usually by applying the assets to the purchase of immediate annuities and deferred annuities for the beneficiaries, or by transferring the assets and liabilities to another pension scheme, in accordance with the scheme documentation or statute (section 74 PA95).

# Further reading

There are a number of websites listed overleaf which may be useful to both trustees and advisors involved in managing schemes through the PPF assessment process.





# Further reading

## **Pension Protection Fund**

### **Trustee guidance**

The trustee guidance is a practical guide to the assessment process which should be used in conjunction with the good practice guide.



[www.pensionprotectionfund.org.uk/index/trustee\\_guidance.htm](http://www.pensionprotectionfund.org.uk/index/trustee_guidance.htm)

## **Pensions Act 2004**

### **PPF legislation – Pensions Act 2004**

The role of the PPF and its legal obligations are set out in the Pensions Act 2004. Part 2 of the Pensions Act 2004 sections 107 to 220 and Schedules 5-9 outline the key requirements of the PPF.



[www.opsi.gov.uk/acts/acts2004/ukpga\\_20040035\\_en\\_10#pt2](http://www.opsi.gov.uk/acts/acts2004/ukpga_20040035_en_10#pt2)

## **Plain English Guide to Pensions Act 2004**

A plain English guide to the Pensions Act 2004 has been produced which sets out the key features of the Act in a simple, easy to read format.



[www.law-now.com/cmck/pdfs/nonsecured/plainengpensionsact.pdf](http://www.law-now.com/cmck/pdfs/nonsecured/plainengpensionsact.pdf)

## **The Pensions Regulator**

### **Trustee Toolkit**

The Pensions Regulator has developed a training module which looks at insolvent defined benefit schemes. This module, which forms part of the Pensions Regulator's Trustee Toolkit, has been designed to serve as either an introduction or refresher to the PPF assessment process depending on the users previous experience. It sets out the basic principles of the process in a simple, easy to follow format and should equip lay trustees with a sufficient level of understanding of the process to enable them to decide whether they would benefit from the expertise of an independent trustee.



[www.trusteetoolkit.com](http://www.trusteetoolkit.com)

## **Independent trustee appointment form**

The form above can be completed to request an independent trustee. Alternatively, a trustee board can ask their PPF caseworker to liaise with the Pensions Regulator and co-ordinate the appointment of an independent trustee.



[www.thepensionsregulator.gov.uk/pdf/appointingtrustee.pdf](http://www.thepensionsregulator.gov.uk/pdf/appointingtrustee.pdf)

## Further reading continued

### Regulatory statement

A regulatory statement has been produced by the PPF, in conjunction with the Pensions Regulator, which outlines the regulatory approach to schemes in the assessment period. The statement contains a list of the powers available to the PPF when intervention is required.



[www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf](http://www.thepensionsregulator.gov.uk/pdf/windingupjointstatement.pdf)

### Pensions Management Institute

The Pensions Management Institute (PMI) has a number of ongoing initiatives which may prove useful for trustees in an assessment period.



[www.pensions-pmi.org.uk](http://www.pensions-pmi.org.uk)

### PMI Independent Pension Trustee Group

The Independent Pension Trustee Group is a network of independent trustees which offers discussion forums, regular mailings and support.



[www.pensions-pmi.org.uk/trustees/IPTG/index.asp](http://www.pensions-pmi.org.uk/trustees/IPTG/index.asp)



