THE SOCIETY OF PENSION PROFESSIONALS

making pensions work

Submitted via a standardised online form for consultation.

PPF levy rules for 2022/23

28 October 2021

Question 1

Section 3.1 of the consultation document covers the performance of the PPF-specific model and our proposal to not make any changes to the model for 2022/23.

Do you agree with our intention not to make any changes to the PPF-Specific model for 2022/23?

Yes

The SPP represents a broad range of views. The majority of our members support the PPF's approach. That said, some of our members would prefer the insolvency risk model be updated to reflect the one-off impact of the COVID-19 pandemic (and in particular, the forced closure of businesses due to government restrictions). For example, metrics such as "turnover" could be adjusted to reflect a more typical figure, if an officer's certificate was provided stating that the organisation was closed because of government restrictions.

We appreciate that there is a balance to be struck here. On the one hand these businesses have suffered through no fault of their own, and their accounts do not necessarily reflect their insolvency risk going forwards. However, it could also be argued that for this year they genuinely had a higher insolvency risk than companies not as adversely affected, and they will likely now be in a weaker position than they were pre-COVID. Therefore, and taking into account the desire to keep things simple, we believe that the approach the PPF has proposed is reasonable.

That said, we suggest the PPF continues to monitor scores of companies throughout the year. If a trend emerges of a material number of companies' scores dropping considerably, the PPF could choose to limit the impact on individual schemes – for example, by allowing the adjustment to metrics for organisations that were closed, or something simple such as capping the levy band applied at 3 bands worse (say) than the previous year.

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Question 2

Section 3.2 of the consultation document summarises our thinking about changes required to score overrides following the introduction of the Corporate Insolvency & Governance Act 2020.

Do you agree with our proposals to apply an override to companies entering restructuring plans, and the introduction of a recovery rule for companies that are rescued following a CVA, Administration, Chapter 11 proceedings and restructuring plans?

Yes

In our view it is appropriate to apply the Band 10 override and subsequent recovery rule for these proceedings for consistency. These various proceedings all evidence covenant weakening and expose levy payers to risk and hence a Band 10 override is appropriate. We consider the recovery rule is also appropriate as it is key that the subsequent business turnaround is evidenced to warrant subsequent changes to levy bands.

However, we would note that a moratorium potentially poses similar risk to the PPF as the restructuring or insolvency processes above, and it should also follow the Band 10 override and recovery rule for consistency.

Question 3

Chapter 6 of the consultation sets out our proposals to change the definition for Alternative Covenant Schemes and to combine our existing rules into one appendix.

Do you agree with our proposals to change the definition?

Yes

We agree with the PPF that a wider range of covenant structures are likely to appear over the coming years, and so broadening the definition is sensible provided the levy calculation reflects the individual risk characteristics of the different covenant arrangements.

Question 4

Do you agree with our proposals to bring together Consolidator and SWOSS approaches under one appendix, 'Alternative Covenant Employers'?

Yes

Provided the levy framework continues to reflect that Consolidators and SWOSS are different and have different risk characteristics then we are happy that they are put in one Appendix.

Question 5

Section 7.3 of our consultation document recaps on the easement introduced to help schemes and employers struggling to meet the costs of the levy due to COVID.

Do you think the easement measures for COVID-19 impact will provide benefit for the 2022/23 levy year?

We do not think that many schemes will benefit from the easement. However, there may be some where it is useful and so we are supportive of the proposal to retain the easement.

Response ends