



PRESS RELEASE

FINANCIAL THREATS AND OPPORTUNITIES AS PENSION PROTECTION FUND PREPARES TO INTRODUCE NEW LEVY STRUCTURE

New approach will see some pension schemes facing huge PPF levy hikes unless they act now, according to BBS Consultants & Actuaries

Businesses operating defined benefit pension schemes could be hit with a massive increase in the levy they pay to the Pension Protection Fund (PPF).

That's because the fund, created to pay compensation to pensioners if the employer of a defined benefit pension scheme collapses, is changing the way it calculates the levies it charges.

From next year the PPF will apply new "stress tests" to individual schemes and, if the result is that a scheme is found to be "high-risk", their levy will be set accordingly.

"That means some companies could see the amount they must pay to the PPF each year increase considerably, maybe by as much as 100 per cent," said Michael Harvey, consulting actuary at BBS Consultants & Actuaries, the South West's largest independent firm of pension advisers.

Mr Harvey continued: "The reasons for the PPF changing its approach is sound in that if you are at lower risk of having to use the PPF then you should reasonably expect to pay less into it than a scheme that is a higher risk.

"However as with most things this will create winners and losers, with those deemed to have be at higher-risk – based on factors such as their investment plans – possibly facing a huge hike in the amount they must pay the PPF through the levy."

The new PPF rules come into force from 1 April 2012 and, according to BBS, that gives businesses with defined benefit, also known as final salary,

schemes just a few months to identify their possible exposure to higher levies and take action accordingly.

“The good news is there is still a small window of opportunity for employers and scheme trustees to review the new rules and, if there is a threat of a higher PPF levy, identify strategies to mitigate against that threat,” said Mr Harvey.

He added: “We’re working closely with all our clients with final salary schemes to make sure they are up to speed on the changes and have time to act ahead of 1 April.”

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