THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

The Society of Pension Professionals (SPP) response to the PPF consultation on assumptions to be used for valuations under section 143 and section 179 of the Pensions Act 2004

1. Executive summary

1.1. **The SPP welcomes the Pension Protection Funds (PPF's) proposed updates to the assumptions used for s143 and s179 valuations.**
We support the objective of maintaining alignment with developments in bulk annuity pricing and market practice, recognising that insurer pricing has evolved since the previous review and that regular updates are important to ensure the valuation bases remain relevant and credible.

1.2. **The SPP also supports the PPF's suggestion that commercial consolidators should use s143-style financial and mortality assumptions when assessing their Wind-Up Triggers.**
Given the significant consequences of a Wind-Up Trigger breach, we believe that a valuation basis that is more closely aligned with insurer pricing and underlying risk is preferable to one that is deliberately simplistic and approximate.

1.3. **However, the SPP has some concerns about the consequential effect on the s179 framework and ACS levies of updating valuation guidance to reflect the introduction of post-retirement increases on eligible pre-1997 PPF compensation.**
The introduction of post-retirement increases on eligible pre-1997 PPF compensation is expected to increase s179 liabilities and reduce s179 funding levels for many schemes. For commercial consolidators, this could lead to materially higher levy charges for schemes impacted by the benefit change, despite there being no corresponding deterioration in underlying financial strength or member security, unless the Alternative Covenant Scheme (ACS) levy framework takes this into consideration.

1.4. **We note there is a potential disconnect between the revised s179 liabilities and the risk being assessed for Wind-Up Trigger purposes for commercial consolidators.**
TPR's superfund guidance was updated in July 2026 so that, under the interim regime, the "Adjusted Section 179 funding level" used for the Wind-Up Trigger assumes 0% p.a. indexation on pensions accrued before 6 April 1997.

1.5. **The SPP encourages the PPF to consider the consequential impact on levy calculations for ACSs and ensure that the levy framework is appropriately recalibrated ahead of the next levy year.**
This would help ensure that levies remain proportionate and continue to reflect underlying risk rather than amounting to technical changes to the valuation basis.

2. Consultation response

Question 1: Do you agree that we should introduce the new s143 and S179 valuation guidance for valuations with an effective date on or after 31 May 2026? If not, what date(s) would be more appropriate?

2.1. The SPP supports the proposed introduction of the revised s143 and s179 valuation guidance for valuations with an effective date on or after 31 May 2026.

2.2. We note that one consideration of the choice of effective date is that commercial consolidators are required to assess their funding position against the applicable Wind-Up Trigger on a quarterly basis. Introducing revised assumptions with effect from a date before the final guidance is published therefore raises a practical question as to whether assessments already undertaken by reference to the current assumptions should be revisited or restated.

2.3. We understand that the proposed changes are generally expected to reduce liabilities. A commercial consolidator that was above its Wind-Up Trigger under the current assumptions would therefore be expected to remain above the trigger under the proposed assumptions. The retrospective effective date is therefore unlikely to create a material concern in this case.

2.4. However, we encourage the PPF to consider this issue when making future changes to valuation assumptions. Where a future change could increase liabilities, the PPF should provide clear guidance on the treatment of assessments undertaken between the effective date of the revised basis and the date on which the final guidance is published.

Question 2: Do you believe that the proposed assumptions (as set out in section 3 and appendix 3) are appropriate? If not, which assumptions do you believe should be changed, and why?

2.5. The SPP agrees that the proposed updated assumptions are appropriate.

2.6. We recognise that insurer pricing has evolved since the previous review and support the PPF's objective of maintaining alignment between the s143 and s179 bases and prevailing bulk annuity market conditions.

2.7. Regular reviews of the assumptions are important to ensure the basis remains relevant, credible and reflective of changes in market pricing, and the SPP would welcome more regular reviews of s179 and s143 assumptions to ensure the risk of a scheme entering the PPF unnecessarily is minimised.

Question 3: Do you believe that the suggestion (a) in section 4 'Additional comments' is appropriate and helpful? If so, in what ways is it they helpful? If not, why not? Do you prefer suggestion (b)? If so, why? Do you foresee any other issues with the suggestions?

2.8. The SPP believes that suggestion (a) is sensible.

2.9. The s143 basis is more closely aligned with the purpose of the Wind-Up Trigger i.e. assessing whether a commercial consolidator remains sufficiently well-funded to avoid entry to the PPF. We therefore consider it preferable to use a robust valuation basis for this purpose rather than one that is deliberately simplistic and approximate.

2.10. The SPP also notes that the consequences of a Wind-Up Trigger breach are significantly different from the historic use of s179 valuations for PPF levy calculations. In this context, accuracy is of greater importance than simplicity, and we therefore consider alignment with the s143 methodology to be more appropriate.

2.11. The SPP does not believe that suggestion (b) is necessary. We would not expect a commercial consolidator to elect to continue using the existing s179 assumptions where the alternative basis (i.e. s143 assumptions) is more closely aligned with insurer pricing and the purpose of the assessment as it determines PPF entry. A single, consistent approach would also promote greater comparability across the consolidator market and reduce unnecessary complexity.

2.12. We recognise that TPR's interim superfund regime now provides for the Wind-Up Trigger to be assessed using an "Adjusted Section 179 funding level", which excludes post-retirement increases on pre-6 April 1997 benefits. We believe the PPF should consider adopting a similar approach for the ACS levy methodology. This would avoid a technical change to PPF compensation increasing s179 liabilities, and consequently ACS levies, without a corresponding increase in the underlying risk presented to the PPF.

Question 4: Do you foresee any undesirable consequences of our proposals?

2.13. Yes, unless there is a consequent recalibration of the ACS levy framework.

2.14. The SPP is concerned that the associated update to reflect post-retirement increases on eligible pre-1997 PPF compensation could materially affect ACS levy amounts without any corresponding change in the commercial consolidator's underlying financial position. Unless the methodology is revised before the next levy year, the changes could generate (potentially significantly) higher ACS levies.

2.15. Affected schemes may nevertheless remain well funded against both buy-out costs and TPR's minimum Technical Provisions requirements for superfunds – measures which better reflect covenant strength and member security.

2.16. Such higher levies could themselves reduce member security over time by diverting resources from schemes.

2.17. Moreover, under the current regulatory regime, commercial consolidators must make prudent allowance for expected scheme-running and wind-up costs, including PPF levies, within their funding and capital framework. A material increase in expected ACS levies could therefore increase both transfer pricing and the ongoing cost of consolidation. This could make consolidation uneconomic relative to buy-out and risk undermining the viability of the commercial consolidation market.

2.18. The SPP therefore encourages the PPF to assess the effect of these changes on the ACS levy framework before the next levy year and, where necessary, amend the methodology so that levy outcomes remain proportionate and reflect underlying risk, rather than technical changes to the s179 basis.

Question 5: Do you have comments on any other matter in this consultation document which are not included in responses to the questions above?

2.19. The SPP has no further substantive comments but would encourage the PPF to continue to review the s143 and s179 assumptions regularly, particularly where there are material changes in insurer pricing, market practice or the regulatory framework for commercial consolidators. Where changes to the valuation basis have consequential impacts on other PPF requirements or levy arrangements, we would also encourage the PPF to consider those impacts as part of the implementation process to ensure that outcomes remain proportionate and consistent with the underlying risk.

3. About The Society of Pension Professionals

3.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

3.2. The breadth of our members is a unique strength for the SPP. Our membership of 95 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

4. <u>Further information</u>

4.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

4.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

4.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

4.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

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