

## The Society of Pension Professionals (SPP) response to the Pension Protection Fund consultation on Section 143 valuations

### 1. Executive summary

- 1.1. **The Society of Pension Professionals (SPP) broadly welcomes these proposals because of the additional flexibility that they will provide.**  
However, care will be needed with their use.
- 1.2. **The PPF has identified small schemes as sometimes having less favourable pricing than implied by the existing Section 143 assumptions.**  
The SPP believes that market pricing can be difficult to predict and insurer capacity can often be more relevant than scheme size (please see 2.3 & 2.4 below).
- 1.3. **There is a risk that these proposals could lead to circumstances where schemes enter the PPF when they could otherwise have secured a higher benefit in the market (please see 2.5 below).**

### 2. Consultation response

Q1. Do you agree that we should introduce the new s143 valuation guidance from 31 May 2024? If not, what date(s) would be more appropriate?

- 2.1. Yes, we agree.

Q2. Do you believe that the proposal is appropriate and helpful? If not, why not? What would you propose instead, and why?

- 2.2. The flexibility provided by this proposal is welcome, but care is needed as to how it should be applied.
- 2.3. The range of pricing experienced in the market can be wide and sometimes much cheaper than expected; indeed, market capacity at the time a scheme approaches the market could be a more significant factor in determining price than scheme size. The choice of a discount rate is therefore a difficult judgment to make, especially given the implications could be significant for members.
- 2.4. We therefore advise these flexibilities are only used when there is clear evidence that PPF benefits are not affordable in the insurance market.

Q3. Do you foresee any undesirable consequences of our proposal?

- 2.5. There is a risk that the proposed change in approach could lead to circumstances where schemes enter the PPF when they could otherwise have secured a higher benefit in the market. Care is therefore needed to ensure all involved parties act in the best interests of scheme members.

Q4. Do you have comments on any other matter in this consultation document which is not included in responses to the questions above

- 2.6. Whilst the flexibility to adopt the discount rate assumptions to smaller schemes is welcome, in reality there are a number of other factors that would outweigh scheme size in determining whether or not PPF benefits could be affordable in the insurance market – most notably how market conditions and the scheme's financial position have changed since the assessment date.
- 2.7. It is also noted that the criteria, for which schemes this flexibility would apply to, is not explicitly stated in the guidance, but that this is due to sit elsewhere.

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### **3. About The Society of Pension Professionals**

- 3.1. Founded in 1958 as the Society of Pension Consultants, today SPP is the representative body for a wide range of providers of pensions advice and services to schemes, trustees and employers. These include actuaries, accountants, lawyers, investment managers, administrators, professional trustees, covenant assessors, consultants and pension specialists.
- 3.2. Thousands of individuals and pension funds use the services of one or more of the SPP's members, including the overwhelming majority of the 500 largest UK pension funds.
- 3.3. The SPP seeks to harness the expertise of its 85 corporate members - who collectively employ over 15,000 pension professionals - to deliver a positive impact for savers, the pensions industry and its stakeholders including policymakers and regulators.

### **4. Further information**

- 4.1. For more information about this consultation response please contact the lead author Rosie Twist or SPP Chief Executive Fred Emden at: [info@the-spp.co.uk](mailto:info@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/>
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