

# 60-second summary

## Getting ready for Scheme Returns



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The Pensions Regulator will, at the end of this month, start issuing notices to schemes to submit their annual scheme returns. As expected, there are no material changes to the information that's used to drive the PPF's levy calculations. However, there are some new, mostly investment-related, questions to be aware of this year.

### PPF levy inputs – no material changes

There are no material changes to the information that's used to drive the PPF's levy calculations – the changes are limited to some relatively minor clarifications set out in the Pensions Regulator's updated [asset breakdown guidance](#). Given that this information has a direct impact on PPF levies, it is important that the information is collated and submitted in good time and using the appropriate level of expertise e.g. a scheme's investment or actuarial consultant.

### What are the new questions?

In broad terms the new questions relate to:

- Fiduciary managers and investment consultants
- Liquidity and leverage
- Pensions dashboard
- AVC providers

### Fiduciary managers and investment consultants

For fiduciary managers, the Regulator wants to know who they are (organisation and individual), when they were appointed and whether there was a formal tender process. For investment consultants, they again want to know who they are and when they were appointed and also whether strategic objectives for the consultant have been set and, if so, when they were set and when they'll be reviewed.

## Liquidity and leverage

In April 2023, the Regulator issued guidance outlining practical steps trustees can take to manage risks when using leveraged liability-driven investment (LDI). This followed the events of September and October 2022, when the Bank of England had to intervene in the gilt market to restore market functioning. This year the Regulator will ask for details of liquidity and leverage and the controls that are in place.

Some of the questions in this area are technical and schemes may need to rely on their investment consultant/managers to assist e.g. one of the questions relates to yield buffer to zero net asset value.

Other questions relate to:

- Relative size of LDI vs overall assets
- Risk exposures e.g. credit, equity as some mandates are not “purely” LDI
- Availability of liquidity – how frequently do scheme assets trade e.g. X% daily, Y% weekly, Z% monthly etc?
- Delivery of liquidity – how quickly can the scheme meet collateral calls?
- Efficient governance – whether any third parties have unlimited authority to sell collateral assets and how this is governed e.g. signatory list(s), how many individuals, when last reviewed etc.
- Systemic liquidity impacts – whether a liquidity waterfall (specified hierarchy of liquid assets for sale/posting should it be required) exists, what it looks like, largest liquid holding, asset manager and manager discretions around disinvestment.

For the avoidance of doubt, the answers to these questions will not be used in the PPF’s levy calculations.

## Pensions dashboard and AVC providers

On dashboards, the trustees; primary contact’s name and address will be required, and whether they are a professional and non-professional trustee. The Pensions Regulator will use this information to send the primary contact updates and information about pensions dashboards. On AVCs, details of the AVC providers (if relevant) and how many members have benefits with this provider are required.

## What else is new?

Scheme returns will now be completed in one part rather than the old method where individual sections were completed one-by-one before the full submission could be made. In 2023 additional questions were issued to some schemes using a separate online form. In 2023, additional questions for some DB schemes were issued using a separate online form. These will now be available through Exchange along with the new questions about fiduciary managers and investment consultancy providers described above. Relevant links and guidance will be provided alongside each question to assist the user.

**“Schemes should consider carefully the updated requirements and allocate additional time to the process and evaluate the need for any supporting expertise. The asset breakdown, whilst not brand new, is still relatively new and should definitely be conducted by someone with detailed knowledge of the scheme’s assets and the levy framework to which the information will be applied.”**