

PPF confirms details of D&B scoring for levies



What you **need to know**

- On 19 March 2020, the Board of the Pension Protection Fund (PPF) confirmed that Dun & Bradstreet (D&B) insolvency scores will apply from April 2020.
- The 2021/22 PPF levy invoices, which will be issued in autumn 2021, will use a 12-month average of scores from April 2020 to March 2021. The 2020/21 PPF levy invoices which will be issued in autumn 2020 will be the last to use Experian scores.
- The scoring is broadly as per the 'Consultation Score' published in December 2019.
- A further consultation on other elements of the levy will follow in the summer. Draft Rules will be published in the autumn with final rules in December 2020.
- D&B may have different interpretations of financial data and corporate linkage compared to Experian.
- Schemes with large sponsors are most likely to see an increase in levies following the move to D&B.



Actions you can take

Along with being aware of the changes, it is important to check your scores:

- **Check that the data is correct** to avoid having to pay levies that are too high.
- **Check that the correct parent company is used** if relevant. D&B and Experian have different approaches to determining the ultimate parent.
- For some sponsors such as not for profit organisations, you might need to **voluntarily provide accounts to D&B** to enable a score to be calculated. The deadline is 30 April 2020 to provide financial information to influence the score at that date. Thereafter data must be submitted by the end of the previous month.
- Employers that are only required to file small accounts should consider whether **full accounts** information should be voluntarily submitted.
- Employers and trustees should **be aware of the potential impact on levies** and where possible **take action to reduce levies**.

COVID-19 update – impact on 2020/21 levy

Deadlines for the 2020/21 levy

The PPF is not able to agree to extend deadlines which are written into its rules. However, it is mindful that some deadlines may be missed due to the impact of COVID-19. If deadlines are missed, schemes should write to the PPF explaining the reason and the PPF will consider each case individually.

The PPF has set up a webpage with information for PPF members and levy payers in relation to the impact of COVID-19: <https://ppf.co.uk/news/our-coronavirus-covid-19-preparation>.



The finer detail: Key items covered by the PPF Policy Statement dated 19 March 2020

Introduction of D&B scores

D&B scores will start to count towards levies from 30 April 2020.

A 12-month average of month-end scores from April 2020 to March 2021 will be used in the 2021/22 levy which is expected to be issued autumn 2021.

The scoring is largely consistent with the 'Consultation Score' as set out in the December 2019 consultation document and as shown on the D&B score portal.

Changes made to the scoring

All scorecards have been recalibrated to better reflect historic levels on insolvency.

The scorecards will use the same basic information used in the Experian scores. However, the mortgage age variable has been replaced with a cash by current liabilities variable. Trade creditors days will be capped at 60 days.

The PPF is ending the use of the Standard & Poor's model for financial institutions and will instead move affected sponsors on to the relevant D&B scorecard, but with a default score for trade creditors days.

The PPF will retain use of public credit ratings from Standard & Poor's, Moody's and Fitch, but will recalibrate how these credit ratings map to scores.

D&B may have different interpretations of financial data compared to Experian. D&B also has a different approach for determining the corporate structure and hence the allocation to scorecard. The PPF will publish data definitions and information on allocating sponsors to scorecards in due course.

Impact on schemes

The PPF's analysis showed that scorecards 1, 2 and 7 were under-predicting insolvencies and so sponsors on these scorecards could expect to see an increase in levies.

The majority of large sponsors are on scorecards 1 and 2 and so it is the largest employers that are most likely to see an increase in levies. Sponsors that are not part of a corporate group are also likely to see an increase in levy. Sponsors that are part of corporate group and not-for-profit entities could see a reduction in levies.

Score portal

Responses to the consultation were positive regarding the new score portal. The portal has introduced the ability for schemes and sponsors to raise score queries in web-chat with D&B and for the transcript to be emailed. Schemes with multiple sponsors can download bulk information for all sponsors.

The PPF is looking to introduce score alerts in May 2020.

What happens next?

The new D&B scores will start to count towards levies from 30 April 2020. Schemes will need to provide any missing data to D&B by this date for it to count for the first April month-end score.

A further consultation on the other elements of the levy is expected in the summer.

Draft rules will be published in the autumn and then finalised in December.

The first levy invoices using the D&B scoring are expected to be issued autumn 2021.

For further information, please get in touch with **Emily Sturgess** or **Kevin Burgess** or speak to your usual XPS Pensions contact.



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