



InFocus Document

PPF S179 (Levy) Valuations

Contents

1 Introduction.....	3
2 Defining PPF assumptions and Recording Yields	4
2.1 PPF Yields screen.....	5
2.2 PPF Cap screen.....	6
2.3 Override screen.....	7
3 Setting up Scheme PPF information	9
4 Setting up Active basis files for PPF runs	11
4.1 Financial Tab	11
4.2 PPF Inputs on PPF/CAP Tab.....	11
4.3 PPF Inputs on Slices, Alt Slices and Ind Slices Tabs	12
4.4 Issues to watch out for	14
5 Setting up Deferred basis files for PPF runs	16
5.1 PPF inputs on the PPF/CAP tab	16
5.2 PPF inputs on PUPs Tab	17
5.3 PPF inputs on Legislation Tab	17
5.4 Other issues to watch for	18
6 Setting up Pensioner basis files for PPF S179 runs	20
6.1 PPF inputs on the PPF/CAP tab	20
6.2 PPF inputs on the Legislation Tab	21
6.3 PPF inputs on the Pensions Tab	21
6.4 Other issues to watch for	22
7 Expenses.....	24
8 Assumptions which are overridden	25
9 Application of Capping	26
9.1 Actives – Retirement Benefits.....	26
9.2 Deferreds – Retirement Benefits	26
9.3 Pensioners – Retirement Benefits	27
9.4 Actives and Deferreds – Death in Deferment benefits.....	27
10 Running a PPF S179 valuation	28
11 Changes to PPF assumptions.....	29
12 Output from PPF S179 runs.....	30
12.1 Excel results output	30
12.2 Varprint / Accprint	30
12.3 Consolidation	30

1 Introduction

SuperVal has the functionality to run a PPF S179 (Levy) valuation. The user can define the relevant PPF assumptions within SuperVal and these will then override the assumptions set up for ongoing runs. This will allow the user to use the set-up for the ongoing runs to carry out PPF runs without having to recreate basis files.

The following points are relevant for the general set up of SuperVal.

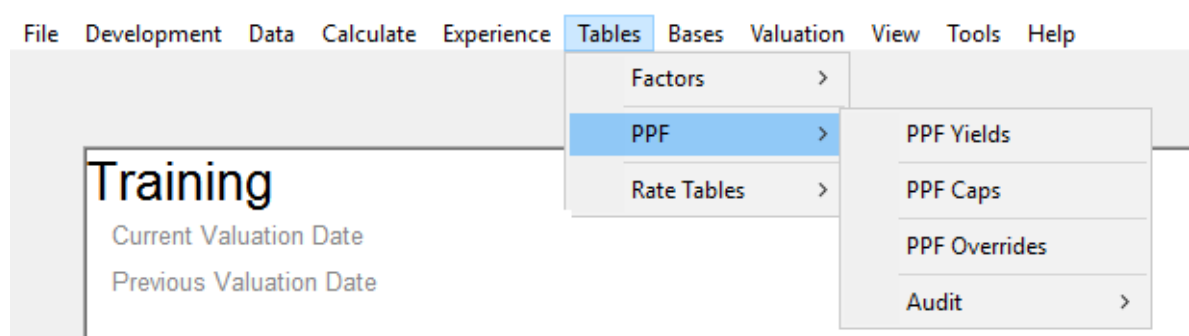
- There are no special member data requirements for PPF valuations.
- When selecting the Scheme Folders the user should check the 'PPF Calculations Required' box on the Data tab to enable the PPF parameters within the Basis Files.
- SuperVal introduces the concept of Scheme PPF Assumptions. Information on how to use these is set out below.

This document is based on V9.30.01 of SuperVal.

2 Defining PPF assumptions and Recording Yields

Firstly, ensure that the PPF Yields, Caps and Mortality and Spouse's override parameters are up to date and contain the relevant yields and cap data for the valuation date.

This can be done by selecting Tables > PPF > from the main menu.

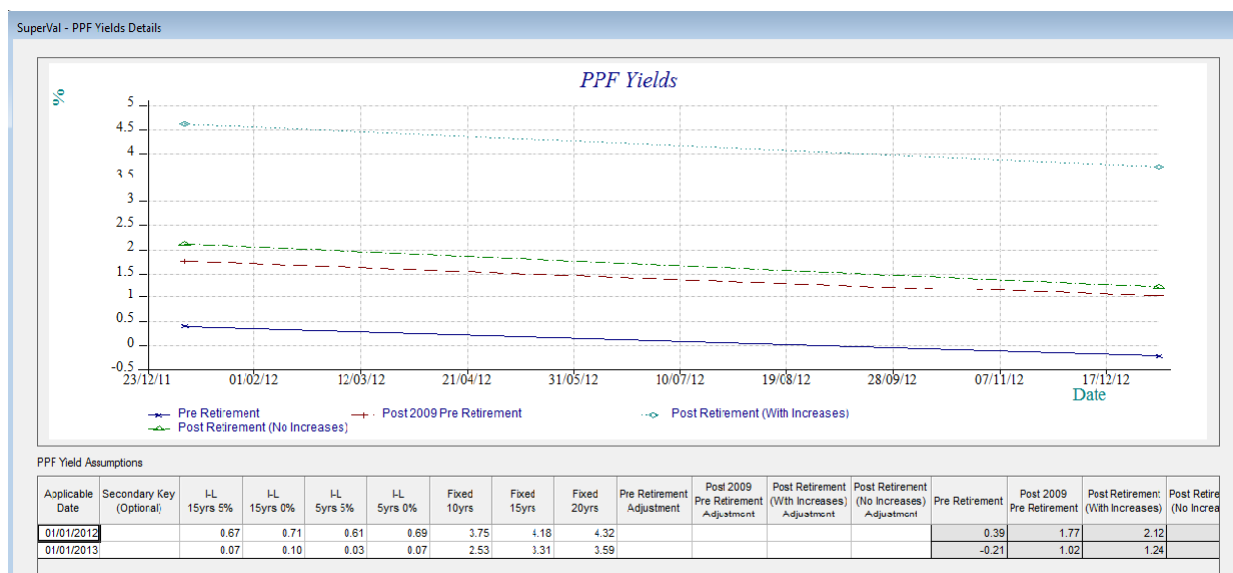


The user will need to define each of the PPF Yields, PPF Caps and PPF Overrides. The user can create multiple copies of the PPF Overrides but only one set of Yields or Caps. These will be saved in the SVPPFFILE.SF file that is stored in the Library Folder of SuperVal.

Each of these screens are discussed below.

2.1 PPF Yields screen

To add or amend data use the 'Add Row(s)' or 'Edit Row' button at the bottom of the page.



- SuperVal expects Users to enter in biannual yields.
- These biannual yields are converted to annualised yields
- SuperVal uses the Yield date to establish which relevant assumptions guidance should be used and applies the prescribed method to calculated the assumptions used in the S179 valuation

Additional Functionality

The Secondary Key introduces the ability to have two different sets of yields defined at the same date. The user should attach a Secondary Key to a set of yields by typing in a value in the relevant column, e.g., 1, 2, 3. This can be a numeric value or a character string.

When selecting the yields in the Scheme PPF tab, the user will have the option of which set of yields to select, e.g., 01/05/2021 1, 01/05/2021 2, etc

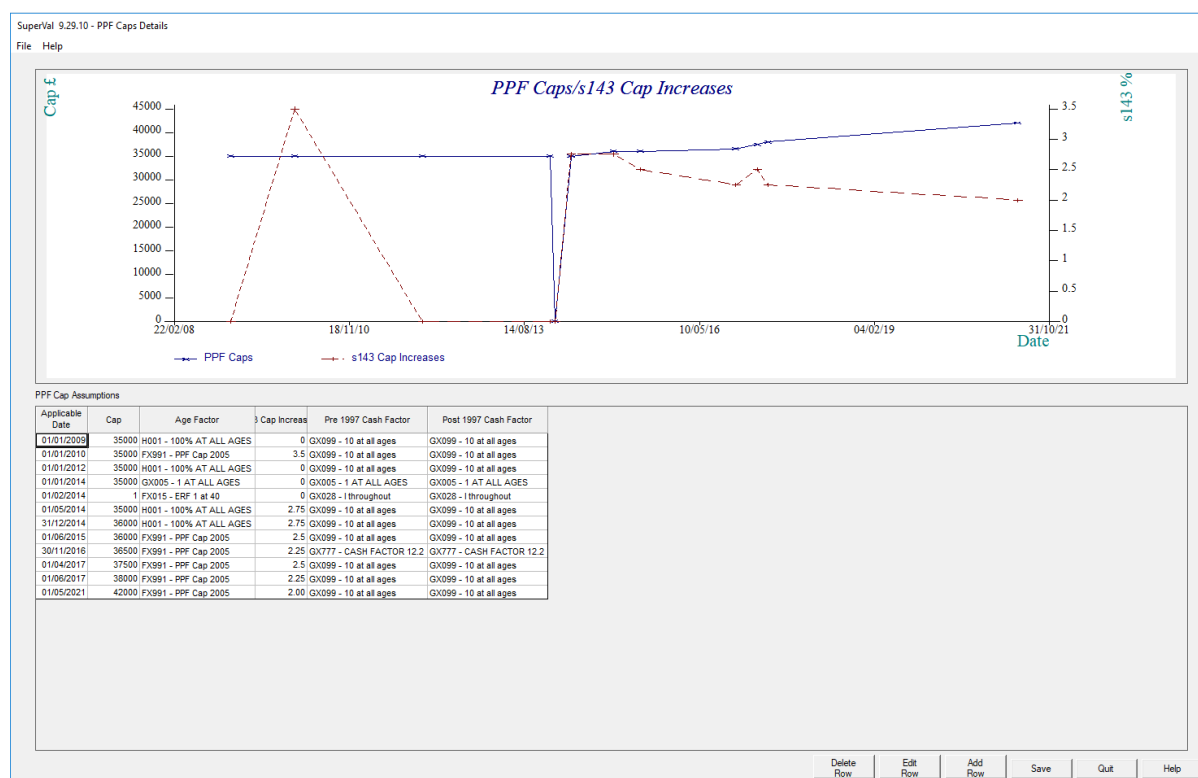
SuperVal V9 also allows the user to specify an adjustment to each of the calculated interest rates for PPF valuations. The adjustment made is additive i.e. if the calculated yield is 3.25% and 0.25 is entered, the revised yield will be 3.50%.

Non-Revaluing Pensions

SuperVal makes no allowance for the non-revaluing pre-retirement yield as this only applies if all benefits for all members are non-revaluing. If the user requires this functionality then the revaluing pre-retirement yield can be manipulated using the fields discussed above.

2.2 PPF Cap screen

To add or amend data use the 'Add Row' or 'Edit Row' button at the bottom of the page.



Compensation Cap

Enter the amount of the Compensation Cap as at the Applicable Date at Age 65. Please note that SuperVal will apply 90% to the results for members below Normal Pensionable Age after comparing with the Compensation Cap. Enter the full amount here (e.g. £39,006.18 as at 1 April 2022).

Age Factor

The Compensation Cap entered is that applicable to benefits payable at age 65. For benefits payable at ages other than 65, the Compensation Cap needs to be multiplied by either a reduction or increase factor for ages below or above age 65 respectively. The PPF have prescribed these factors and they are published on their website.

Pre 1997 and Post 1997 Cash Factor (for retirement Cash on Top benefits only)

The PPF has prescribed factors for converting Pre 1997 and Post 1997 lump sums into Pensions. The published rates need to be converted into commutation factors to be input into SuperVal. The factors entered will be used to convert any retirement Cash on Top benefit to pension equivalents. This amount plus the member's retirement pension will then be compared with the Compensation Cap and the result will then be multiplied by 90% if below Normal Pensionable Age.

Cap increases for long serving members

The system was adapted from V9.11 onwards to allow for the increase in the compensation cap for a PPF Cap date on or after 6 April 2017. The system calculates service according to dates specified by the user in the basis file on the PPF/Cap tab and applies an uplift of 3% p.a. simple for each year over 20 years (subject to a limit of 2 times).

2.3 Override screen

Firstly select the Parameter File containing the Overrides you wish to edit. Different Parameter Files can be used to contain different sets of Overrides. To enter a new set of Overrides use the Default Button. This will open the PPF Overrides Details Screen.

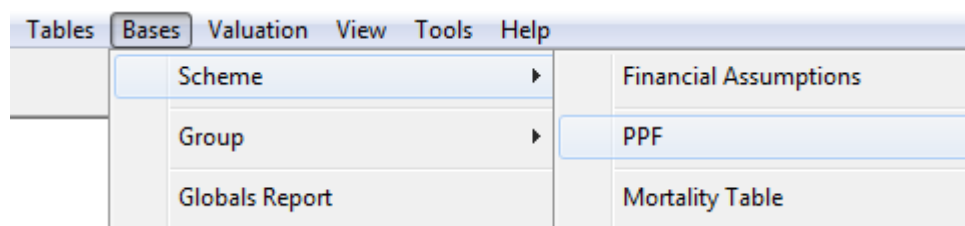
Specify the relevant mortality and mortality improvement tables (Pre and Post retirement) with any appropriate adjustment, the proportion married for spouses and partners and the age difference here. The assumptions will be chosen from a list of all of those available in the Decrement File. Next to each table the description of the table is shown.

PPF Legislation from 1 May 2021 states to use different contingent mortality rates. In V9.29 (and versions following), separate Rate Tables have been added for contingent lives as new fields on the PPF Overrides page.

The user should use the '% Rating' field to specify a scalar adjustment to the table entered. For a 90% adjustment enter - 10. For all other valuations the user should ensure this is set to 100% by using an adjustment of 0.

3 Setting up Scheme PPF information

For all three modules, scheme level information is added by selecting Bases > Scheme > PPF from the main menu.



Within this screen the user can choose the yields, caps and override parameters to use in this Scheme Input Folder.

The screenshot shows the PPF Parameters screen with the following sections:

- PPF Parameters**
 - PPF Yields Date: 01/06/2015
 - PPF Cap Date: 01/06/2015
 - Service Adjusted Cap: Post 5/4/2017 Valuation Date
 - PPF Overrides Parameters: Pens Mort
 - PPF Parameters File: SVPPFILE.SF
- PPF Proportion Married**
 - ☐ Male Proportion Married Include Partners
 - ☐ Female Proportion Married Include Partners
- PPF Actives Parameters**
 - Cap Increases Before Discontinuance: Inf 2
 - Cap Increases After Discontinuance: Inf 2
- PPF Deferreds Parameters**
 - Cap Increases Before Discontinuance: Inf 2
 - Cap Increases After Discontinuance: Inf 2
- PPF Pensioners Parameters**
 - PPF GMP Revaluation to SPA: Revn 2

Buttons at the bottom: Edit Scheme Financials, Edit PPF Yields, Edit PPF Caps, Edit PPF Overrides, Save, Quit, Help.

Service Adjusted Cap

This field has three options:

- Yes – Always apply the 3% p.a. simple increase to the cap for any service above 20 years regardless of the date
- No – Never apply the 3% p.a. simple increase to the cap
- Post 5/4/2017 Valuation Date – Apply the long service increase to the cap if the valuation is after 5 April 2017

Proportion married

Use the check box to specify whether the Proportion married includes civil partners or not (click on the “Edit PPF Overrides” button at the bottom of the page to check what the override assumptions are). Note that the proportion married chosen will only apply at the PPF NPA. Allowance for the survivorship of the spouse will be made thereafter.

Cap Increases Before/After Discontinuance (Actives and Deferreds)

These fields are not used for PPF S179 (Levy) valuations, but will be used for Non PPF Capped runts.

PPF GMP Revaluations to SPA (Pensioners)

This field can also be used to adjust the revaluation of GMP benefits before State Pension Age applied in a PPF S179 (Levy) Valuation where GMP benefits have not yet come into payment for pensioners (e.g. those with pension tranches at different NRAs). Since 2008, PPF S179 (Levy) Valuations for deferred members are required to assume the benefits are increasing in deferment unless the benefits for all deferred members do not increase. As this situation is unlikely under UK legislation, SuperVal has been set up to assume all pensions are increasing in deferment. This field can be used to adjust the net yields used by SuperVal in deferment if required. To use, select the relevant parameter from those defined in the Global Parameters. If no adjustment is required leave this field blank.

4 Setting up Active basis files for PPF runs

Select a category from a basis file using Bases > Group > Actives.

For PPF S179 (Levy) valuation purposes, active members will be assumed to leave service on the Valuation Date. The Scheme PPF assumptions and overrides selected above will apply.

The determination of the part of the pension that increases and does not increase in payment and the treatment of the GMP is discussed below.

4.1 Financial Tab

Note : SuperVal ignores anything to do with 'Main', 'Special', 'PenInc3' and 'PenInc4' for PPF runs, and therefore the adjustment factors in the Deferred Revaluation section are made redundant. Loading of different parts of the pension for PPF is handled on the Slices as discussed below.

4.2 PPF Inputs on PPF/CAP Tab

At the bottom of the PPF/CAP tab is a button which links to the Scheme PPF information.

Some additional information in relation to the PPF valuation will be defined once at category level on the PPF/CAP tab. See below:

Male and Female PPF Retirement Ages

You can specify up to four Normal Retirement Ages for males and females separately.

Service Cap Start Date and Service Cap End Date

These fields are used to work out the pensionable service in conjunction with the long service cap increase. The use of these fields is dependent on the settings in the PPF Scheme Details.

Cap Offset %

If an active member is already receiving a retirement pension from this or another scheme, then the Compensation Cap at retirement can be reduced to reflect this. Select the data item containing the percentage of the Compensation Cap already used. SuperVal will then take account of this when determining any restriction in benefits due to the Compensation Cap at future retirement ages.

Pre 1997 and Post 1997 Discontinuance Pension Increases

These fields are not used for PPF S179 (Levy) valuations. They are only used in the Non PPF Capped Runs however the Relevance Rules will require the user to enter a relevant parameter for this variable before proceeding.

4.3 PPF Inputs on Slices, Alt Slices and Ind Slices Tabs

Some additional information is defined on the Slices, Alt Slices and Ind Slices tabs.

PPF NRA (Levy Valuations)

Select the PPF Normal Retirement Age for each slice from the list previously defined on the PPF/CAP tab.

PPF Service Period

Specify whether a particular slice of benefit is in respect of 'Pre 97', '97 to 09' or 'Post 09' service and it will be valued accordingly for PPF purposes.

PPF Adjustment Factor (field)

In SuperVal V9, the PPF Adjustment Factor is found on the Tier tab which sits alongside the Slice tab. Enter the appropriate value. Note that adjustment factors can be fixed or member-specific.

Tier PPF Parameters	
Male PPF Adjustment Factor	1
Female PPF Adjustment Factor	1

4.4 Issues to watch out for

Active members will be valued as deferred members, so attention needs to be paid to the specification of benefits on the Leaving tab. (This is particularly important if there is no withdrawal decrement in the ongoing basis.)

Members who are over Normal Retirement Age

If a member has any benefits that would have been payable from a NRA prior to their current age, SuperVal will value the benefit from their current age and ignore the 90% adjustment. For example, consider a member aged 63 who has 2 benefits. The first one has a PPF NRA60 and the second a PPF NRA65. The NRA60 benefit will be valued from age 63, ignoring the cap and without the 90% adjustment (and no adjustment for late retirement). The NRA65 benefit will be valued from age 65, with a 90% adjustment. When applying the cap, benefits already in payment are ignored.

GMPs

For active members, SuperVal will ignore the GMP in a PPF S179 (Levy) valuation.

Cash on Top

Where the scheme provides a retirement Cash on Top benefit in addition to pension then all the options will be available in the PPF run except for '25% Pension', 'IR Max Cash' and '% of pension'. If one of these options is selected then the PPF S179 (Levy) Valuation will ignore the Cash on Top benefit.

SuperVal will split the liabilities in relation to cash-on-top between 'Pre 97', '97 to 09' and 'Post 09'.

SuperVal will ignore retirement cash provided through commutation of pension for PPF Valuation purposes as prescribed by the PPF.

Which adjustment factors are applied?

The adjustment factors in the Deferred Revaluation section on the Financial tab are redundant for PPF runs.

Any PPF adjustment factors specified in the benefit slices are applied *before* the application of the Compensation Cap.

Any (non-PPF) Pension Adjustment Factors are also included. These are applied *before* the benefit is compared with the Compensation Cap.

Final pensionable salary

If you have included details of Final Pensionable Salary as at Valuation Date in your data, then don't forget to include it under 'Initial Final Average Salary' in the relevant salary definition. (See screenshot below.) If you don't define Final Pensionable Salary here, then SuperVal will estimate one using the 'Initial Salary', the averaging period given and the salary escalation rate defined.

The screenshot shows the 'SuperVal - Actives Valuation/Benefits Basis - Edit Salary Parameters' window. The 'Initial Final Average Salary' dropdown is highlighted with a red box and contains the value 'qSALARY2'. Other visible fields include 'Salary Description' (Basis Salary), 'Initial Salary' (Current Salary), 'Override Salary Increase Rate' (Actives InfRate (3) 3), 'Post NRA Salary Revaluation Rate(s)' (Actives InfRate (5) 0), 'Adjustment Factor' (1), 'Male Promotional Salary Scale' (S000), 'Female Promotional Salary Scale' (S000), 'Timing of Salary Increases' (Continuous), 'Review Date' (DD/MM), 'Averaging Period' (2 years), 'Averaging Ceases' (On Leaving Service), 'Include Last Salary in Average' (checked), 'Salary Deduction' (Deduction Initial Value), 'Adjustment Factor' (1), 'Increase Rate Override', 'Salary Maximum' (Maximum Initial Value), and 'Adjustment Factor'.

Ind Slices and Alt Slices

Benefits valued on the Ind Slices and Alt Slices tabs are included in the PPF S179 (Levy) valuations.

When using Alt Slices tab, if the benefits described bite then these benefits will be compared to the Compensation Cap. For those below NRA the 90% adjustment will also be applied. The user should also select which of the PPF Service Periods should be used.

For Ind Slices, if the member is below NRA then SuperVal will then apply the 90% adjustment and value the benefit. For members above NRA the 90% adjustment is not applied. Please note that benefits on the Ind Slices tab will not be restricted by the Compensation Cap. The user should also select which of the PPF Service Periods should be used.

5 Setting up Deferred basis files for PPF runs

Select a basis file using Bases > Group > Deferreds.

5.1 PPF inputs on the PPF/CAP tab

Select the Scheme PPF information by clicking on the "Edit Scheme PPF" on the PPF/CAP tab. The rest of the tab is identical to the Actives tab.

The screenshot shows the 'PPF/CAP' tab in a software application. The interface includes a menu bar (File, Data, Goto, Help) and a tab bar with various options: Main, Financial, Legislation, PPF/CAP (selected), Mortality, Demographic, Membership, Ret Pension, and Ret Cash. The main area is divided into sections: 'NRA (Levy Valuations)' with sliders for 'Male PPF Retirement Ages' and 'Female PPF Retirement Ages' both set to 60; 'Cap' with dropdowns for 'Service Cap Start Date', 'Service Cap End Date', and 'Cap Offset'; and 'Discontinuation Pension Increases' with dropdowns for 'Pre 1997 Discontinuation Pension Increases' and 'Post 1997 Discontinuation Pension Increases', both set to 'Deferreds IncRate' with a value of 0. At the bottom, there are buttons for 'Edit Scheme Financials', 'Edit Scheme PPF', 'Save As', 'Save', 'Quit', and 'Help'. The status bar at the very bottom reads 'S cat S <REGRESSION-DEFERREDS_CATS-V>'.

PPF Male and Female Retirement Ages

You can specify up to four Normal Retirement Ages for males and females separately.

Service Cap Start Date and Service Cap End Date

These fields are used to work out the pensionable service in conjunction with the long service cap increase. The use of these fields is dependent on the settings in the PPF Scheme Details.

Cap Offset %

If a deferred member is already receiving a retirement pension from this or another scheme, then the Compensation Cap at retirement can be reduced to reflect this. Select the data item containing the percentage of the Compensation Cap already used. SuperVal will then take account of this when determining any restriction in benefits due to the Compensation Cap at future retirement ages.

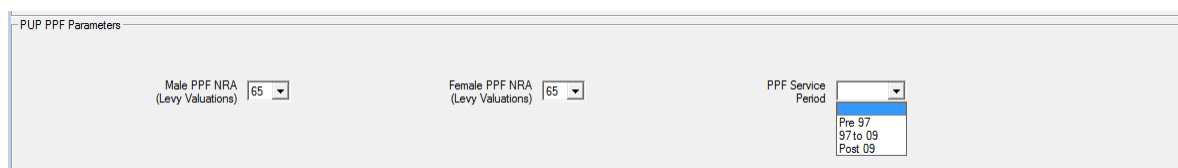
Pre 1997 and Post 1997 Discontinuance Pension Increases

These fields are not used for PPF S179 (Levy) valuations. They are only used in the Non PPF Capped Runs however the Relevance Rules will require the user to enter a relevant parameter for this variable before proceeding.

5.2 PPF inputs on PUPs Tab

PPF Service Period

Specify whether a particular PUP is in respect of 'Pre 97', '97 to 09' or 'Post-09' service and it will be valued accordingly for PPF purposes.



The screenshot shows a form titled "PUP PPF Parameters". It contains three dropdown menus. The first is labeled "Male PPF NRA (Levy Valuations)" with a value of "65" selected. The second is labeled "Female PPF NRA (Levy Valuations)" with a value of "65" selected. The third is labeled "PPF Service Period" with a dropdown menu open showing three options: "Pre 97", "97 to 09", and "Post 09".

5.3 PPF inputs on Legislation Tab

The user can also select a Normal Retirement Age to be attached to the GMP (which is converted into excess pension) for PPF S179 (Levy) valuations on the Legislation tab. SuperVal will add GMP to Pre-1997 benefit and value appropriately, depending on the selection for Franking in Deferment – see below.

If 'Franking in Deferment' on the Legislation tab is checked then SuperVal will take the greater of the 'Pre 97' Pension on the PUPs tabs and the GMP at Date of Valuation and use this value as the Pre 1997 benefit ignoring any further effects of GMP. If 'Franking in Deferment' is unchecked then the GMP is treated as another Pre 1997 pension, payable from the age specified on the Legislation tab.

5.4 Other issues to watch for

Members who are over Normal Retirement Age

If a member has any benefits that would have been payable from a NRA prior to their current age, SuperVal will value the benefit from their current age and ignore the 90% adjustment. For example, consider a member aged 63 who has 2 benefits. The first one has a PPF NRA60 and the second a PPF NRA65. The NRA60 benefit will be valued from age 63, ignoring the cap and without the 90% adjustment (and no adjustment for late retirement). The NRA65 benefit will be valued from age 65, with a 90% adjustment. When applying the cap, the NRA 60 benefit is ignored.

Non-standard PUPs and Independent PUPs

SuperVal includes Ind PUPs in PPF runs. For members below NRA the benefit will be adjusted by 90%. The benefits on these tabs will not be restricted by the Compensation Cap.

NSPUPs remain excluded.

Which adjustment factors are applied?

The PUP adjustment factors on the PUPs screens are included. These are applied *before* the benefit is compared with the Compensation Cap



GMP adjustment factor is also included and is applied *before* the benefit is compared with the Compensation Cap.

Cash on Top

Any cash on top benefit is only valued if it has been set up either as a Multiple of Pension or as a Cash Data Item.

6 Setting up Pensioner basis files for PPF S179 runs

Select a basis using the Bases > Group > Pensioners.

Version 8.40 onwards of SuperVal will cap/reduce pensioner benefits as required when doing a PPF run.

6.1 PPF inputs on the PPF/CAP tab

Select the Scheme PPF information by clicking on the "Edit Scheme PPF" on the PPF/CAP tab. Most of this tab is identical to the Actives and Deferred tab.

The screenshot shows the 'PPF/CAP' tab in the software interface. The menu bar includes 'File', 'Data', 'Goto', and 'Help'. The tab bar shows 'Main', 'Financial', 'Legislation', 'PPF/CAP' (selected), 'Mortality', 'Demographic', and 'Pensions'. The main area is divided into three sections: 'Service Adjusted Cap Dates' with 'Service Cap Start Date' and 'Service Cap End Date' dropdowns; 'NRA (Capped Valuations)' with 'Male Capped Retirement Age' and 'Female Capped Retirement Age' input fields; and 'Discontinuance Pension Increases' with 'Pre 1997 Discontinuance Pension Increases' and 'Post 1997 Discontinuance Pension Increases' dropdowns. At the bottom, there are buttons for 'Edit Scheme Financials' and 'Edit Scheme PPF'. The status bar at the very bottom shows '1 cat 1 <REGRESSION-PENSIONERS CAT 1-4 N>' and buttons for 'Save As', 'Save', 'Quit', and 'Help'.

Service Cap Start Date and Service Cap End Date

These fields are used to work out the pensionable service in conjunction with the long service cap increase. The use of these fields is dependent on the settings in the PPF Scheme Details.

NRA (Capped Valuations)

The capped retirement age is used to determine whether the overall benefits are above or below the cap. This has been done to be consistent with the Active and Deferred modules which use the Normal Retirement Age rather than the PPF NRA's in capped runs. Anyone aged above the capped retirement age will have all the benefits uncapped.

Pre 1997 and Post 1997 Discontinuance Pension Increases

These fields are not used for PPF S179 (Levy) valuations. They are only used in the Non PPF Capped Runs however the Relevance Rules will require the user to enter a relevant parameter for this variable before proceeding.

6.2 PPF inputs on the Legislation Tab

Within the pensioner module the link to the Scheme PPF information is found on the Legislation tab. Other fields on this tab that need to be considered are documented below.

PPF Normal Retirement Ages

Enter the PPF Normal Retirement Ages that should be used for GMPs to determine whether benefits should be capped/reduced.

6.3 PPF inputs on the Pensions Tab

There are a number of fields relevant to a PPF S179 (Levy) Valuation on the Pensions tab for pensioners.



The screenshot shows a form titled "PPF Parameters" with the following fields:

- Male PPF NRA: years
- Female PPF NRA: years
- PPF Service Period:
- PPF Revaluation in Deferral:
- ☐ Benefit Included in Cap

PPF Normal Retirement Ages

Enter the PPF Normal Retirement Age that applies for each pension. SuperVal will use this age to determine whether the 90% adjustment is applied to that pension. In addition, when applying the Compensation Cap, SuperVal will ignore any pensions where the PPF NRA is before the member's current age.

Users may need to set up extra categories for ill-health retirement cases and set the PPF NRA to a suitably low age for these categories. This will ensure no capping or benefit reduction applies to any of the pension (if required).

PPF Service Period

Specify whether the pensions included on the Pensions tab are 'Pre 97', '97 to 09' or 'Post 09'.

PPF Revaluation in Deferment

This field can be used to adjust the revaluation applied in a PPF S179 (Levy) valuation where benefits have not yet come into payment for pensioners (e.g. those with pension tranches at different NRAs). Since 2008, PPF S179 (Levy) valuations of deferred pensions are required to assume the benefits are increasing in deferment unless the benefits of all deferred members do not increase. As this situation is unlikely under UK legislation, SuperVal has been set up to assume all pensions are increasing in deferment. This field can be used to adjust the net yields used by SuperVal in deferment if required. To use, select the relevant parameter from those defined in the Global Parameters. Where no adjustment is required, select a Global Parameter set to 0.

Benefits Included in the Cap

SuperVal V9 has been amended to allow the user to select whether or not the benefits from a particular tab are included when comparing to the Compensation Cap.

In previous versions of SuperVal pensions were ignored for capping purposes if

- a temporary pension was being valued (benefit ceasing age is not 120) or
- 'Value Pension Increases Only?' was set to Yes or
- 'Value Spouse's Reversion Only?' was set to Yes.

Capping for Pensioners under the PPF run is undertaken in two stages. Firstly, any benefits which are subject to the Compensation Cap which are already in payment are added and compared to the Compensation Cap at the members's age last birthday on the Valuation Date. These benefits are capped pro-rata. Secondly, any benefits which are subject to the Compensation Cap but not yet in payment are compared to the proportion of the Compensation Cap not yet used. The Compensation Cap used is that for the highest PPF NRA for the member. These benefits are then capped pro-rata.

6.4 Other issues to watch for

Application of proportion married in Pensioner module

PPF guidance states that you must use a proportion married consistent with 90%/80% (males) or 80%/70% (females) at Normal Pension Age for pre 31 October 2009 valuations and rates of 85%/75% (males) or 75%/65% (females) for post 30 October 2009 valuations. Hence, for pensioners SuperVal will adjust the proportion married percentage by a survival factor for the spouse from Date Pension Commenced (DPC) to the valuation date.

SuperVal V9 has been amended to allow for both base mortality and mortality improvements when determining the probability of survival for the spouse between the Date Pension Commenced (DPC) data field imported into SuperVal and the valuation date.

SuperVal will always use the standard data item field Date Pension Commenced (DPC) when calculating the spouse's survival probability ie it will ignore any entry in the 'Benefit Commencing Age' field in the Pensions tab.

GMPs

GMPs are ignored if the 'Reduce Pensions at SPA' is checked and treated as another 'Pre 97' Pension if the 'Reduce Pension at SPA' is unchecked. The spouse's element valued will be 50% of both the Pre 1988 and Post 1988 GMP for all members. Revaluation will at the 'PPF GMP Revaluation to SPA' specified in the Scheme PPF parameters.

The GMP PPF Age will be used to determine if the benefit is capped or not.



7 Expenses

SuperVal does not make an **automatic allowance** for expenses in the PPF S179 (Levy) Valuations in any of the modules.

8 Assumptions which are overridden

The following table sets out all the assumptions will be overridden for a PPF run:

Table 1

Module	Parameter	Action Taken
All	Post Retirement Interest Rates	Ignored
All	Pension increases in payment	Ignored
All	Revaluation in deferment	Ignored
All	Mortality (including scaling factors)	Ignored
All	Proportion Married Data	Ignored
All	Spouse's Definition	Set to 'At Retirement'
All	Early Retirement Tables	Ignored
Actives/Deferreds	Pre Retirement Interest Rate	Ignored
Actives/Deferreds	Pension Guarantee Periods	Set to zero
Actives/Deferreds	First Year Increase	Set to 'Default'
Actives/Deferreds	Spouse's Death after Retirement/Death in Deferment Proportions	Set to 50%, unless zero in basis
Actives/Deferreds	Death in Deferment cash benefits	Set to zero
Actives/Deferreds	Commutation	Ignored
Actives/Deferreds	Underpin	Ignored
Actives	Deferreds revaluation adjustment factors	Ignored
Actives	Pre retirement decrements other than death	Ignored – all actives assumed to withdraw on the valuation date
Deferreds	Pre retirement decrements other than death	Ignored

9 Application of Capping

For PPF S179 (Levy) Valuations, SuperVal will restrict retirement benefits as follows:

9.1 Actives – Retirement Benefits

TAP_v = Total Accrued Pension at VDATE

Reduction Factor = $90\% \times \min(TAP_v, \text{Comp Cap at VDATE for highest NRA}) / TAP_v$

This reduction is applied on a pro-rata basis across all benefits from the Slices and Alt Slices.

SuperVal will take the highest NRA which the member has service for.

If Cash on Top benefits are included, these will be converted to an equivalent pension amount and included in the Total Accrued Pension at VDATE when calculating the reduction factor to apply. The conversion factors used (which differ for Pre and Post 1997 benefits) are those referenced from the PPF Caps by the date specified in the Scheme PPF tabs.

The Reduction Factor calculation excludes any benefits from Slices where the member's age is greater than the PPF NRA specified.

Benefits set up on the Ind Slices tab are not included in the comparison with the Compensation Cap. SuperVal will add on 90% (for members below NRA only) of the benefits after comparison with the Compensation Cap.

9.2 Deferreds – Retirement Benefits

TDP_v = Total Deferred Pension revalued to VDATE

Reduction Factor = $90\% \times \min(TDP_v, \text{Comp Cap at VDATE for highest NRA}) / TDP_v$

The Reduction Factor calculation excludes any benefits from PUPs where the member's age is greater than the PPF NRA specified.

Benefits on the IndPUP tab are not included in the comparison with the Compensation Cap. SuperVal will add on 90% (for members below NRA only) of the benefit after comparison with the Compensation Cap.

Benefits on the NSPUPs tab are ignored.

9.3 Pensioners – Retirement Benefits

SuperVal V9 has been amended to enable the user to select, on each pension defined, whether the pension is included or excluded in the comparison with the Compensation Cap.

If the member is over the PPF NRA specified on a particular PUP then the benefits will not be capped.

9.4 Actives and Deferreds – Death in Deferment benefits

For PPF S179 (Levy) Valuations, SuperVal will restrict both active and deferred Death in Deferment benefits as follows.

Death in Deferment Lump Sums are ignored ie not included in the liability.

A comparison with the Compensation Cap will only be made for the spouse's benefit where this is defined as percentage of the member's pension. The percentage override will be set to 50%.

The formula for the Reduction Factor uses the same methodology as for Retirement benefits but uses the Compensation Cap at VDATE for the member's age last adjusted for the relevant Death in Deferment percentage.

Note: There may be members for whom the Death in Deferment benefits will be Capped but for whom the Retirement benefits are not. (This would occur when benefits at VDATE exceed the PPF Cap based on age at VDATE but are less than the PPF Cap at PPF NRA.) The output will show these members as Capped even though benefits at Retirement are not.

Finally, where there is a Cash on Top benefit that acts to restrict a member's benefits at Retirement this will result in a lower spouse's Death before Retirement and Death after Retirement benefit.

10 Running a PPF S179 valuation

To run a PPF S179 (Levy) valuation, firstly set up a Batch run and select from either Actives, Deferreds or Pensioners Pension Protection Fund as the valuation method. Then select the Scheme Basis Files that you wish to run and whether you wish to include Males and Females.

SuperVal - Batching/Running of Valuation Runs - Defining Batch of Valuation Runs

Valuation Method: AAN - Attained Age Normal Method, PUC - Projected Unit Credit Method, DAB - Defined Accrued Benefit Method, DEF - Deferreds Valuation, PEN - Pensioners Valuation, PPA - Actives Pension Protection Fund, **PPD - Deferreds Pension Protection Fund**, PPP - Pensioners Pension Protection Fund

Saved Bases:

Parameter File	Parameters Description	User Name	<Date/Time Saved
DEFERREDS	0 cat 0 from REGRESSION-DEFERREDS_CAT0-3	Caroline	18 Feb 2014 9:53 AM

0 of 1 Selected

Valuation Run Options:

Sex Selection: **Male**

Test Valuation Run: **No**

☐ Aggregate Benefits before Valuing

Control Period: **1** years

☐ Insured Benefits in Normal Cost

Target Accrued Benefit: **Past Service Liability**

☐ New Entrant Model Replacement

New Entrant Model Parameters: **New Entrants Run**

Valuation Date: **Current**

☐ Analysis of Surplus

☐ Cap Accrued Benefits

☐ **S143 Entry Valuation**

Output Options:

☒ Store Results for Consolidation

☐ ALM/LDI Interface Required

☐ Summarise All Results by Age

Input Data File in Text Output: **None**

☐ Consolidate Member Results

☐ Export Individual Member Results

Add Cancel Help

If running a Deferreds valuation, ensure the 'S143 Entry Valuation' check box is unselected. (This option is not available on the Actives or Pensioners module.)

Click "Add" to add the Batch run and then select either an 'Unattended Run' or an (attended) 'Run'.

11 Changes to PPF assumptions

SuperVal V9.30.01 allows fully for the changes in the financial and demographic assumptions for PPF S179 (Levy) valuations ie those specified in guidance notes A4, A5, A6, A7, A8, A9, A10 and A11.

SuperVal assumes that all pensions defined are revaluing. As noted earlier, the yields can be manipulated to allow for non-revaluing pensions if required. However, for pensioners, you are able to define a PPF Revaluation in Deferment for each pension defined.

To allow for the other changes, the user must define new PPF Sets for post 1 May 2021 valuations, which include the relevant updated assumptions.

Note, the relevant yield data needs to be input at Valuation Date and SuperVal will use the different formulae to determine the correct yields.

