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THE OCCUPATIONAL PENSION SCHEMES (EMPLOYER DEBT AND MISCELLANEOUS AMENDMENTS) REGULATIONS (NORTHERN IRELAND) 2018

INTRODUCING A NEW OPTION FOR EMPLOYERS IN MULTI-EMPLOYER OCCUPATIONAL DEFINED BENEFIT PENSION SCHEMES TO DEFER THE REQUIREMENT TO PAY AN EMPLOYER DEBT ON CEASING TO EMPLOY AN ACTIVE MEMBER

REGULATORY IMPACT ASSESSMENT

INVESTOR IN PEOPLE

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The costs and savings outlined in this Regulatory Impact Assessment are calculated on a United Kingdom-wide basis.

Introduction

1. This Regulatory Impact Assessment considers the impact of introducing a new deferred debt arrangement to ensure that all types of employers in multi-employer schemes are given feasible opportunities to manage their employer debt liabilities.

Background

2. Where an employer's relationship with a defined benefit (DB) occupational pension scheme ends in what is known as an "employment cessation event" existing legislation sets out the requirements for what is commonly known as an "employer debt".

3. An "employer cessation" event occurs where an employer in a multi-employer pension scheme ceases to have any employees who are active members of the scheme at a time when at least one other participating employer continues to have employees who are active members.

4. The amount of the employer debt is calculated by reference to the cost of buying out members' benefits with an insurance company. This is called a "full buy-out". If the scheme has sufficient funds to pay for all the members' benefits with an insurance company, no employer debt is payable. If the scheme does not have sufficient funds, an employer debt is payable.

5. There are already a number of existing arrangements in which an employer need not pay an employer debt when an employment cessation event occurs. For example, under the flexible apportionment arrangement, an employer's pension liabilities can be apportioned to another employer participating in the pension scheme. Such arrangements are more often used where employers are associated with each other. For example, they are in the same group of companies.

Problem under consideration

6. Where an employer who is participating in a multi-employer occupational defined benefit pension scheme ceases to employ any active members of the scheme (for example an

employer's last active member in the scheme retires) when at least one other participating employer continues to have employees who are active members legislation sets out the requirements for an employer debt. The basis of the employer debt is the difference between the assets that the scheme holds and the estimated cost of buying out all of the scheme's pension liabilities with an insurance company (the "full buy-out" level). If the scheme is estimated to be in deficit on that basis the "departing" employer will be liable to pay a certain proportion (its share) of that difference. The rationale behind this requirement is to safeguard the funding of the pension scheme when the link to the employer has been broken.

7. A Call for Evidence on Section 75 Employer Debt in Non-Associated Multi-Employer Defined Benefit Pension Schemes undertaken in 2015[1] found that where participating employers are from unconnected businesses or organisations, in what are known as "non-associated multi-employer schemes", it is less likely that they are able to take advantage of arrangements within the existing legislation whereby only part of the debt, or no debt, may be payable by the "departing employer" (see Annex A for more information). This could be because they have no other employer (associated employer) to transfer the debt to so cannot use one of the apportionment arrangements such as a flexible apportionment arrangement, or no longer intend to employ any active members of the scheme so cannot make use of the period of grace arrangement.

Rationale for intervention

8. Intervention is considered necessary to ensure that all types of employers in multi-employer schemes are given feasible opportunities to manage their employer debt liabilities in a way that minimises associated costs and avoids unnecessary economic distress to their businesses, whilst keeping the interests of their pension scheme members sufficiently protected.

Policy objective

9. The objective is to ensure that all types of employers in multi-employer schemes are given feasible opportunities to manage their employer debt liabilities in a way that minimises the associated costs and avoids unnecessary economic distress to their businesses, whilst keeping the interests of their pension scheme members sufficiently protected. The intended effect is to help businesses, especially small and medium businesses, and non-profit organisations, avoid unnecessary economic distress and prevent deterioration of their business operations.

Description of options considered (including status-quo)

10. A non-legislative option is not viable as the provisions for managing an employer debt are set out in legislation.

<u>Option 1: Do nothing</u>

11. Doing nothing would continue to put some businesses and non-profit organisations that are sponsoring multi-employer occupational defined benefit pension schemes at risk of

[1] https://www.gov.uk/government/consultations/employer-debt-in-non-associated-multi-employer-defined-benefit-pension-schemes

economic distress or even insolvency when they cease to employ an active member of the scheme where they cannot make use of the existing arrangements to manage their employer debt. There is a sustained campaign from employers and their representatives for parity with options open to associated schemes.

Option 2: (the preferred option)

12. Introduce a new deferred debt arrangement which would provide employers in multi-employer schemes with a feasible option to defer the requirement to pay an employer debt on ceasing to employ an active member. This deferred debt arrangement would be subject to a condition that the employer retains all their previous responsibilities to the scheme and continues to be treated as if they were the sponsoring employer in relation to that scheme.

13. This is the preferred option because it would allow employers to manage the pension debt flexibly as they continue to be fully responsible for the funding of the scheme and thus ensuring sufficient protection of member benefits.

14. This option was developed following the Call for Evidence on Section 75 Employer Debt in Non-Associated Multi-Employer Defined Benefit Pension Schemes undertaken in 2015.

Monetised and non-monetised costs and benefits of preferred option (including administrative burden)

Total cost to businesses

15. Costs to businesses are assessed to be zero. The proposed measure is optional. Employers will have a choice – in case of ceasing to employ an active member they can either pay a one off amount in the form of an employer debt (this is the counterfactual), or they can remain liable for their scheme and an associated future stream of Deficit Repair Contribution[2] (DRC) payments. Employers will choose this new option if they believe the benefits outweigh the costs (when compared against the counterfactual). On this basis the proposal is classed as zero cost to business.

[2] Deficit Repair Contributions (DRCs) - contributions made by sponsors to make up the deficit in an underfunded scheme over a specific period of time

Familiarisation / administration cost

16. Where an employer debt is triggered, various administrative, legal and actuarial costs arise. At the point where an employer debt event is triggered these costs arise whether the employer debt is paid or whether one of the existing arrangements is used to manage the debt. These costs would also be incurred if employers choose to use this new deferred debt arrangement option; but in effect there are no additional familiarisation costs associated with this legislative change, so the one–off cost of this option is nil.

Unintended consequences

17. How the employer chooses to manage the debt carries a degree of uncertainty and in some cases having to pay the debt upfront may unintentionally result in better outcomes for the employer. DB scheme deficits (and resulting DRCs) are calculated based on prudent actuarial forecasts of future economic performance, and are recalculated triennially. If employers paid their employer debt straightaway they would cease to be employers in relation to the scheme and therefore would not face the risk associated with any changes in future economic climate that result in changes in the estimated deficit (and imposed DRCs) and the amount of any potential employer debt if it were to be triggered at some future date. Depending on the future economic climate employers could face additional costs if choosing to defer and the economic position deteriorates, or additional savings if it improves (relative to forecasts at the point a decision is made). Given that the time horizons with pension liabilities are very long[3] it is assumed that any such unintended costs or benefits net to zero. Furthermore the proposed measure is optional and businesses will make use of it only if they expect it to be beneficial to them given their individual circumstances.

Monetised benefits to businesses

18. Benefits to businesses are calculated by comparing the before and after time profiles of employer debt payments using a 3.5% discount rate, in line with the Green Book[4].
19. The first step in estimating the savings to employers is to establish the number of employers expected to benefit from the proposed change. Non-associated multi-employers with what is known as a “last-man-standing” (NALMS) structure will be the beneficiary of the proposal:
    - Although the proposed measure will not be restricted to employers in non-associated multi-employer schemes, it is assumed that employers in associated multi-employer schemes will not make use of it because they already have deferred debt options available to them. Based on engagement with the industry it is known that the existing range of options work well for associated employers in multi-employer schemes, and

[3] For example, the cash flow requirements of DB schemes, sponsored by FTSE 100 companies, is expected to peak sometime in 2040 and 2060 as the current deferred and active members of schemes become pensioners themselves [source: LCP Accounting for pensions, 2014]. Although the FTSE 100 employers may not necessarily be the employers in scope with respect to the proposed option they can be used as a proxy to illustrate the long-time horizons of DB pension liabilities

[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

hence it is not likely the proposed additional option would add any substantial value to them.

- There is a further assumption that the proposal will be most attractive to employers in non-associated multi-employer schemes with a specific structure known as Last-Man-Standing (LMS). A LMS structure is where all assets and liabilities are held together, and the scheme does not wind-up until the last employer withdraws and is liable for the remaining deficit. It is employers in this type of scheme that, according to the Call for Evidence, are most likely to make use of the proposed deferred debt arrangement.

20. According to internal data provided by the Pensions Regulator (tPR) for the purposes of this exercise, there are at least 22[5] non-associated multi-employer schemes (NAMES) with a LMS structure; their total "buy-out" deficit is estimated to be c. £50bn[6]; and there are c. 5,000 employers[7] who sponsor NAMES with a LMS structure (including non-profit organisations and charities). This implies an average employer debt per employer of £10m[8] (£50 bn / 5,000 ≈ £10 million[9]).

21. Where employers do not pay the employer debt as a result of the proposed option, they will still remain responsible for the funding of the scheme. If the scheme is in deficit the employer will be required to continue making DRCs under scheme funding rules. The value of this direct business benefit is derived from reallocating the lump sum payment (employer debt) into smaller contributions over time (DRCs). Under both options the employer is responsible for their debt, but benefits arise from not having to pay the debt in full up-front on a full buy-out basis and distributing the payments as ongoing DRCs over time instead.

22. To quantify the benefits it is also necessary to know how many employment cessation events there will be during the appraisal period. It is important to highlight that there is no such information available because there is no requirement on employers to report such events to tPR. For the purposes of quantifying the benefits in the absence of any kind of data on the number of those events, it is arbitrarily assumed that approximately 1% of all non-associated employers in last man standing schemes will have a cessation event and take up the deferment option at some point in the future. This assumption is uncertain, and is based on the Impact Assessment on *the Occupational Pensions Schemes (Employer Debt) Regulations 2011*[10]. This impact assessment based its assumptions on discussions with contacts in the pensions industry, and in the absence of any other data source assumed 1% and 2% take-up rates for "Group Guarantees" and "Apportion Arrangements" respectively over the lifetime of the proposals. The two policies are types of debt deferral so they are used as a proxy to indicate a broad scale of take-up of the proposed new deferral; at the same time it is acknowledged that the new proposal is

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[5] Schemes deemed to be either PPF and/or Part 4 of the Pensions (Northern Ireland) Order 2005 eligible, as at November 2014. Caveat: 4 schemes were excluded from the estimates due to discrepancies in the data

[6] Caveat: the estimate has been rounded down to £50bn for prudency as any quoted buy-out deficit figures are subject to market conditions at the valuation date. The £50bn deficit is an estimate (roll-forward), with a universal effective date of 31/03/2015

[7] Caveat: the employer figure has been rounded down to the nearest 1,000 (as one employer can sponsor more than one scheme and the quoted figure provided by tPR may count some employers more than once). However, there is no double counting in the estimated total employer debt

[8] Caveat: it is recognised that the distribution of actual debt to an employer may possibly be skewed; however as such a distribution was unavailable an average mean estimate is used instead of a median estimate

[9] Just to put this into context: there are about 6,000 DB schemes in total, and their total deficit on a full buy-out basis is about one trillion pounds, which means it's about £167 million on average per scheme. However, many of the employers sponsoring NALMS scheme(s) are small or medium businesses and their pension schemes smaller/medium too; therefore the average deficit per NALMS scheme is much smaller than the average for the whole DB population – as expected

[10] http://www.legislation.gov.uk/uksi/2011/2973/impacts

different and there is no guarantee its take-up would be the same. The lower rate of 1% is used as the assumption. Sensitivity analysis is provided on this assumption.

23. In addition, an arbitrary assumption is made that half of the estimated number of cessation events will occur over the next 10 years (assuming the remainder experience cessation events later), giving a figure of 0.5% of employers in potentially affected schemes in scope of the appraisal. Also, in the absence of any data on future distribution of cessation events, it is assumed that on average the frequency of cessation events will be smooth over the 10 years period. Therefore the assumption is that 0.05% (0.5% / 10) of NALMS employers will have a cessation event and will make use of the option every year. Multiplying the 0.05% by the number of NALMS employers (which is around 5,000 as set out above) gives a figure of approx. 3 employers making use of the proposed option every year[11].

24. It is acknowledged that the 3 employers per year assumption is uncertain, but having sense checked against the views received from the industry it is believed the assumption is reasonable. For instance, as part of the Call for Evidence exercise in 2015, 65 responses were received from individual employers (33 of which were charities) who supported the proposed approach.

25. With an assumed 3 (after rounding) employment cessation events annually, where the proposed option to defer debt would be taken up, the estimated aggregate employer debt triggered per year would be approx. £25m (3 businesses x £10m average employer debt ≈ approx. £25m[12]). There is no evidence or rationale that would suggest that schemes with higher or lower debt are more or less likely to have a cessation event; hence it is implicitly assumed here that on average schemes that have a cessation event have the same amount of estimated debt as the whole NALMS population on average.

26. Referring to the assumptions set out above, in year 1 three employers have a cessation event and take up the proposed option; and their aggregate employer debt is worth £25 million, on the full buyout basis. In year two there is another "inflow" of three employers with the aggregate employer debt worth £25 million, and so on. Under the counterfactual, they have to pay the debt in full up-front.

27. Under the proposed option, they can defer the debt and cover it over time in the form of Deficit Repair Contributions (DRCs). It is assumed that DRCs are paid over 8 years, which matches the actual average DRC payments length observed across Defined Benefit schemes; and also assumed that the payments are made in equal chunks over eight years. It is highlighted that this is a very simplifying assumption as in practice DRCs vary and are re-set triennially. Given the 3.5% annual discount for time preference, in line with the Green Book, the deferral creates value.

28. In addition to the different time profile of the payment, DRCs are imposed based on the same underlying debt but calculated on the Statutory Funding Objective (SFO) basis – this is because of the regulatory requirements. It is assumed that the employer debt estimated on the full buy-out basis is equal to 140% of the same underlying debt but estimated on the Statutory Funding Objective (SFO), also known as Technical Provisions, basis. This is in line with the rule of thumb that DWP and its Arms-Length-Bodies tend to apply when illustrating DB pension deficit on different bases. The difference between the two measures is primarily driven by (a) differences in required

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[11] To put it into context: there are about 14,500 employers who are sponsoring a DB scheme(s) in total. The 3 employers affected per year (or 30 in total) is a small subset of the total population; however the proposed measure has a significant impact on them

[12] Figures do not sum due to rounding

assumptions of future returns on investment, and (b) the full buy-out basis includes insurer's premia. Hence the employer debt which is equal to £25 million on the full buyout basis is equal to about £18 million (£17.86m before rounding) on the SFO basis.

29. Benefits to businesses are calculated by comparing the profiles of the employer debt payments – the profile under the counterfactual being the employer debt calculated on the full buy-out basis and paid in full up-front, and the profile under the proposed option being the employer debt calculated on the SFO basis and paid in equal chunks over 8 years. Table 1 below shows the profile under the counterfactual.

30. Table 1. Value of cash flows under the counterfactual.

	Sum	Year number									
		1	2	3	4	5	6	7	8	9	10
Nominal Value	**250.00**	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Present Value	**215.19**	25.00	24.15	23.34	22.55	21.79	21.05	20.34	19.65	18.99	18.34

Source: DWP calculations

31. Table 2. Value of cash flows under the proposed option.

Year		Sum																		
1	Nominal Value	17.86		2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Present Value		15.34	2.16	2.08	2.01	1.95	1.88	1.82	1.75	1.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Nominal Value	17.86			2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Present Value		14.82		2.08	2.01	1.95	1.88	1.82	1.75	1.70	1.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Nominal Value	17.86				2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Present Value		14.32			2.01	1.95	1.88	1.82	1.75	1.70	1.64	1.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Nominal Value	17.86					2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00	0.00	0.00	0.00	0.00
	Present Value		13.84				1.95	1.88	1.82	1.75	1.70	1.64	1.58	1.53	0.00	0.00	0.00	0.00	0.00	0.00
5	Nominal Value	17.86						2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00	0.00	0.00	0.00
	Present Value		13.37					1.88	1.82	1.75	1.70	1.64	1.58	1.53	1.48	0.00	0.00	0.00	0.00	0.00
6	Nominal Value	17.86							2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00	0.00	0.00
	Present Value		12.92						1.82	1.75	1.70	1.64	1.58	1.53	1.48	1.43	0.00	0.00	0.00	0.00
7	Nominal Value	17.86								2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00	0.00
	Present Value		12.48							1.75	1.70	1.64	1.58	1.53	1.48	1.43	1.38	0.00	0.00	0.00
8	Nominal Value	17.86									2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00	0.00
	Present Value		12.06								1.70	1.64	1.58	1.53	1.48	1.43	1.38	1.33	0.00	0.00
9	Nominal Value	17.86										2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	0.00
	Present Value		11.65									1.64	1.58	1.53	1.48	1.43	1.38	1.33	1.29	0.00
10	Nominal Value	17.86											2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23
	Present Value		11.26										1.58	1.53	1.48	1.43	1.38	1.33	1.29	1.24
Total	Nominal Value	178.57																		
	Present Value	132.07																		

Source: DWP calculations

32. As shown in the tables above, the present value of the costs under the counterfactual is £215.19 million, and the present value of the costs under the proposed option is £132.07 million. The difference between the two is £83.1 million, which is the estimated benefit to businesses, in present value (real) terms.

33. The estimated benefits are highly sensitive to the assumed level of take-up of the proposal. The 0.5% take-up rate in the next 10 years has been arbitrarily doubled and halved to 1% and 0.25% for the upper and lower scenarios respectively. Under the upper scenario the estimated benefit is £166.2 million, and under the lower one it is £41.6 million.

Non-monetised benefits to businesses

34. In addition to the benefits to businesses, wider societal (unquantified) benefits are expected. Charities and voluntary organisations are among those that have been lobbying for the changes to the employer debt regime. It is therefore believed there will be charities and voluntary organisations, among other organisations, benefiting from the proposed option. Therefore their regular business activities are likely to be in a better condition than would be otherwise, and due to the nature of their activities wider positive benefits to society may be expected as a result. It would be disproportionate to attempt to quantify these benefits.

Costs and benefits to scheme members[13]

35. Under this option scheme trustees, who are mandated to work in the best interests of the scheme members, will need to be satisfied that the proposed arrangement would not be detrimental to the scheme or its members. This will work as a safeguard for the scheme and its members' benefits. Also, the employer will retain responsibility for the scheme's funding in exactly the same way as it would if it continued employing at least one active member of the scheme. On that basis it is assessed that there would be no additional risk to members of not getting their pensions paid in full – i.e. zero cost to members.

36. It is acknowledged that there is an argument that in some specific situations a strong employer could potentially enter a deferred debt arrangement when they could have met the employer debt in full when it was initially triggered, and that if the employer's financial position deteriorates in future they may not be able to make the level of payments they would have done otherwise (i.e. in the form of any future employer debt that may be triggered ending the deferred debt arrangement). However, under the proposed measure on-going monitoring of the employer in a deferred debt arrangement will form part of the standard triennial scheme funding valuations, and is expected to mitigate any potential additional (when compared against the counterfactual) risk to members' benefits to negligible levels. It is also important to note that in the absence of the proposed option some employers might not be able to pay their employer debt due to insufficient assets held thus putting their pension scheme members at risk of receiving lower benefits. In some of those situations the deferred debt arrangement is expected to reduce the financial pressure on the employer so that it allows continuing business operation on a

[13] Members of DB schemes are current or future pensioners

normal basis while covering the deficit in their pension scheme over a number of years thus protecting member benefits (which would not be possible under the counterfactual).

37. There will be no familiarisation, implementation, administrative or other type of cost to members as they will not be required to do anything.

Summary and preferred option with description of implementation plan

38. The preferred option addresses the situation where an employer undergoes an employer cessation event and does not intend to re-employ an active member of the pension scheme but wishes to make use of a deferred debt arrangement. Under this option, the trustees forego an immediate payment of an employer debt by agreeing that the employer can enter into a deferred debt arrangement. The employer remains an employer in relation to the scheme and will be responsible for making any deficit recovery contributions. The gain for employers is economic, in respect of the benefits they derive from not having to pay the employer debt in full up-front. The estimated savings over the appraisal period are valued at £83.1 million, with sensitivity analysis suggesting a range of £41.6 million to £166.2 million.

39. It is acknowledged these estimates are highly sensitive to assumptions, given the lack of available data, but the analysis presented is proportionate.

40. It is DWP's intention that the operation of the corresponding Great Britain regulations will be monitored on an ongoing basis by means of representations and feedback from the pensions industry, the Pensions Regulator and the Pension Protection Fund.

Other Impacts

Equality

41. In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on these legislative proposals and, as they further amend the existing Regulations to ensure that members of occupational pension schemes are adequately protected from the risk of a scheme failing to meet its liabilities, they have little implication for any of the section 75 categories. In light of this, the Department has concluded that the proposals would not have significant implications for equality of opportunity and considers that an Equality Impact Assessment is not necessary.

Environmental

42. There are no implications.

Rural proofing

43. There are no implications.

Health

44. There are no implications.

Human rights

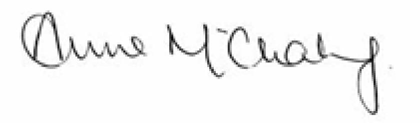
45. The Department considers that the regulations are compliant with the Human Rights Act 1998.

Competition

46. There are no implications.

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed for the Department for Communities



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13 March 2018

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Annex A – Additional information on current policy background

The existing legislation has a number of arrangements whereby only part of the debt, or no debt, may be payable by the “departing employer”. There are four arrangements which prevent an employment cessation occurring:

- The period of grace arrangement helps small employers in multi-employer schemes who cease to employ an active member for a temporary period only (the rule currently means that the employer debt does not trigger for up to 36 months giving the employer time to employ an active member of the scheme).
- •A flexible apportionment arrangement may allow an employer’s pensions liabilities to be apportioned to another employer participating in the same pension scheme (in effect, this employer “steps into the shoes” of the leaving employer). This may help employers in the same multi-employer scheme who are associated with each other through business.
- Restructuring involving a transfer of assets, employees, scheme members and pension liabilities, between one departing employer and one receiving employer, neither of whom have had an insolvency event.
- De Minimis restructuring where small scale corporate restructurings are being undertaken.

There are also four prescribed mechanisms which result in modification of the departing employer’s debt:

- Withdrawal arrangements. The employer no longer participating in the scheme pays an amount of the debt to the scheme based on the scheme funding position. A guarantor agrees to pay the remaining balance (i.e. the difference between scheme funding and full buy out) when it falls due. The guarantor can be another employer in the scheme.
- Approved withdrawal arrangements. These are withdrawal arrangements where the departing employer pays less than its share of the deficit calculated on a scheme funding basis. Where trustees consider that an approved withdrawal arrangement is appropriate, the employer must submit an application to the Pensions Regulator for approval.
- Scheme apportionment arrangements. Some schemes have scheme rules that permit an employer debt attributable to the departing employer to be shared amongst the remaining employer(s) so reducing the debt to a nil or a nominal amount. Legislation permits that such apportionments can only take place in line with the scheme rules and the trustees applying a funding test to ensure that they are satisfied that the remaining employers are able to fund the scheme so that it has sufficient assets to cover its liabilities. This also prevents a debt being apportioned to weak or shell employers.
- Regulated apportionment arrangements. A regulated apportionment arrangement modifies the departing employer’s section 75 debt and is only available where the scheme is in a PPF assessment period, or likely to enter one within the next 12 months.

To take effect the regulator must approve a regulated apportionment arrangement and the PPF must not object to it. Such arrangements are very rare.