



Deferred Debt Arrangement

February 2019

Introduction

When an employer in a multi-employer scheme has a cessation event, under UK law, the employer is liable to pay a Section 75 Employer Debt. It may be possible in certain circumstances to defer the trigger and subsequent payment of a Section 75 Employer Debt by entering into a deferred debt arrangement. This bulletin provides further information.

What is a Deferred Debt Arrangement (a “DDA”)?

Put simply, a DDA is a legal agreement which defers when a section 75 employer debt is triggered when there is an employer cessation event. While the DDA is in place, the employment-cessation event is deemed not to have occurred.

A DDA requires the agreement of the Trustee. Only employers that intend to keep trading and offer financial support to the Scheme for at least the next 12 months can apply for a DDA.

For full details on DDAs see ‘The Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2018`.

What is the criteria for an DDA?

Trustees can agree a DDA if:

- the Scheme is not in a PPF assessment period or being wound up;
- the Trustee is satisfied that the Scheme is unlikely to go into a PPF assessment period in the next 12 months; and
- the Trustee is satisfied that the employer’s covenant is unlikely to weaken materially in the next 12 months.

The Trustee must be satisfied that the employer’s ability to finance the Scheme is unlikely to weaken materially in the next 12 months beginning with the date on which the DDA takes effect. In order to ensure this test is passed, the Trustee relies on its professional advisors. Employers that request a DDA will need to complete a short questionnaire. The completed questionnaire will be reviewed by the advisors so they can prepare a report for the Trustee.

Is a DDA appropriate for me?

If you have or are thinking of ceasing to participate in the Scheme by no longer employing active members but wish to defer triggering a section 75 employer debt, then a DDA may help. If you get a DDA approved by the Trustee, you will continue to be a statutory employer for funding purposes. This means you will continue to offer financial support to the Scheme and if the Scheme’s funding position deteriorates you may be asked to pay extra contributions to make good the funding shortfall.

If the Scheme closes to future accrual at any point in the future, DDAs will cease to apply and employers will no longer be able to enter into DDAs from that time. As you will be aware, there is an ongoing consultation on the Scheme closing to future accrual from 30 June 2019.

If you entered into a DDA before the Scheme closes to future accrual, you will remain a statutory employer until you:

- Tell the Trustee you wish to trigger your section 75 employer debt.
- Suffer an insolvency event.
- Pass a resolution to voluntarily wind up your business.

A DDA can be requested for an employer cessation event that happened in the past. However, if you have ceased trading a DDA cannot be approved.

What does it cost

Employers must cover the Scheme's professional advisor costs to agree the DDA. These are expected to be around £2,000 +VAT for small, simple cases. Larger more complex companies will need bespoke pricing and should contact us.

I want to request a DDA

If you wish to request a DDA please contact the administration team by:

Phone: **0131 556 9090**

Email: **employersupport@plumbingpensions.co.uk**



Plumbing Pensions
Plumbing & Mechanical Services
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