1.0 Executive Summary
This submission focuses on the fairness of the PPF levy system and its impact on businesses and scheme members. The submission outlines the following points in relation to the PPF Levy for the NXET Trains Limited Section of the Railway Pension Scheme:

- NXET incurred a significant increase in the PPF levy in 2015/2016 as a result of forming a new entity even though it continued the trade of a previous entity.
- The PPF published the final rules and Policy Statement on 17 December 2015. This included a decision to allow newly formed companies that are scheme employers to provide Experian with audited interim accounts to allow Experian to score them before full accounts are filed. However, the ruling only applies to 2016/2017 scores and 2015/16 scores could not be recalculated.
- In the example of a TOC which continues to trade as a newly formed entity under a new franchise agreement, the Experian score should be based on the full trading history of the TOC and the pension scheme should not be affected by something which is essentially just a name change required by the refranchising process.
- The 2015/16 Experian score should be recalculated.

2.0 Background
National Express were awarded the Essex Thameside Franchise from 9 November 2014. NXET Trains Limited was set up as the company to run the franchise. National Express previously had the franchise for c2c. It is a requirement that a new trading company is set up and a c2c section of the Railway Pension Scheme became the NXET Trains Limited Section of the Railway Pension Scheme. Whilst NXET is the legal company name, NXET continues to trade under the name of 2c.

3.0 Experian Scores

3.1 As a new company, NXET Trains Limited didn’t have a trading history and consequently the Experian score was affected significantly by this.

3.2 NXET had a significant hit to the 2015/16 PPF Levy as result.
3.3 NXET responded to the 2016/17 consultation on the PPF levy. Consequently, a decision was made to allow newly formed companies that are scheme employers to provide Experian with audited interim accounts to allow Experian to score them before full accounts are filed. However, the ruling only applies to 2016/2017 scores and 2015/16 scores could not be recalculated.

3.4 The rules on the voluntary submission of interim accounts for new companies (where no accounts have been required to, or in fact have been filed until after the penultimate Score Measurement Date) only applies for 2016/17. The 2015/16 scores (October 2014 to March 2015) could not be recalculated.

3.5 The change in trading name is, put simply, just a change in name and the PPF levy should not be at a detriment as a result.

3.5 The PPF Levy is paid out of the scheme and has had a significant adverse impact on the value of the scheme.

4.0 Recommendations
4.1 In the example of a TOC which continues to trade as a newly formed entity under a new franchise agreement, the Experian score should be based on the full trading history of the TOC and the pension scheme should not be affected by something which is essentially just a name change required by the refranchising process.

4.2 The 2015/16 Experian score should be recalculated.

*September 2016*