Appendix 5 to the Board's determination under Section 175(5) of the Pensions Act 2004 in respect of the financial year 1 April 2007 – 31 March 2008

Calculation of the multiplier and the scaling factor

1. The multiplier h shall be the solution to the following equation:

$$\left(\sum_{i=1}^{T} L_i + \sum_{j=1}^{5} (N_j - n_j) X_j\right) \times h = (1 - R) \times Q$$

2. The scaling factor c shall be the solution to the following equation:

$$\sum_{i=1}^{T} \min\{\{U_i \times P_i \times R \times c\}, K \times L_i\} + \sum_{j=1}^{5} (N_j - n_j) Y_j = R \times Q$$

3. The following variables shall have the values respectively ascribed to them in the Schedule to the Determination:

Variable	**Meaning**	**Reference in Schedule to the Determination**
Q	Pension protection levy estimate	Paragraph 45
R	Proportion of the pension protection levies to be risk based	Paragraph 19
K	Levy cap factor	Paragraph 20

4. T shall be the number of calculated schemes (as defined in paragraph 49 of the Schedule to the Determination). U_i, P_i and L_i shall respectively represent the values of U, P and L for the i^{th} calculated scheme, calculated in accordance with the Determination but subject to the modifications set out in paragraph 48 of the Determination in relation to deficit-reduction contributions, contingent assets and, in the case of multi-employer schemes, the calculation of P_i.

5. The approximated schemes (as defined in paragraph 49 of the Schedule to the Determination) shall be generated in accordance with the remaining paragraphs of this Appendix 5.

6. The calculated schemes shall be divided in accordance with the table below.

Number of members	2-99	100-999	1,000-4,999	5,000 – 9,999	10,000 or more
	Group 1	Group 2	Group 3	Group 4	Group 5

7. For the j^{th} group:

   X_j is the average of L over all the calculated schemes in that group (in respect of which no contingent asset certificate was provided in respect of the period 1 April 2006 – 31 March 2007), where L for each such calculated scheme is calculated in accordance with the Determination;

   Y_j is the average of $\min\{\{U \times P \times R \times c\}, K \times L\}$ over all the calculated schemes in that group (in respect of which no contingent asset certificate was provided in respect of the period 1 April 2006 – 31 March 2007), where U and P for each such calculated scheme are calculated in accordance with the Determination but subject to the modifications set out in paragraph 48 of the Determination in relation to deficit-reduction contributions and contingent assets and, in the case of multi-employer schemes, the calculation of P;

   n_j is the sum of (i) the number of calculated schemes (including schemes in respect of which one or more contingent asset certificates was provided in respect of the period 1 April 2006 – 31 March 2007) within that group and (ii) the number of failed schemes (as defined in paragraph 48 of the Schedule to the Determination) falling within the relevant size category; and

   N_j is the total number of eligible schemes believed to exist within the relevant size category, based on data provided by the Pensions Regulator.