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www.pensionprotectionfund.org.uk

EXAMPLE 3

| Trustees of: | |
|------------------------|--------------------------------|
| The XYZ Pension Scheme | Invoice Number: 12345678-10-01 |
| Address line 1 | Invoice Date: 09/10/2009 |
| Address line 2 | PSR: 12345678 |
| Address line 3 | Terms: Immediate |
| Address line 4 | |
| Postcode | |

| Pension Protection Levy Invoice for 2009/10 | Amount |
|---|----------------|
| Scheme-based Levy | £12,960 |
| Risk-based Levy | £4,618 |
| Total | £17,578 |

THIS INVOICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are not the person responsible for paying invoices on behalf of the above pension scheme, please pass it on to the correct person **immediately**.

If you have a query on this invoice, please telephone or email using the appropriate contact details as explained on the next page, quoting Invoice Number and Scheme Name, within 28 days of the date of invoice, that is, by 06/11/2009. If you do not raise a query within this time frame, you may lose the right to do so.

Please pay no later than 06/11/2009.

Please send your payment by BACS/CHAPS/Internet banking to:

Bank Name: xxxxxxxxxxxxxxxx Sort Code: xx-xx-xx
 Account Name: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx Account No.: xxxxxxxx

Please forward remittance advices to: creditcontrol@ppf.gsi.gov.uk

If you are unable to pay electronically, please make cheques payable to: PPF Levy Collection Account quoting your Invoice number and forward to the PPF postal address at the top of this invoice.

Pension Protection Levy

Under section 175 of the Pensions Act 2004, the Board of the Pension Protection Fund (the Board) is required to raise a pension protection levy. This invoice is formal notification of the Board's decision of the amount of pension protection levy payable by the scheme referred to on the face of the invoice.

Under section 181 of the Pensions Act 2004, the trustees of the scheme are required to pay this amount to the Board, and the Board intends that the invoice and the supporting documentation issued with it will enable levy payers to meet their statutory obligations to pay this invoice immediately.

Querying this invoice

Please refer to the enclosed Levy Booklet or the PPF website for more information on how and under what circumstances you can request a review or make a D&B appeal in respect of this invoice.

Queries regarding DUNS numbers and/or probabilities of insolvency should be raised with D&B using the contact details below. Queries regarding any other part of the invoice should be raised with our Stakeholder Support Team using the contact details at the top of the front page of this invoice:

Telephone: 0870 850 6209

E-mail: customerhelp@dnb.com (please quote – 'PPF-related query')

Address: D&B Customer Services, Suite 5.3, Building 8, Exchange Quay,
Salford, Greater Manchester, M5 3EJ

Updating your data

Should your scheme's circumstances change, you should update the Pensions Regulator's *Exchange* system with any new information when this happens. This will save you time when it comes to submitting your next scheme return and help to ensure that all relevant data is updated for future levy calculations.

With certain limited exceptions (eg contingent asset information):

- where provided, this invoice has been calculated using information stored in Exchange as at midnight on 31 March 2008; and
- information stored in Exchange as at 5pm on 31 March 2009 will be used in the 2010/11 levy calculation.

For information on the exceptions please refer to the Board's determination under s175(5) and/or our website.

Levy collection policy

If no query is raised with the Board within 28 days and payment is not received, the Board will begin debt collection activities. The Board will carry out these debt collection activities, in ways that are compliant with applicable legislation, and in ways that are consistent with its responsibilities to stakeholders.

Your Levy Invoice Explained

The calculation of the scheme based levy and the risk based levy shown on this invoice is based on the following data and calculations in respect of the scheme.

Please see the enclosed booklet "A Guide to the Pension Protection Levy 2009/10" ("the levy booklet") for further information on the calculation of the pension protection levy. The comprehensive rules for this calculation are set out in the Board's determination under Section 175(5) of the Pensions Act 2004 for the 2009/10 levy year (the "Determination") published on the PPF website.

Data used in the Levy Calculation

Pension Protection Fund Levy Parameters (see Parts 2 and 3 of the Schedule to the Determination)

For the Scheme Based Levy:

Multiplier (h): 0.000162

For the Risk-based Levy:

Scaling factor (c): 2.22

Proportion of pension protection levies to be risk-based (R): 0.8

Scheme Assets (see page 7 of the levy booklet)

Scheme assets as at 1 February 2007 = £83,000,000.00

S (estimated scheme assets as at 31 March 2008) = **£90,000,000.00¹**

Scheme Liabilities (see page 7 of the levy booklet)

Liabilities on a section 179 basis as at 1 February 2007 = £65,000,000.00

L (estimated liabilities as at 31 March 2008) = **£80,000,000.00¹**

Data in respect of the scheme's participating employer²
(See pages 9 -10 of the Levy booklet)

| Participating employer | DUNS Number | D&B Failure Score (or local equivalent (if appropriate)) ³ | Insolvency Probability (P) | No of members (N) |
|------------------------|-------------|---|----------------------------|-------------------|
| Employer 1 | 12345678 | 60 | 0.006500 | 500 |

P (insolvency probability) = **0.006500**

Deficit Reduction Contributions
(see page 11 of the levy booklet)

C (Deficit Reduction Contributions) = **£14,000,000.00**

Calculation of total assets

The total assets, **A**, are calculated as the sum of:

- S** The value of the rolled-forward scheme assets
- C** The amount of Deficit Reduction Contributions

That is,

$$\begin{aligned} \mathbf{A} \text{ (Total Assets)} &= \mathbf{S} + \mathbf{C} \\ &= \mathbf{£90,000,000.00} + \mathbf{£14,000,000.00} \\ &= \mathbf{£104,000,000.00} \end{aligned}$$

Calculation of the Scheme-based Levy

(see page 7 of the levy booklet)

$$\begin{aligned}\text{Scheme-based levy} &= L \times h \\ &= \text{£}80,000,000.00 \times 0.000162 \\ &= \text{£}12,960 \text{ rounded to the nearest pound}\end{aligned}$$

Calculation of the Risk-based Levy

Underfunding calculation based on assets and liabilities

(see pages 8 - 9 of the levy booklet)

$$\begin{aligned}\text{Funding level} &= A / L \\ &= \text{£}104,000,000.00 / \text{£}80,000,000.00 \\ &= 130.00\%\end{aligned}$$

Hence:

$$\begin{aligned}\text{underfunding (U)} &= 0.005 \times L \\ &= 0.005 \times \text{£}80,000,000.00 \\ &= \text{£}400,000.00\end{aligned}$$

Risk-based levy calculation

(see page 7 - 8 of the levy booklet)

$$\begin{aligned}\text{Risk-based Levy} &= U \times P \times R \times c \\ &= \text{£}400,000.00 \times 0.006500 \times 0.80 \times 2.22 \\ &= \text{£}4,618 \text{ rounded to the nearest pound}\end{aligned}$$

Endnotes

- 1 The figure has been derived using the Board's methodology for transforming section 179 valuation results to a section 179 basis as at 31 March 2008. The methodology is available on the Pension Protection Fund website and forms Appendix 1 to the Determination. The application of the relevant methodology has been verified by the PPF Actuarial Team and independently reviewed by the Government Actuary's Department.
 - 2 If you wish to query any DUNS numbers or insolvency probabilities in this table, please follow the D&B appeals procedure set out on the PPF website and in the enclosed booklet, using the contact details set out on the second page of this invoice.
 - 3 Amended where appropriate in accordance with paragraph 32 of the Schedule to the Determination.
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