

A guide to the  
Pension Protection  
Levy 2011/12

# About this booklet

This booklet is designed to help you understand your pension protection levy invoice and tell you what to do if you have any questions. It is intended to complement the invoice so it is important they are kept together.

Inside, we make frequent references to pages on the Pension Protection Fund's website, [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

This booklet is available on the PPF website in the invoicing section should you wish to print further copies.

## **Pension Protection Fund (PPF)**

In April 2005, the Pension Protection Fund was set up to protect members of eligible defined benefit and hybrid pension schemes when the sponsoring employer goes bust and the scheme cannot afford to pay members' benefits at PPF levels of compensation.

The PPF was established by Parliament in the Pensions Act 2004 and is a public corporation, independent from Government.

## **Pension Protection Levy**

The annual levy on schemes eligible for PPF protection is one of four ways that the PPF is funded. We also generate income from:

- recoveries of money and other assets from insolvent employers of schemes that we take on
- taking on the assets of schemes that transfer to us, and
- returns on our own investments.

## **Dun & Bradstreet (D&B)**

Dun & Bradstreet is the business information supplier that provides the PPF with Failure Scores and associated probabilities of insolvency for the sponsoring employers of schemes that pay the pension protection levy. You can find out more about your Failure Score and probability of insolvency in this booklet.

## **The Pensions Regulator**

The Pensions Regulator is the UK regulator of work-based pension schemes. It is a separate body from the PPF and has many different functions. It works to improve confidence in work-based pensions by protecting members' benefits, promoting good administration of pension schemes and reducing the risk that scheme members may need PPF protection.

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# 1 A summary of the 2011/12 levy

## Introduction

You have been sent a pension protection levy invoice because we believe your scheme to be one that the Board is required by law to levy.

The invoice details the amount of 2011/12 pension protection levy due from your scheme under sections 175-181 of the Pensions Act 2004.

### How can I pay this levy invoice?

Please pay by BACS, CHAPS or internet banking, quoting your scheme name and invoice number. These are the simplest, most secure and effective methods, helping to reduce administration costs. The bank details are as follows:

Sort code	12-20-29
Account no	06067843
Account name	PPF Levy Collection Account
Bank name	Bank of Scotland
IBAN	GB 30 BOFS 1220 2906 0678 43
SWIFT / BIC	BOFSGB21281

Please forward your remittance advice to us at **creditcontrol@ppf.gsi.gov.uk** Further details are on your invoice.

If you have no alternative but to pay by cheque, please make it payable to PPF Levy Collection Account and send it along with a copy of the invoice to:

Pension Protection Fund  
Knollys House  
17 Addiscombe Road  
Croydon  
Surrey  
CR0 6SR

Please note that we do not provide an automatic payment receipt. **Confirmation that a payment has been made from the relevant account should be sought from your bank in the first instance.** Some schemes have paid their levy invoices twice in the past. Please ensure you are not duplicating a payment that has already been made.

## What does this invoice cover?

### Pension Protection Levy

This is divided into two parts:

*Scheme-based levy*  
Paid by ALL schemes according to their PPF liabilities.

*Risk-based levy*  
Calculated according to the funding level of a scheme and the probability of insolvency of its employer(s).

## What does this invoice not cover?

The Pensions Regulator invoices separately for a number of other levies.

### Administration levy

This covers the cost of running the PPF.

### General levy

This levy does not contribute to the running of the PPF.

### Fraud Compensation Levy

This levy ensures that the Fraud Compensation Fund has sufficient assets to meet claims or potential claims as a result of losses to schemes which are attributable to dishonesty.

## When do I have to pay it?

The invoice is due for immediate payment. An interest on late payment charge of 5 per cent per annum above the Bank of England base rate will start accruing after 28 days if your levy invoice remains unpaid (see Page 5 – Interest on Late Payments). Our credit control team will begin debt collection activity in line with the Board's credit policy if payment is not received within 28 days of the invoice date.

### If you think your scheme is not eligible for the levy:

Some defined benefit pension schemes are not liable to pay the PPF levies. The 'Eligibility' page of our website contains a summary list of the criteria which might make a scheme ineligible.

If you have received an invoice but think that your scheme may be ineligible, you should consult section 126 of the Pensions Act 2004 and the Pension Protection Fund (Entry Rules) Regulations 2005 (SI 2005/590), as amended, which are available on the UK Statute Law Database at: [www.statutelaw.gov.uk](http://www.statutelaw.gov.uk).

If you still think you are ineligible, you should contact the PPF Stakeholder Support Team. Contact details can be found at the back of this guide.

### If you think your scheme should have its 2011/12 levy waived:

There are a limited number of circumstances where the PPF may waive either the whole levy or the risk-based levy, but the scheme will continue to be eligible for the PPF. An application can result in the levy being waived for **one levy year only**; a separate application must therefore be made for each subsequent year that you seek a waiver.

**Schemes that pay the levy invoice cannot be granted a waiver. Therefore it is important that you consider the criteria for levy waivers and whether you wish to apply for a waiver before you make a payment.**

The criteria for levy waivers are set out in the Pension Protection Fund (Waiver of Pension Protection Levy and Consequential Amendments) Regulations 2007 (SI 2007/771) which are available at: [www.statutelaw.gov.uk](http://www.statutelaw.gov.uk). A waiver can only be granted after you have been issued an invoice, not before. You can also find a summary of the circumstances under which the PPF has discretion to waive the levies on the 'FAQs' page of the PPF website. Please note that we have no discretion to waive the levy in other cases.

If your scheme meets the criteria to have the levy waived, you should send your completed waiver application form and the required supporting evidence to the waiver team at **eligibilityandwaivers@ppf.gsi.gov.uk**, clearly indicating that you are applying for a waiver. You must make your application before you pay the invoice and **within 28 days** of the date of your invoice – it is crucial that you meet this timescale because it cannot be extended.

Alternatively, if you require further information or have any additional questions about applying to have your levy waived, you can contact the Stakeholder Support Team within 28 days of the date of your invoice and before you pay your invoice.

### Interest on late payments

An interest on late payment charge of 5 per cent per annum above the Bank of England base rate will start accruing after 28 days if your levy invoice remains unpaid.

Section 181A of the Pensions Act 2004, as inserted by Schedule 10 to the Pensions Act 2008, provides the regulation-making powers to enable the Board of The Pension Protection Fund to charge interest if the pension protection levy is paid late. The Pension Protection Fund (Miscellaneous Amendments) Regulations 2010 include regulations setting out how the Board shall charge the interest.

Schemes are encouraged to pay levy invoices that are subject to appeal as payment of the levies is a statutory obligation of the trustees (s181 of the Pension Act 2004). Once a successful appeal is concluded, any overpayments will be refunded as soon as possible.

If the decision is taken to raise an invoice for interest on late payment, the invoice will be sent to the original invoice address (unless notified).

Invoices for interest on late payments are reviewable matters under section 207 of the Pensions Act 2004. It can be reviewed by bringing an application under that section within 28 days of the invoice date.

For more information on how to raise a review, please see Section 3 of this booklet.

#### Interest on Late Payment calculation:

Amount Outstanding \* ((Days Outstanding / 365) \* Base Rate% + 5%) = Amount of interest for the period, to two decimal places.

This year's levy  
scaling factor is  
2.07

## The levy in 2011/12

Your 2011/12 levy has been calculated using **the latest scheme return and section 179 valuation information that was submitted to the Pensions Regulator on or before 5pm on 31 March 2010.**

We have taken into account **contingent assets** and **deficit-reduction contributions** that were certified correctly to meet the requirements of the 2011/12 Determination by the 2011/12 deadlines (see page 7) when calculating your levy.

**Full block transfers** that occurred before 1 April 2011 have also been taken into account provided they were notified to the PPF correctly by 5pm on 30 June 2011.

Where schemes received a full transfer of assets and liabilities from another scheme before 1 April 2011 and did **not** notify the PPF of the transfer by the deadline of 5pm on 30 June 2011 in the way specified in the 2011/12 Determination, the new value of the assets and protected liabilities of the scheme have been calculated using the formula set out in the Transfers Appendix to the 2011/12 Determination. This formula increases the value of the transferred liabilities by at least 5 per cent.

Please be aware that if a scheme carried out a new section 179 valuation after a full transfer and submitted it as part of the annual scheme return process, it will not be used until the following levy year. In such circumstances schemes should certify their post-transfer funding positions via the block transfer pages on Exchange.

**Partial block transfers** (also referred to as Qualifying Transfers in the 2011/12 Determination) that took place up to and including 31 March 2010 have been taken into account, provided they were notified to the PPF correctly by 5pm on 30 June 2010.

**Underfunding risk** has been measured as at 31 March 2010. The funding level above which a scheme's underfunding risk is calculated as a fixed percentage of liabilities is 135 per cent and the funding level at which no risk-based levy is payable 155 per cent.

Your **D&B Failure Score** or probability of insolvency as at 31 March 2010 has been used in this year's risk-based levy calculation.

# 2 Levy calculation

## Information used in your levy calculation:

Data from the following sources goes into your levy calculation:

- the latest section 179 valuation information submitted via the Pensions Regulator's Exchange system on or before 5pm on 31 March 2010
- the Failure Score, Risk Indicator or equivalent for each scheme sponsoring employer as at 5pm on 31 March 2010, provided by D&B
- where there is a Type A contingent asset, the Failure Score, Risk Indicator or equivalent for each guarantor as at 5pm on 31 March 2010, provided by D&B
- any valid contingent assets certified for 2011/12 on or before 5pm on 31 March 2011
- any relevant deficit-reduction contributions certified on or before 5pm on 7 April 2011
- any full block transfers, where the required information has been provided to the PPF on Exchange on or before 5pm on 30 June 2011, and
- any partial block transfers that have taken place up to and including 31 March 2010 which were certified by 5pm on 30 June 2010.

Schemes wishing to certify deficit-reduction contributions, contingent assets and block transfers must do so through the Pensions Regulator's Exchange system.

## How we use this information:

### The Determination

The 2011/12 Determination, made under section 175(5) of the Pensions Act 2004, is a legal document that contains the rules that we must use and the scheme and employer data we must take into account to calculate the scheme-based and risk-based levies. An annual consultation exercise on the Determination is conducted in advance of the financial year to which it applies. The 2011/12 Determination applies to the financial year 1 April 2011 – 31 March 2012.

We have used the scheme return, which includes section 179 valuation data, submitted to the Pensions Regulator on or before 31 March 2010 to calculate the levy. We will generally not be considering updates to the information submitted after the deadlines listed on this page

The Determination, its appendices and related guidance can be found in the document library and on the 'About the Levy' page on our website.

### The roll-forward methodology

When calculating the scheme-based levy and the underfunding risk factor of the risk-based levy, we used the asset and liability figures from section 179 valuations submitted on or before 31 March 2010.

We measured assets and liabilities for the 2011/12 levy as at 31 March 2010, so your valuation was rolled forward (or backward) to this date. This is done using the methodology detailed in the Transformation Appendix to the 2011/12 Determination.

## The scheme-based levy

The scheme-based levy (SBL) is based on a scheme's liabilities to members on a section 179 basis.

It is calculated using the formula:

$$\text{SBL} = 0.000135 (h) \times \text{estimated liabilities (L)}$$

**h** is the multiplier that has been applied to every scheme, so that the scheme-based levies will make up an estimated 20 per cent of the total pension protection levy estimate for 2011/12. This year the multiplier is 0.000135.

**L** is the scheme's estimated liabilities on a section 179 basis rolled forward or backward to 31 March 2010 as described above.

## The risk-based levy

The risk-based levy (RBL) is based on the likelihood of a scheme making a claim on the PPF and the potential size of that claim.

It is calculated using the formula:

$$\text{RBL} = \text{underfunding risk (U)} \times \text{insolvency risk (P)} \times \text{levy scaling factor (C)} \times \text{proportion risk-based (R)}$$

**Underfunding risk** represents the potential size of a scheme's claim on the PPF.

**U** is the underfunding amount of the scheme determined using the scheme's rolled-forward assets and liabilities, taking account of any valid contingent asset arrangements and deficit-reduction contributions.

**Insolvency risk** represents the likelihood of a scheme's sponsoring employer(s) becoming insolvent and the scheme making a claim on the PPF.

**P** is the probability of insolvency of the sponsoring employer or employers, taking into account the scheme structure. Probabilities of insolvency are provided to the PPF by D&B.

**P** may be modified where there is a Type A contingent asset (see page 13).

The **levy scaling factor (LSF)** scales up the amount based on short-term risk exposure to ensure that the total levy collected matches the levy estimate, which is based on long-term risk exposure.

In the levy formula, this is represented as **C** and is 2.07 in 2011/12.

The **proportion risk-based factor** represents the proportion of the total pension protection levy that is to be raised by the risk-based levy.

**R** is 0.8, because the risk-based levy is targeted to be 80 per cent of the pension protection levy.

The risk-based levy is capped to protect the most vulnerable schemes. The cap for 2011/12 is 0.75 per cent of liabilities. Where the risk-based levy calculated using the above formula exceeds 0.75 per cent of section 179 liabilities, the cap is applied and the risk-based levy is calculated using the following formula:

$$\text{Capped RBL} = 0.0075 \times L$$

## Underfunding risk

To determine the underfunding risk factor in the risk-based levy calculation, we first establish the funding level of a scheme as follows:

$$\text{funding level (f)} = \frac{\text{value of assets (A)}}{\text{value of liabilities (L)}} \times 100\%$$

The value of assets is inclusive of any type B or C contingent assets and deficit-reduction contributions.

The table of Failure Scores and their associated probabilities of insolvency for 2011/12 can be found on the 'Insolvency Risk' page of our website.

If your funding level is less than 135 per cent, your underfunding risk is calculated as the difference between 136 per cent of the value of the liabilities and the value of the assets:

$$U = (1.36 \times L) - A$$

If your funding level is at least 135 per cent, your underfunding risk is calculated as a fixed percentage of liabilities:

funding percentage:	U as a percentage of liabilities:
$135 \leq f < 140$	1
$140 \leq f < 145$	0.75
$145 \leq f < 150$	0.5
$150 \leq f < 155$	0.25
$f \geq 155$	0 (zero risk-based levy)

## Insolvency risk

D&B provides the PPF with a probability of insolvency for every sponsoring employer of a scheme eligible for PPF protection. The probability of insolvency is an estimate of the likelihood that within the next 12 months a company will close down operations without paying all creditors.

### Failure Scores

Most sponsoring employers have an individual Failure Score on a 1 to 100 point scale, where 1 represents the businesses with the highest probability of insolvency and 100 the lowest. Each Failure Score has an associated probability of insolvency, published in the Determination; this is the factor used in the levy calculation. Any two UK businesses with the same score will also have the same probability of failure.

### Changes to D&B methodology for 2011/12

The PPF published the '2011/12 Pension Protection Levy Consultation Policy Statement: Insolvency Risk' in January 2010 which set out changes to the way D&B measures insolvency probabilities.

The full document is available on the PPF website [http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/policy\\_statement\\_insolvency\\_risk.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/policy_statement_insolvency_risk.pdf)

The key changes that will take effect for 2011/12 are:

- D&B will collect accounts from the Charity Commission. Employers filing accounts with the Charity Commission will have had them automatically picked up by D&B up until 30 March 2010, for use in the 2011/12 levy year
- a new attribute called 'Nationwide' has been introduced for businesses with three or more branches in different UK regions which will mean they are assessed as a national rather than regional employer
- PPF-compliant contingent assets will be excluded by D&B when assessing the effect of charges on company assets
- when measuring the Failure Score of a subsidiary with a parent company at substantial risk of insolvency, the parental Failure Score will override that of the subsidiary, and
- employers that seek changes to certain information held by D&B, including industry sector or geographical region, will need to provide appropriate evidence to support that change.

A new probability of insolvency table for 2011/12 was also published and can be found on the PPF website [http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/2011-12\\_insolvency\\_risk\\_table.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/2011-12_insolvency_risk_table.pdf)

### Probabilities of insolvency for employers based outside the UK

D&B will assign probabilities of insolvency to employers with overseas Failure Scores in order to bring such Failure Scores into alignment with the UK system. This involves the use of a table which converts any 1-100 overseas Failure Score into a UK equivalent.

D&B's international branches or associates are able to provide a Failure Score and probability of insolvency for most employers based outside the UK. In the absence of a Failure Score, they will provide a 'Risk Indicator' which also corresponds to a probability of insolvency.

Please contact D&B directly if this applies to you and you have questions.

### Average probabilities of insolvency

Where D&B is unable to provide a Failure Score or Risk Indicator for a scheme's sponsoring employer, an average probability of insolvency is used in the risk-based levy.

### Scheme average probabilities of insolvency

For a multi-employer scheme with more than 10 employers, where D&B is able to provide a Failure Score for at least 90 per cent of those employers (or at least 50 per cent if a scheme has more than 100 sponsoring employers), the probability of insolvency used in the risk-based levy for any employers of the scheme with no Failure Score is the mean probability of insolvency of the scheme's employers that do have a Failure Score or Risk Indicator.

### Industry average probabilities of insolvency

Where a scheme average cannot be used, an industry average probability of insolvency is used. This is calculated as the median probability of insolvency of all UK sponsoring employers of defined benefit schemes sharing the same 1972 Standard Industry Classification code as the employer in question.

This is explained in more detail in Rule E2.6 of the 2011/12 Determination.

### Multi-employer scheme probabilities of insolvency

For schemes with more than one sponsoring employer, the calculation uses an average of the employers' probabilities of insolvency, weighted by the number of members for each employer as listed in the scheme return.

The weighted average may then be adjusted as follows:

If the scheme's rules include an option or requirement to segregate if an employer ceases to participate, the weighted average probability of insolvency is not adjusted.

If the scheme's rules do not include an option or requirement to segregate if an employer ceases to participate (i.e. the scheme is "last man standing"), but the scheme is not a centralised scheme for non-associated employers, the weighted average probability of insolvency is multiplied by 0.9.

If the scheme is a last man standing, centralised scheme for non-associated employers, the weighted average probability of insolvency is multiplied by the proportion of scheme membership represented by the employer with the highest number of members. This is calculated by dividing the number of members in the employer with the most members by the total number of members in the scheme.

The calculation of insolvency risk for multi-employer schemes is explained in more detail in Rule E4 of the 2011/12 Determination.

## Risk reduction

Underfunding risk or insolvency risk may be adjusted for schemes that made deficit-reduction contributions or put in place contingent assets in accordance with the requirements of the 2011/12 Determination.

### Deficit-Reduction Contributions

In 2011/12, additional contributions paid into the scheme between valuations, improving the scheme's funding and reducing underfunding risk, have been recognised in the levy calculation if they were certified correctly by 5pm on 7 April 2011.

### Contingent Assets

In 2011/12, the following types of contingent assets have been recognised in the levy calculation, provided they satisfy the requirements of the Determination and were certified correctly by 5pm on 31 March 2011.

A **Type A** contingent asset allows the probability of insolvency of a group company or another entity related to the scheme's sponsoring employer to be taken into account in the levy calculation.

The formula for recognition of Type A contingent assets has been calibrated so that an uncapped guarantee of at least 105 per cent funding on a s179 basis will result in a complete switch from the employer's insolvency probability to the guarantor's insolvency probability, provided that probability is better.

**Type B** and **C** contingent assets are added to scheme assets to determine the total assets for use in the underfunding risk calculation.

We will only recognise contingent assets that have been put in place using our standard forms of documentation and have been certified correctly.

More information on each type of contingent asset can be found on the 'Contingent Assets' page of the PPF website [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) under the section, Pension Protection Levy/Risk Reduction.

#### Contingent assets

<b>Type A</b>	Parent or group company guarantees
<b>Type B</b>	Security over cash, UK real estate and securities
<b>Type C</b>	Letters of credit and bank guarantees

**Guidance on the treatment of contingent assets, and how to certify them can be found on the 'Contingent Assets' page of the PPF website.**

## Schemes or parts of schemes in assessment

If the sponsoring employer of an eligible scheme goes bust, the scheme will enter an assessment period, during which we will determine whether the scheme will enter the PPF.

**The levy for schemes in a PPF assessment period is nil, provided that a scheme failure notice was issued by 31 March 2011, and has become binding before the calculation of that scheme's levy.**

Any scheme not in assessment after this date will be considered eligible for PPF protection and therefore liable to pay the pension protection and administrative levies as set out in the Pensions Act 2004.

If an eligible scheme has multiple employers and one of the employers goes bust and the scheme is not a last-man-standing scheme, then the part of the scheme linked to the insolvent employer will enter an assessment period. The rest of the scheme will continue as normal. In this case, the levy for the part(s) of the scheme in assessment is nil, and it will be excluded from the calculation of the levy for the continuing part(s). The continuing part(s) will pay a levy based only on the continuing part(s) of the scheme.

Where part of a scheme entered assessment after 31 March 2011, and the section 179 valuation has not been updated to reflect the change, we have calculated the levy for the continuing part by apportioning the assets and liabilities between the parts according to the number of members for each part of the scheme.

# 3 Querying your invoice

## Data corrections in 2011/12

If there is something you wish to know about the calculation of your invoice, you should first refer to the explanations in this booklet or to our website, where we have set out the answers to frequently asked questions.

If you then believe your invoice amount is incorrect, you can:

- Contact **D&B** to check that they have correctly matched your employer(s) to records in their system and to check your Failure Score and associated probability of insolvency in 2011/12
- Contact the **PPF** to query your **scheme-based levy** or the **underfunding risk** factor of your risk-based levy, or with any other query.

All queries or appeals must be made **within 28 days** of the date of issue of the invoice. Your **28 day** deadline is also stated on the invoice. You then have a maximum of 28 days to escalate your appeal to each subsequent stage.

If you wish to raise an appeal with D&B and a query with the PPF, you need to do so **simultaneously**.

**If you have submitted incorrect data to the PPF or the Pensions Regulator:**

We will not generally accept corrections or updates to data that has been submitted via Exchange or in any other form if notified after the relevant deadlines. We think schemes ought to be used to using the Pensions Regulator's Exchange system by now and are in a position to submit correct data by the relevant deadlines. It's also generally in the best interests of scheme members that the PPF is able to collect the levy as quickly and easily as possible.

However, we can make exceptions to this policy, for example where it is clear that a scheme has experienced a problem using Exchange which has prevented data from being entered. We must be satisfied that there is a good reason in all the circumstances of the case before we make an exception to our policy of not allowing data corrections.

If you notice any discrepancies in the data used in your invoice, with the exception of your D&B Failure Score or D-U-N-S® Number, you should contact our Stakeholder Support Team on 0845 600 2541 or [levyinvoice@ppf.gsi.gov.uk](mailto:levyinvoice@ppf.gsi.gov.uk) within 28 days of the date of your invoice.

If you are considering whether to appeal your invoice, please be aware that the outcome of appeals can cause bills to increase as well as decrease, or can have no effect on the amount of the bill at all.

If your scheme's circumstances change, you can update Exchange with any new information on an ongoing basis. This will save you time when it comes to submitting your next scheme return. The information stored in Exchange at 5pm on 31 March 2010 has been used in the 2011/12 levy calculation.

**Diagram 1:**  
The new three stage D&B  
appeals process:



## Appealing your D&B Failure Score

If you want to know more about your Failure Score, probability of insolvency or D-U-N-S® Number, you should contact D&B directly on 0870 850 6209.

Schemes can appeal **within 28 days** of the date of the invoice.

If you want to appeal your Failure Score you must do so in writing by emailing [customerhelp@dnb.com](mailto:customerhelp@dnb.com), quoting 'PPF' in the subject line. You can only appeal against D&B's use of information that was publicly available at one of D&B's standard sources (or presented directly to D&B) before 31 March 2010. Any information that was not publicly available from those sources at that time or presented to D&B before that time will not be taken into account in your appeal. Please see the PPF website for more information.

You should make it clear to D&B that you wish to appeal the Failure Score and quote the employer's D-U-N-S® number (this can be found on your levy invoice). They will conduct your appeal in accordance with the new streamlined three stage process. This combines what was previously two customer service review steps into one and two scoring specialist reviews into one. This new appeals process came into effect from August 2011 (diagram 1). This will give schemes the benefits of a more rapid escalation of their appeals to senior levels within D&B.

Should your appeal be rejected at either stage one or two, you have a maximum of **28 days** to escalate your appeal to the next level. If exceptional circumstances prevent this, you should contact D&B and be prepared to provide evidence as to why you are appealing after the deadline. We have instructed D&B that they should not generally regard any of the following as amounting to exceptional circumstances: poor scheme management, administrative failure or the planned absence of trustees or their advisers.

## Querying and reviewing your scheme-based levy or underfunding risk calculation

If you think the PPF has made a mistake when calculating your scheme-based levy or the underfunding element of your risk-based levy, you should contact our Stakeholder Support Team **within 28 days** of the date on the invoice on 0845 600 2541 or [levyinvoice@ppf.gsi.gov.uk](mailto:levyinvoice@ppf.gsi.gov.uk).

When raising a query, please ensure that you quote your scheme name and invoice number so that we can identify your scheme correctly. You can only appeal against the PPF's use of information that was submitted to the PPF or the Pensions Regulator on or before 31 March 2010 (or the relevant deadlines that apply for levy year 2011/12 to transfers, deficit-reduction certificates and contingent assets). Any information that was not submitted at that time will not generally be taken into account when investigating your query.

Most issues with invoices can be resolved by raising a query, but you also have the option of a **formal review**.

If you query your invoice with the PPF after the 28 day deadline, we will still respond to your query, although you may be too late to apply for a formal review.

## Formal reviews

The calculation of a levy invoice is considered to be a 'reviewable matter' under section 207 of the Pensions Act 2004. The formal review process considers whether the PPF has followed the rules of the Determination when calculating your levy.

We consult annually on the levy rules and anyone with an interest in the PPF can respond. See the 'Future PPF developments' section of this booklet for information on how you can hear about and respond to all of our consultations.

The formal review process does not cover your D&B Failure Score, which is not determined by the PPF, but is an independent measure used by the PPF. You can only appeal your Failure Score with D&B.

**Please note that the PPF cannot at this stage change the levy Determination for 2011/12, including the levy formula, or any of the policies or rules contained in it. These rules include use of D&B scores in the calculation, the levy scaling factor and the deadline for submitting data. If you apply for a review on the grounds that the Determination itself is unfair or unreasonable, it will not be successful.**

Please note that you may be charged interest on a levy invoice on which you have sought a review. As noted in Section 1 of this booklet, the decision on whether or not to charge interest on late payments is a reviewable matter under section 207 of the Pensions Act 2004 and can be reviewed by bringing an application under the formal review process.

### How to request a formal review

To request a review, you will need to complete a Levy Review Application Form. This form can be found on the PPF website under 'Invoice Reviews/ Appeals' in the 'Pension Protection Levy' - 'Invoicing' section. This page also contains details of the other reviewable matters.

Formal review applications must:

- be raised by a trustee, or authorised representative
- include your scheme name and invoice number
- be raised within **28 days** of the date on your invoice or the conclusion of a query (unless you can show that it was reasonable for the application to be made late and that the application was made within a reasonable period)
- **not** be about your D&B Failure Score, and
- **not** be about the underlying formula, or methodology used to calculate the levy or the policy underlying the Determination.

A hard copy of the document should be sent to the PPF at our contact address (see section 5 of this booklet). If you would like to supply us with an electronic copy of the Levy Review Application Form, you should send it to the following email address:

**[reviews@ppf.gsi.gov.uk](mailto:reviews@ppf.gsi.gov.uk)** However, the review will be treated as informal until a hard copy is received.

If you are not satisfied with the result of your formal review, it is possible to appeal to the PPF's Reconsideration Committee and, if you are not satisfied with the reconsideration decision, ultimately to the Pension Protection Fund Ombudsman. Each body will consider only whether the rules set out in the Determination have been correctly applied, and has no power to modify or depart from those rules.

## During your D&B or PPF review

### How we collect your levy during and after appeals or reviews:

#### D&B appeals:

Credit control activity will be placed on hold whilst an appeal is ongoing, although schemes are encouraged to pay levy invoices that are subject to appeal as payment of the levies is a statutory obligation of the trustees (s.181 of the Pension Act 2004). Once an appeal has been concluded any, overpayments will be refunded as soon as possible and any underpayments will be subject to renewed credit control activity.

#### PPF reviews:

We will not chase payment of the disputed part of your invoice if you have lodged a query or formal review with the PPF, where a dispute over the data used in the calculation or the status of the scheme could potentially result in the invoice amount changing. We may continue to chase for payment if a query is about a published PPF policy.

#### After your appeal or review:

If your appeal or review is unsuccessful and your original levy amount remains payable, we will request payment and re-commence credit control activity.

If your levy amount decreases, and you have already paid the full amount of your invoice, you will receive a credit note for your previous invoice amount followed by a subsequent revised invoice. Please contact the PPF to arrange reimbursement for the difference.

If your levy amount increases you will also receive a credit note for your previous invoice amount followed by a subsequent revised invoice. You will only need to pay the outstanding balance, which should be paid immediately according to the payment terms on the first page of your invoice. The same deadlines for raising queries, appeals or reviews will apply to the new invoice.

## Making a complaint about the PPF

If you would like more information on how to make a statutory or non-statutory complaint about the PPF, you can refer to the booklet 'How we deal with your complaints and concerns', which is available on our website.

Criticism of our policies, such as the Determination or the levy scaling factor, will not generally be regarded as a complaint; however, your concern will be considered and handled by other means.

**We expect schemes to pay the undisputed amount in any invoice that is being appealed.**

## 4 Future PPF developments

We are introducing a new formula to calculate levies in 2012/13. We will continue to use underfunding and insolvency risk information to calculate the risk-based levy.

Please be advised that there will be changes to key dates for the 2012/13 levy year, as set out below.

Details on the new levy framework can be found on the PPF website:

The key elements of the new framework are:

- fixing levy parameters such as the levy scaling factor for three years
- smoothing funding levels to reduce volatility in underfunding risk
- reflecting investment risk in the measurement of underfunding, and
- a system of ten insolvency risk bands, derived from average D&B Failure Scores

We will use information from annual scheme returns submitted via Exchange by 5pm on 30 March 2012 to calculate levy invoices for 2012/13 (except where set out below).

Please be advised that there will be changes to key dates for the 2012/13 levy year, as set out below.

**Insolvency risk:** Employer Failure Scores as at the last working day of each month will be used to calculate an annual average Failure Score. Information provided to D&B by the end of the month will be reflected in the Failure Score as at the end of the following month.

The relevant dates for 2012/13 are:

- 28 April 2011
- 31 May 2011
- 30 June 2011
- 29 July 2011
- 31 August 2011
- 30 September 2011
- 31 October 2011
- 30 November 2011

- 30 December 2011
- 31 January 2012
- 29 February 2012
- 30 March 2012

This annual average Failure Score will then be used to place each employer into one of ten insolvency risk bands. A formal right to appeal the annual average D&B Failure Score will be available once the average Failure Score is calculated, i.e. from the end of May 2012, though informal contact with D&B will be possible in advance.

**Scheme return:** 5pm on 30 March 2012 for updating Exchange with levy related information for 2012/13 (except where set out below).

**Contingent Assets:** 5pm on 30 March 2012 for certification/re-certification

**Deficit-Reduction Contribution Certificates:** 5pm on 10 April 2012

**Block Transfers:** 5pm on 29 June 2012 for final certification of full block transfers that have taken place up to and including 31 March 2012.

From 2012/13, there will be no reporting process for partial transfers.

Please note that the above deadlines will remain provisional until they are confirmed with the publication of the 2012/13 Determination.

## Keep in touch with PPF developments and have your say

If you want to receive notification of new PPF publications, including consultations, press releases and guidance documents, you can sign up for automatic email alerts on our website.

Our consultations are open fully to the public. If you sign up for email alerts, you'll know when you have the opportunity to tell us what you think and influence the development of the levy and other areas of PPF work. All of our consultation documents are available on our website.

### Disclaimer

The Board of the Pension Protection Fund ("the Board") is a statutory corporation established under the Pensions Act 2004 to hold manage and apply the Pension Protection Fund. References in this leaflet to "the Pension Protection Fund" are references to the Board or to the Pension Protection Fund as appropriate.

The information provided in this leaflet does not constitute legal or other professional advice. This leaflet is intended to provide guidance only and not a full statement of the law or where the PPF's levy rules as set out in the annual levy Determination. Where legal or other professional advice is required the reader must contact his or her own professional advisers.

Information in this leaflet may in some cases be based on legislation that has not yet been fully enacted and/or may be subject to subsequent amendment. The Board accepts no liability for changes in the law that affect the accuracy of the information in this leaflet.

## 5 Contact details

### Pension Protection Fund

#### Address

Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR

#### Website

[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) (click 'Document Library' for further reading)

#### PPF Stakeholder Support Team: 0845 600 2541

Please note that calls to the Stakeholder Support Team may be recorded to help us provide the best service for our stakeholders.

Text phone (for the hearing impaired): **0845 600 2542**

#### [creditcontrol@ppf.gsi.gov.uk](mailto:creditcontrol@ppf.gsi.gov.uk)

for submitting your remittance advice for levy payments

#### [eligibilityandwaivers@ppf.gsi.gov.uk](mailto:eligibilityandwaivers@ppf.gsi.gov.uk)

for waiver applications

#### [levyinvoice@ppf.gsi.gov.uk](mailto:levyinvoice@ppf.gsi.gov.uk)

for levy invoice queries

#### [reviews@ppf.gsi.gov.uk](mailto:reviews@ppf.gsi.gov.uk)

for formal reviews

#### [consultation@ppf.gsi.gov.uk](mailto:consultation@ppf.gsi.gov.uk)

to respond to levy consultation documents

### Dun & Bradstreet

#### Address

D&B Customer Services, Marlow International Parkway, Marlow, Bucks, SL7 1AJ

#### [www.dnb.com/uk](http://www.dnb.com/uk)

Pension Protection Fund related queries: **0870 850 6209**

[customerhelp@dnb.com](mailto:customerhelp@dnb.com) (Quote 'PPF' in the subject line)

### The Pensions Regulator

Napier House, Trafalgar Place, Brighton, BN1 4DW

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

Customer support: **0870 6063636**

[customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)







# Pension Protection Fund

Please visit our website to download a copy for printing:

**[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)**

Alternatively, you may request copies by phone or email using the details below.

Please quote reference PPF1101

Telephone 01375 484807

Email: [pensionprotectionfund@ecgroup.co.uk](mailto:pensionprotectionfund@ecgroup.co.uk)