Pension
Protection
Fund

A guide to the Pension Protection Levy 2013/14

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. Where words or terms are capitalised they should be interpreted as in the 2013/14 Determination (Levy Rules).

Inside, we make frequent references to pages on the Pension Protection Fund's website, **www.pensionprotectionfund.org.uk**

This booklet is available on the PPF website 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 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)

D&B is the business information supplier that provides the PPF with Failure Scores and associated Levy Bands and Rates for the employers of schemes that pay the pension protection levy. You can find out more about the averaging of Failure Scores, the allocation to one of ten Insolvency Risk Levy Bands and the corresponding Levy Rate on pages 14 to 17.

The Pensions Regulator

The Pensions Regulator ('the 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.

Contents

Introduction: Key features of the levy in 2013/14

This section provides a summary of the key features of the levy in 2013/14. This year is the second of three years of the New Levy Framework (NLF) and there are only minor changes to the layout and content of this year's levy invoice. Key features of the way the levy is calculated under the NLF are:

Use of current data

We have made use of information, received up to immediately before the start of 2013/14 levy year within our calculations.

Smoothing of assets and liabilities

The amount of your levy depends on the funding position of your scheme. We have used the most up to date information about the value of your assets and liabilities that you supplied by 28 March 2013 to calculate your underfunding risk.

To reduce the impact of short-term volatility in the financial markets - and so all schemes are treated on a consistent basis - we have smoothed the value of the assets and liabilities you reported using **five year financial market averages** up to 31 March 2013. The Transformation Appendix of the 2013/14 Levy Rules (or Determination) provides a full explanation of the process.

Stressing of assets and liabilities

We took your scheme's **investment risk** into account when calculating your levy bill. We did this by adjusting the asset and liability values we used to calculate the underfunding risk for your scheme, taking into account investment risk.

This is not aimed at telling you how to invest but rather allowing us to reflect the risk your investment strategy may pose to the PPF.

We have generally been able to calculate investment risk by using information about your scheme's assets and liabilities that you supplied to us through the **Exchange** scheme return system.

Schemes with liabilities of **£1.5 billion** or more were required to carry out a Bespoke Stress Calculation showing the impact of investment risk on the value of their assets.

Other schemes were entitled to undertake a bespoke assessment if they wished to and the information was supplied on Exchange by 28 March 2013.

Insolvency risk

We continue to use D&B to provide insolvency risk ratings, or failure scores, for all sponsoring employers of eligible schemes. The failure score used in establishing your Insolvency Risk (IR) was an **average** of failure scores at the end of each month between April 2012 and March 2013, where available.

This average failure score (from 1-100) has been used to place each employer into one of **ten Levy Bands**. Each band has an associated Levy Rate. The Levy Rate takes account of not only the likelihood of insolvency of employers but also incorporates a risk margin that factors in the impact of worse than expected scenarios.

For single employer schemes this is the insolvency risk used.

For multi-employer schemes, we calculated an average insolvency risk, taking account of all employers.

Scheme-based and risk-based levies

The scheme-based levy multiplier which is applied to all schemes' unstressed liabilities has been reduced to 0.000056 (from 0.000085 in 2012/13)

The risk-based scaling factor has been reduced to 0.73 (from 0.89 in 2012/13)

1 Payment of the 2013/14 levy

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 2013/14 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. Another error that has been made is making payment to the regulator rather than the PPF.

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, the degree of risk within its investment strategy and the insolvency risk 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 covers the cost of the Pensions Regulator, Pensions Ombudsman and the Pension Advisory Service.

Fraud Compensation Levy

Supports the Fraud Compensation Fund which meets 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 8 – Interest on Late Payments). Our credit control team will begin debt collection activity 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 or hybrid pension schemes are not liable to pay the PPF levies. Included in the Pension Protection Levy section of our website, under 'Who has to pay?' is a link to the 'Eligibility' page, which 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.legislation.gov.uk**

If you still think you are ineligible, you should complete the **Ineligibility Application Form** (see the 'Who has to pay?' part of the website) and send it to the Eligibility and Waivers Team at the following email address: **eligibilityandwaivers@ppf.gsi.gov.uk**, clearly indicating that you are applying for ineligibility. If you require further information or have any additional questions about whether your scheme is ineligible, you can contact the Stakeholder Support Team within 28 days of the date of your invoice and before you pay your invoice. Contact details can be found at the back of this guide.

If you think your scheme should have its 2013/14 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

under any circumstances. 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.legislation.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 can waive the levies, in the levy section 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 (found at the 'Querying the Invoice' part of the website) 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.

Interest will accrue on the scheme's levies if they remain unpaid during the PPF review or D&B appeals process. Schemes are therefore encouraged to pay levy invoices that are subject to a PPF review or D&B appeal as payment of the levies is a statutory obligation of the trustees (s181 of the Pensions Act 2004).

Paying your levy after 28 days can lead to interest being charged, even if you are appealing against the amount on the invoice.

Please note:- Where an invoice for interest on late payment is raised, the invoice will be sent to the original invoice address (unless notified).

To reduce the risk of paying levy interest in the event that your PPF review or D&B appeal is unsuccessful, we recommend you pay the full amount of the invoice. This will not prejudice your PPF review or D&B appeal. Once a successful PPF review or D&B appeal is concluded, any overpayment will be refunded as soon as possible (section 3 explains the process for refunds).

For more information on how to raise a PPF review or D&B appeal, please see Section 3 of this booklet.

Interest on Late Payment calculation:

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

2 Levy calculation

Information used in your levy calculation:

Data that goes into your levy calculation includes:

- the latest section 179 valuation information submitted via the regulator's Exchange system on or before 5pm on 28 March 2013
- employers' Failure Scores, Risk Indicator or equivalent for each scheme sponsoring employer averaged over the 12 months to 28 March 2013 (or as at 28 March 2013 if averaging was not possible), provided by D&B
- where there is a Type A contingent asset, the Failure Score, Risk Indicator or equivalent, averaged over the preceding 12 months to 28 March 2013 for each guarantor (or as at 28 March 2013), provided by D&B
- any contingent assets certified for 2013/14 on or before 5pm on 28 March 2013, and recognised by the PPF
- any relevant deficit-reduction contributions certified on or before 5pm on 30 April 2013
- any full block transfers, where the required information has been provided to the PPF on Exchange on or before 5pm on 28 June 2013
- asset class information from Exchange
- bespoke investment risk stress data, if supplied, and
- any other transfers that were recognised in previous levy years (where there has been no subsequent valuation).

Deficit-reduction contributions, contingent assets and block transfers are certified through the regulator's Exchange system.

We have used the scheme return, which includes section 179 valuation data, submitted via Exchange on or before 28 March 2013 to calculate the levy. We will generally not be considering updates to the information submitted after the deadlines listed on this page.

The Determination (Levy Rules), its appendices and related guidance can be found in the document library and in the 'All Levy Publications' section of our website.

How we use this information

The Determination (Levy Rules)

Each year a Determination of the Levy Rules is made under section 175(5) of the Pensions Act 2004. It 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 for the year covered. For simplicity here we refer simply to the 'Levy Rules'. An annual consultation exercise on the Levy Rules is conducted in advance of the financial year to which it applies. The consultation exercise on the 2013/14 Levy Rules was held between September and November 2012.

Adjusting section 179 valuations

We used the asset and liability figures from the latest section 179 valuation submitted on or before 28 March 2013, to calculate the scheme-based levy and the underfunding risk factor of the risk-based levy.

Your assets and liabilities were then rolled forward to 31 March 2013 and adjusted to reflect the assumptions that would apply if version 6 of the S179 guidance had been used. As part of this adjustment market conditions up to 31 March 2013, having been 'smoothed' to reduce volatility. This is done by using average values over a five year period. So, for example, the value of an equity holding is transformed from the S179 valuation date to the value it would have had, on average, in the five years to 31 March 2013.

This gave us figures for the assets and liabilities that have been smoothed but not stressed (referred to in the Levy Rules as Unstressed Assets/Liabilities).

This liability figure has been used in your scheme based levy, and in calculating the cap on the highest risk-based levy you can pay.

The next stage in transforming the asset and liability information provided is to take account of investment risk. We have done this by applying stresses according to the degree of risk associated with the type of asset held by the scheme, or if your scheme carried out and reported the results of its own investment risk analysis, by applying that single stress to the total assets.

Stressing has also been applied to your liabilities. This adjusted the value of liabilities as a result of factors such as the rate of gilt yields (and their impact on discount rates) and the age composition of schemes.

Stressed and unstressed values are used at various points and you will see the following initials on your invoice:

UA	Assets that have been smoothed but not stressed
A	Assets that have been smoothed and stressed
BS	Stressed asset value from Bespoke Stress Calculation
BU	Unstressed asset value from the Bespoke Stress Calculation
UL	Smoothed but not stressed liabilities or 'Unstressed Liabilities'
L	Stressed and smoothed liabilities

A detailed explanation of the methodology used for smoothing and stressing can be found in the Transformation Appendix to the 2013/14 Levy Rules.

Understanding your invoice and the calculation of your levy

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:

SBL = Unstressed liabilities (UL) x Scheme-based levy multiplier (SLM)

SLM is the multiplier that has been applied to every scheme, resulting in scheme-based levies making up around 9 per cent of the total pension protection levy estimate for 2013/14. This year the multiplier is **0.000056**.

UL is the scheme's liabilities on a section 179 basis rolled forward to 31 March 2013 and smoothed but unstressed.

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:

RBL = Underfunding (U) x Insolvency Risk (IR) x Levy Scaling Factor (LSF)

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

U is the amount of underfunding (liabilities less assets) using the scheme's transformed assets and liabilities (as set out in 'Adjusting section 179 valuations'), taking account of any relevant valid contingent asset arrangements and deficit-reduction contributions.

In the great majority of cases U has been calculated including the impact of stressing assets and liabilities.

U = **L – A – D**

D = Deficit-Reduction Contributions (see page 18)

U has been further reduced by the value of any recognised Type B (V_B) and Type C (V_c) Contingent Assets. If the calculation resulted in a negative amount zero has been used.

In a small number of cases, for technical reasons, using stressed assets and liabilities would serve to actually improve the funding position of the scheme. Where this is the case, then the unstressed deficit is used instead and this will be highlighted on your invoice. Part D of the Levy Rules provides further information on this part of the calculation.

Insolvency Risk (IR) is calculated by a process involving several steps. For schemes with a single employer, monthly failure scores are averaged, matched to a levy band and the corresponding Levy Rate is used as IR. The summary provided here is expanded upon in the remainder of this section of the guide.

For schemes with multiple employers, a similar process (up to the calculation of the Levy Rate) is followed. A scheme structure factor is applied to employer Levy Rates depending on the type of scheme and a weighted average is then calculated, with the end result producing IR.

This year's levy scaling factor is 0.73

Additional steps are required where non-UK employers are part of the scheme (see page 15).

IR may be modified where there is a Type A contingent asset (see page 18).

The **levy scaling factor (LSF)** is a factor applied to all schemes which aims to ensure that overall PPF collects a levy at a level consistent with our 2013/14 levy estimate.

In the levy formula, this is represented as **LSF** and is **0.73** in 2013/14

Capping

The risk-based levy is capped to protect the most vulnerable schemes. The cap for 2013/14 is 0.75 per cent (represented by the letter K in the formula) of unstressed 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:

RBL cap = UL x K
When carrying out this calculation we used 0.0075 for K

Insolvency Risk

Measurement of Insolvency Risk

Averaging of Failure Scores

The starting point in establishing the Insolvency Risk (IR) on your invoice is normally the averaging of your scheme's D&B Monthly Failure Scores over the twelve months to 28 March 2013. This average is called the Employer Failure Score. Where there are gaps in this information, a mean average is calculated on the basis of the months for which it is held and if only a single monthly figure is held, that Failure Score is used.

10 Levy Bands

The averaged (or only) Failure Score is then matched to one of ten Levy Bands (see table below) and the corresponding Levy Rate is used.

Levy Band	1	2	3	4	5	6	7	8	9	10
Levy Rate	0.0018	0.0028	0.0044	0.0069	0.0110	0.0160	0.0201	0.0260	0.0306	0.0400
Employer Failure Score (UK)	100-99	98-96	95-92	91-87	86-73	72-66	65-46	45-38	37-30	29-1

Rounding Conventions

When calculating an Employer Failure Score requiring averaging, the number is rounded to the nearest whole number (where the result is exactly halfway it is rounded up).

In calculating the averaging/weighting of Levy Rates (see multi-employer examples below) and applying scheme structure calculations the result is rounded to six decimal places (four decimal places when expressed as a percentage).

Levy Rate for employers based outside the UK

We publish a table which converts 1-100 overseas Failure Scores to their UK equivalent in our Levy Rules (in the Insolvency Risk Appendix). An average failure score (using the converted monthly failure scores) is then matched to a Levy Band and Levy Rate in the same way as would apply to a UK employer.

For example, using the 2013/14 Foreign Probability Comparison Table (found in the Insolvency Risk Appendix of the Rules), a non-UK Failure Score of 94 may convert to an equivalent UK Failure Score of 97. This conversion would need to be done for each month that it was available and a mean average calculated. If this resulted in an averaged (converted) failure score of, say, 96, this would place the employer in Levy Band 2, with a Levy Rate of 0.0028.

In the absence of a Failure Score, D&B provide a 'Risk Indicator' which is mapped to the most appropriate UK Failure Score. Where this is available on a monthly basis the Failure Score is averaged. Otherwise the Failure Score at the end of March 2013 is used.

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

Average Insolvency Risk calculations where Failure Score or Risk Indicator not available

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

Scheme average

For a multi-employer scheme with at least 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 employers), the Levy Rate used in the risk-based levy for any employers of the scheme with no Failure Score or Risk Indicator is the mean average of the Levy Rates of the scheme's employers that do have a Failure Score or Risk Indicator.

Industry average

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

This is explained in more detail in Rule E2.6 of the 2013/14 Determination.

Blended average

Where an appropriate SIC code cannot be determined or no Failure Scores are available for the appropriate SIC code, the median Levy Rate for all employers of defined benefit schemes will be used.

Scheme Structure

Multi-employer scheme insolvency risk levy rates

For schemes with more than one employer, we calculated an average of the employers' Levy Rates (IR), weighted by the number of members for each employer as listed in the scheme return.

If you are a multi-employer scheme, your invoice allocates you to one of the following categories and the weighted average is calculated as follows:

Scheme with an option to segregate

A multi-employer scheme with rules including an option or requirement to segregate assets if an employer ceases to participate. The scheme structure factor shown on the invoice is 1.0 (meaning no adjustment is made).

Last Man Standing Scheme

A multi-employer scheme with rules that do not include an option or requirement to segregate assets if an employer ceases to participate but the scheme is not a centralised scheme for non-associated employers. This type of scheme is referred to in the Levy Rules as a 'Last Man Standing Scheme'. Each employer Levy Rate is multiplied by 0.9 and a weighted average is then calculated to give IR.

Non-Associated Scheme

A multi-employer scheme encompassing non-associated employers, and whose rules do not include a requirement or discretion for assets to be segregated on cessation of the participation of an employer. It is referred to in the Levy Rules as a 'Centralised Scheme'. Each employer Levy Rate is multiplied by a concentration index (Hf), which takes account of the proportion of members in each employer, and a weighted average calculated to give IR.

The calculation of insolvency risk for multi-employer schemes is explained in more detail in Rule E3 of the 2013/14 Determination.

Contingent assets

Type A	Parent or group company guarantees
Type B	Security over cash, UK real estate and securities
Type C	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.

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 2013/14 Determination.

Deficit-Reduction Contributions

In 2013/14, additional contributions paid into the scheme between s179 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 30 April 2013.

Contingent Assets

In 2013/14, 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 28 March 2013.

A **Type A** contingent asset allows the Insolvency Risk Levy Rate of a group company or another entity related to the scheme's sponsoring employer to be taken into account in the levy calculation in place of that of the employer.

This is limited in two ways.

- The Levy Rate of a guarantor only replaces that of an employer when it is better (and so would reduce the levy). So each employer is compared with the guarantor and the lower of the two is used in calculating a revised Insolvency Risk, IR_G. No scheme factor is applied to the guarantor Levy rate when calculating IR_G.
- Where the contingent asset is only large enough to cover part of the underfunding risk of the scheme, then the benefit of the better insolvency risk (IR_G) is limited to the share of the underfunding risk covered. The underfunding covered by a contingent asset is shown on your bill in £ as **H**. And the underfunding that is not protected by the contingent asset will be U-H.

Where more than one guarantee is available to the scheme, IR_G and H figures are calculated for each, and these are used in turn, with the one that offers the greatest benefit to the scheme in reduced levy exhausted first.

For schemes with a type A contingent asset the Risk-based levy formula is shown as: $(\sum_1^n(H^n \times IR_G{}^n) + (U - \sum_1^n H) \times IR) \times LSF$

The first 'term', $\sum_1^n (H^n \times IR_G{}^n)$, takes account of that part of the underfunding risk covered by one or more contingent assets (the $\sum$ means where there is more than one contingent asset we add together calculations for each contingent asset). Then the second component, $(U - \sum_1^n H) \times IR$, takes account of that part of the underfunding risk not protected by the contingent asset.

Type B and **C** contingent assets reduce the level of underfunding in the risk based calculation.

We have only recognised contingent assets which were put in place using our standard forms of documentation, certified correctly and which have had the effect of reducing risk.

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

Schemes or parts of schemes in assessment

If the employer of an eligible scheme becomes insolvent, 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 S122 scheme failure notice was issued by 28 March 2013, and has become binding before the calculation of that scheme's levy.

Any scheme not in assessment at this date will be liable to pay the pension protection and administrative levies as set out in the Pensions Act 2004.

If an eligible scheme has more than one employer, one of the employers becomes insolvent and the scheme is not a last man standing scheme, then the part of the scheme linked to the insolvent employer will start an assessment period. The rest of the scheme will continue to operate. In this case, the levy for the part(s) of the scheme in assessment is nil. The continuing part will pay a levy based only on the continuing part(s) of the scheme.

Where part of a scheme entered assessment before 28 March 2013, but 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.

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. However the information stored in Exchange at 5pm on 28 March 2013 has been used in the 2013/14 levy calculation.

3 Querying your invoice

Data corrections in 2013/14

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 the Levy Rules for more detail, or go 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 or Risk Indicator, Levy Band and Levy Rate in 2013/14
- 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 on 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 submitted via Exchange or in any other form if notified after the relevant deadlines. We think schemes ought to be used to using the 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** within 28 days of the date of your invoice.

Appeals handled by D&B

If you want to know more about your Failure Score, Risk Indicator, Levy Band/Rate or D-U-N-S® Number, you should contact D&B directly on **0870 850 6209**.

Schemes can appeal their Employer Failure Score **within 28 days** of the date on their invoice. Your Employer Failure Score is the average of your monthly failure scores (see page 14). This is used to identify the corresponding Levy Rate.

If you want to appeal your Employer Failure Score, your Non-Employer Score (the averaging for multi-employer schemes where monthly failure scores are not available for all employers) the consequential Levy Rate, or the Levy rate of a guarantor, you must do so in writing. D&B has introduced a web form that includes clear options relating to the PPF and is designed to ensure that your query is correctly routed and handled. The web form can be found at **http://www.dnb.co.uk/customerservices/** . Alternatively you can email **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 the relevant Failure Score Measurement Date (the last working day of each month, excluding weekends and bank holidays in the twelve months to 28 March 2013). Any information that was not publicly available from those sources or presented to D&B by the relevant date will not be taken into account in your appeal. Please see the PPF website for more information.

It is not possible to appeal against monthly failure scores as they are established at the end of each month, although you can discuss factors that may be having an impact on them with D&B at any time. A formal right of appeal is available in relation to your Employer Failure Score, once calculated, and can involve challenging one or more of the monthly failure scores that are averaged to establish the Levy Rate.

You should make it clear to D&B that you wish to appeal the Failure Score, Risk Indicator, Levy Band or Rate that has been used in your Levy calculations 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 their three stage process. This gives schemes the benefits of a rapid escalation of their appeals to senior levels within D&B.

If your appeal concerns an employer or guarantor that participates in more than one scheme you should make clear to D&B which scheme(s) you want the appeal to affect. Whether you are within time to appeal will depend upon the invoice date for each scheme.

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

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.

Please note that the PPF cannot at this stage change the levy Determination for 2013/14, including the levy formula, or any of the policies or rules contained in it. They were subject to consultation before being finalised. If you apply for a review on the grounds that the Determination itself is unfair or unreasonable, it will not be successful.

Raising queries and requesting reviews

If you think the PPF has made a mistake when calculating your scheme-based levy, the underfunding element of your risk-based levy or in charging interest 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**.

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 regulator on or before 28 March 2013 (or the relevant deadlines that apply for levy year 2013/14 to transfers, deficit-reduction certificates and contingent assets). Any information that wasn't 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, 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. It also considers whether interest charged and invoiced for late or non-payment of the levy should be waived.

We consult annually on the levy rules and anyone with an interest in the PPF can respond. See section 4 (page 25) 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.

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 must be sent to the PPF - see section 5 of this booklet for full address. You can send us an electronic copy of the Levy Review Application Form, to the following email address: **reviews@ppf.gsi.gov.uk**, but 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.

Payment of the levies is a statutory obligation of the trustees.

Levy collection during your D&B appeal 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 on-going, 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) and interest will accrue if they remain unpaid during the appeal process.

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. Interest will accrue on the scheme's levies if they remain unpaid during the PPF review process.

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 (**creditcontrol@ppf.gsi.gov.uk**) 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 are unhappy with the service you have received from 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.

4 Keep in touch with PPF developments and have your say

We regularly hold consultation exercises to get stakeholder feedback on proposed changes to the PPF Levy and wider issues affecting PPF.

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 the home page of our website.

If you do 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. Our consultations are open for all to comment and our consultation documents are available on our website.

5 Contact details

Pension Protection Fund

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

Website: www.pensionprotectionfund.org.uk

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**

levyinvoice@ppf.gsi.gov.uk
for levy invoice queries (with the exception of those queries handled by D&B, see pages 20-22)

creditcontrol@ppf.gsi.gov.uk
for submitting your remittance advice for levy payments

eligibilityandwaivers@ppf.gsi.gov.uk
for waiver applications

reviews@ppf.gsi.gov.uk
for formal reviews

consultation@ppf.gsi.gov.uk
to respond to levy consultation documents

D & B

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

Website: www.dnb.com/uk
Pension Protection Fund related queries: **0870 850 6209**

http://dnb.co.uk/customerservices/ (to use a web form to raise your query or appeal)

customerhelp@dnb.com for queries and appeals
(Quoting 'PPF' in the subject line)

The Pensions Regulator

Address: The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW

Website: www.thepensionsregulator.gov.uk
Customer support: **0845 6005666**
customersupport@thepensionsregulator.gov.uk

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.

6 Glossary
Initials and terms used in this guide or on your levy invoice

General

		Page
SBL	Scheme-based Levy	12
RBL	Risk-based Levy	13
SLM	Scheme based levy multiplier, a factor applied to all schemes	12
LSF	Risk-based levy scaling factor, a factor used in calculating RBL	14
K	Risk-based levy cap, the maximum proportion of liabilities that the RBL cannot exceed	14
UA	Assets that have been smoothed but not stressed	10-11
A	Assets that have been smoothed and stressed	10-11
BS	Stressed asset value from the Bespoke Stress Calculation	10-11
BU	Unstressed asset value from the Bespoke Stress Calculation	10-11
UL	Smoothed but not stressed liabilities or 'Unstressed Liabilities'	10-11
L	Stressed and smoothed liabilities	10-11
U	Underfunding	13

Insolvency terms

SSF	Scheme Structure Factor	17
T	Total number of members in the scheme (used when averaging of Levy Rates is necessary in multi-employer schemes)	Invoice
WF	Sum of weighted Levy Rates over total number of members	Invoice
IR	Insolvency Risk. For a single employer scheme this is simply their Levy Rate. For a multiple employer scheme this will be the weighted average of Levy Rates with the scheme factor applied.	14-17

Risk Reduction

IR_G	Insolvency Risk of the guarantor of a Type A contingent asset, where this is substituted for the scheme's	18-19
D	Deficit Reduction Contributions	Invoice
A%	Percentage of underfunding to which a Type A contingent asset applies	Invoice
CA	Contingent asset	Invoice
H	The underfunding covered by a contingent asset shown on your bill in £	18-19

Notes

Pension
Protection
Fund

Please visit our website to download a copy for printing:

www.pensionprotectionfund.org.uk

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

Please quote reference PPF 1301

Telephone 01375 484807
Email: pensionprotectionfund@ecgroup.co.uk

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