

Pension
Protection
Fund

The Pension Protection Levy

Facts and Figures 2006-2007

Introduction

In 2006-2007, we responded to calls from industry by introducing the pension protection risk-based levy – a world’s first. The levy is tailored to the risk each individual pension scheme poses to the PPF and is based on underfunding levels and the probability of the sponsoring employer going bust.

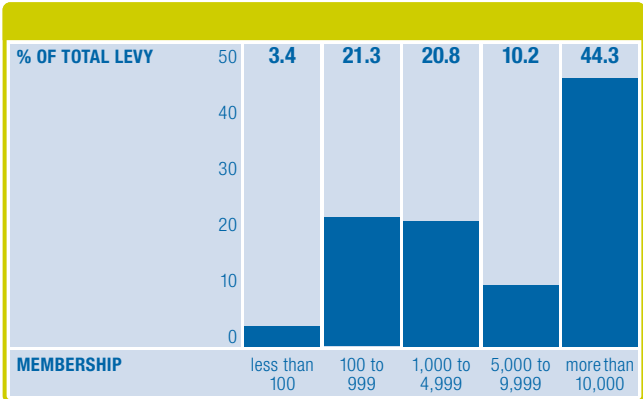
This factsheet highlights the levy payments of 7,601 private sector final salary pension schemes which had been invoiced by September 2007. It describes how levy payments vary with scheme size, insolvency probability and funding level.



The 2006-2007 levy highlights

- **We expect to collect £271 million from all eligible pension schemes for 2006-2007, compared with our target of £575 million.**
 - **We undercollected mainly because of:**
 - employers responding to incentives to reduce their risk
 - schemes providing more up-to-date information about their assets and liabilities, and
 - movements in the financial markets.
 - **Of the 7,601 schemes invoiced by September 2007, 310 schemes had their levies capped – and 476 schemes paid no risk-based levy at all.**
 - **The top 100 paying schemes contributed almost 40 per cent of the total levy, with the top 10 paying almost 15.5 per cent.**
 - **The manufacturing sector contributed the most towards the total levy – £88.5 million – while agricultural production paid the highest levy per member – £25 per person.**
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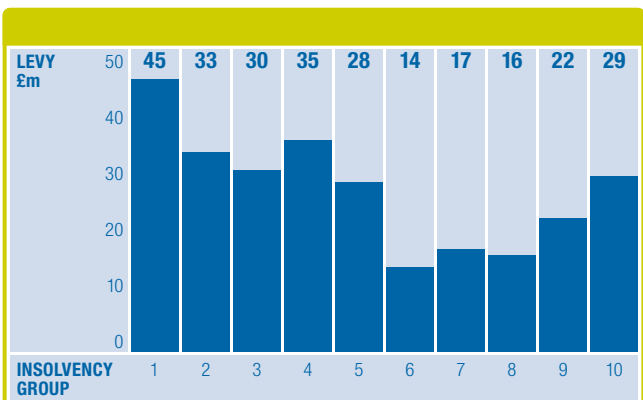
Levy by scheme size



- Large schemes with more than 1,000 members paid three quarters of the 2006-2007 levy.
 - These schemes represent 18 per cent of total schemes.
- Schemes with more than 10,000 members paid 44 per cent of the levy.
 - These schemes represent just three per cent of total schemes.
- Schemes with fewer than 100 members paid three per cent of the total levy.

Levy by insolvency group

In 2006-2007, levy payments were distributed among all 10 insolvency groups (one being the most solvent, 10 being the most at risk of insolvency).



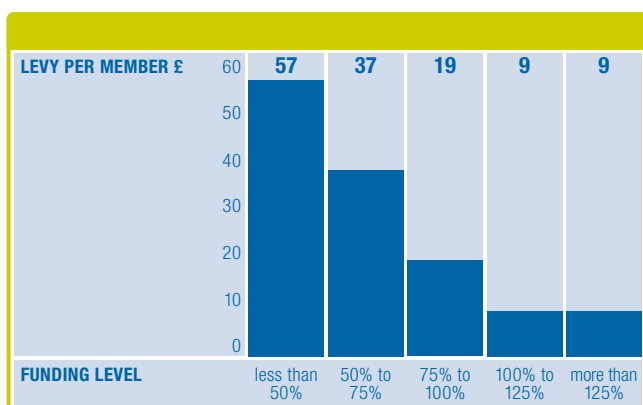
19 per cent of schemes in the strongest insolvency group paid £45 million – 17 per cent – towards the levy.

This figure represents just 0.02 per cent of their scheme assets, based on what they would need to pay PPF levels of compensation.

Levy paid per member tends to increase as the insolvency risk of the sponsoring employer increases.

Levy by funding level

Better funded schemes paid less levy per member – and the percentage of levy that is risk-based declines as funding positions improve.

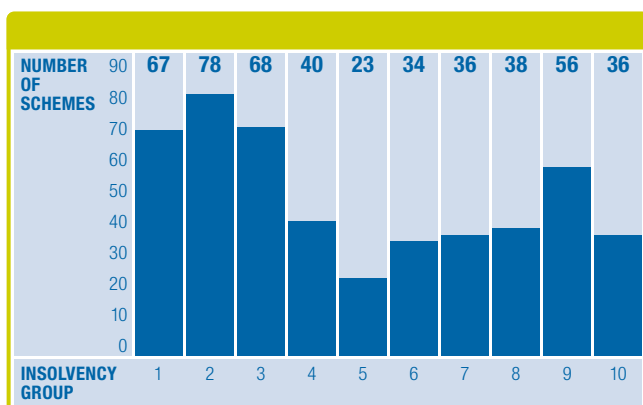


Schemes paying no risk-based levy

476 schemes paid no risk-based levy in 2006-2007 – representing six per cent of total schemes, and seven per cent of total liabilities.

This was because they were more than 125 per cent funded on a PPF basis.

Almost half of schemes paying no risk-based levy are in the strongest three insolvency groups.

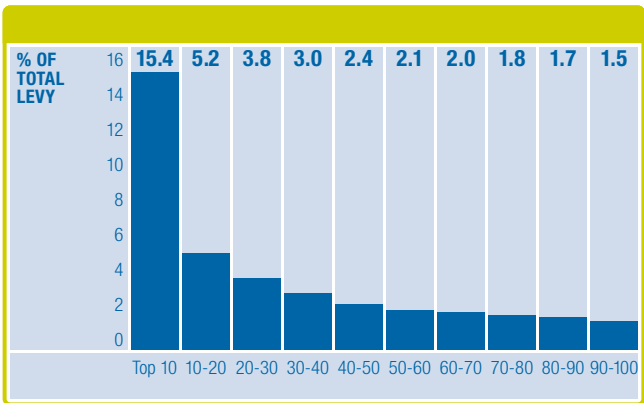


Levy paid by largest levy payers

The top 100 levy payers paid 39 per cent of the total levy – £106 million.

These 100 schemes make up only one per cent of the total number of schemes – but 43 per cent of total liabilities.

The top 10 schemes which make up just 0.1 per cent of schemes and 14 per cent of total liabilities paid 15 per cent of the total levy – £42 million.



Capped schemes

In 2006-2007, the risk-based levy was capped at 0.5 per cent of a scheme's liabilities, on a PPF basis.

Schemes with weaker sponsoring employers and poorer funding positions were more likely to have their levy capped.

310 schemes were capped which represents four per cent of total number of schemes.

The liabilities of these capped schemes totalled more than £5 billion – 0.7 per cent of the £778 billion total liabilities for all schemes.

Levy paid by industry category

The finance, insurance and real estate, manufacturing and service industry categories paid the most levies.

These three sectors make up 66 per cent of all schemes and contributed 70 per cent towards the levy total.

Manufacturing was the highest contributor, with a 33 per cent share of total payments.

The construction and retail trade industries paid the lowest levy per member – £11 – while agricultural production paid the highest – £25.

Pension Protection Fund

Further information

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