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Tuesday 19 February 2008

PPF PUBLISHES 2008-2009 LEVY DETERMINATION

The Pension Protection Fund (PPF) today (Tuesday) published the final version of the 2008-2009 Determination under section 175(5) of the Pensions Act 2004 which sets out the rules for calculating the pension protection levy. Publication of the Determination follows lengthy consultation with industry and confirms the key proposals announced by the PPF in November 2007.

- The funding limits at which schemes pay a reduced levy rise from 104 per cent to 120 per cent, and at which they pay no levy at all from 125 per cent to 140 per cent. This will ensure that schemes pay a levy which more accurately reflects the long-term risk to the PPF while providing the right incentives to reduce that risk.
- Deadlines at which actions taken by pension schemes to improve their funding positions will be taken into account when calculating individual levy bills will be changed.
 - 31 March 2008 will be the measurement date for underfunding and insolvency for the 2009-2010 Levy. But, after listening to industry views, contingent assets will be taken into account for 2009-2010 if certified by 31 March 2009 and deficit reduction contributions if made by that date and certified by 7 April 2009.
- The levy cap will be reduced from 1.25 per cent of liabilities to one per cent of liabilities for 2008-2009 - this continues to protect the weakest five per cent of schemes from disproportionately high levy bills.

In an open letter accompanying the Determination publication, the PPF reminds schemes of the importance of making sure that they meet the statutory deadline of **31 March 2008** for submitting section 179 valuations via the Pensions Regulator's scheme maintenance website, as well as re-certifying contingent assets and putting in place any new contingent asset arrangements for the 2008/09 levy. The deadline for submitting deficit reduction certificates and block transfers for the 2008/09 levy is midnight 7 April 2008.

The PPF urges schemes to make sure the information they supply to the Regulator is correct, as the PPF will not accept corrections to the scheme return data it gets from the Regulator. The PPF is asking trustees to ensure that all data in the scheme maintenance system is up-to-date and complete by midnight on 31 March 2008. This information can continue to be updated right up to that deadline.

Also, the PPF confirmed that it would publish the new levy scaling factor in May once all data from schemes has been received. The levy scaling factor is a feature of the levy calculation which scales the product of insolvency and underfunding risk for each scheme so that the total levy amount closely matches the PPF's original levy estimate.

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Background notes:

1. Copies of the Determination and the open letter to stakeholders, which summarises responses to the PPF consultation, can be found on the PPF website at www.pensionprotectionfund.org.uk.
2. The voluntary certificates needed for contingent assets, deficit reduction contributions and block transfers are now available on the PPF website.
3. The PPF confirmed that the levy estimate of £675million will remain stable for the next three financial years unless there is a significant change in the level of risk faced by the PPF, although it will be indexed against average earnings.
4. The Pension Protection Fund was set up under the provisions of the Pensions Act 2004 in April 2005 and is classified as a public financial corporation. It has been established to pay compensation to members of eligible defined benefit and hybrid pension schemes when there has been a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

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