

31 January 2012

Dear Colleague

### **The levy is changing**

I am writing to draw your attention to changes to the pension protection levy for 2012/13, and to highlight where you can find out more information.

The changes that we have put in place - following consultation - will result in levies that are generally more predictable, more stable, and more aligned to factors within the control of schemes and their sponsors. They will also, in total, be lower: the levy estimate for 2012/13 is £550 million – the lowest levy that the PPF has ever set.

We expect to keep the formula used fixed for three years, which should help schemes predict future levies, and are making changes to the measurement of risk that should add to the stability of levy bills. Changes include smoothing underfunding and insolvency risks, and the inclusion of investment risk in the levy.

There are a number of points that I would like to draw to your attention ahead of the introduction of the new levy framework.

Firstly, is it important to make sure that the information you provide through the Regulator's Exchange system and to D&B is accurate. Each year some schemes provide inaccurate information with the result that their bill is unnecessarily high.

One area to consider is the information provided about the assets held by the scheme, which will be used to measure the investment risk of a scheme. In the past, some schemes have reported large holdings in the "insurance" or "other" categories, rather than seeking to record the underlying assets held in a pooled fund. Reporting the split of assets in a pooled fund could make a real difference to your levy.

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The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a body corporate, under the Pensions Act 2004.

There are other things that trustees and advisers can consider in order to manage their bills. These range from securing payments into the scheme and having these recognised through deficit-reduction contribution certificates, to putting in place any of a range of contingent assets. In some cases, schemes may wish to report their investment risk.

If you are at all unfamiliar with the new changes we are implementing I would encourage you to read the attached leaflet. It summarises what is changing, what you can do to make sure your levy is as accurate as possible and tells you where you can find out more information if you need it.

I hope that this information is helpful to you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Alan Rubenstein', with a stylized flourish at the end.

**Alan Rubenstein**  
*Chief Executive*