



# Pension Protection Fund levy 2010/11 and 2011/12 - Approaching deadlines

January 2010

**Tuesday 30 March 2010 is the first in a series of deadlines for filing information for the PPF risk-based levy in 2010/11 and the following year, 2011/12.**

There is no leeway: the deadlines are strictly enforced. A lot of information must be filed electronically but certain types have to be submitted on paper. It is vital to allow enough time for this.

Lead times can be substantial so you need to start now if you plan to reduce your levy. Contingent assets, for example, can take a couple of months to set up. In previous years we have seen one or two schemes start too late and miss the boat.

Reducing your levy is a difficult business. The PPF aims to collect a certain figure (this year £720m) from the pool of eligible

schemes. To cut the share you pay, you are competing to improve your funding and your failure score more than other schemes. But you are in the dark about what efforts, if any, they are making. So it is hard to judge how fast to run, either to keep up or to get ahead.

## Deadlines past and present

As the table shows, the PPF works a year in advance for some categories of information. For example, the deadline for information that affects an employer's failure score for levy year 2010/11 was last March. The flip side is that this year is the deadline for the advance categories of information for 2011/12.

Deadlines for levy year April 2010 – March 2011	
5pm 30 March 2009 (sic)	Information to D&B in connection with the employer's failure score
5pm 31 March 2009 (sic)	Updating Exchange (the PPF's electronic information system) with levy related information – except as set out below
5pm 30 June 2009 (sic)	Final certificates on partial bulk transfers made before 1 April 2009
5pm 31 March 2010	(Re)certifying contingent assets
5pm 9 April 2010	Certifying deficit reduction contributions
5pm 30 June 2010	Final certificates on full bulk transfers made before 1 April 2010
Provisional deadlines for April 2011 – March 2012	
5pm 30 March 2010 (sic)	Information to D&B in connection with the employer's failure score
5pm 31 March 2010 (sic)	Updating Exchange with levy related information – except as set out below
5pm 30 June 2010 (sic)	Final certificates on partial bulk transfers made before 1 April 2010
5pm 31 March 2011	(Re)certifying contingent assets
5pm 7 April 2011	Certifying deficit reduction contributions
5pm 30 June 2011	Final certificates on full bulk transfers made before 1 April 2011
Deadlines for schemes set up recently can be different	

## 2010/11

The final rules for the 2010/11 levy issued in December are substantially in line with the PPF's original proposals:

- the risk-based levy cap is halved to 0.5% of PPF liabilities. This doubles to 10% the number of schemes that are protected. Uncapped schemes are likely to pay 5% more than if the cap had not been reduced;
- to reflect current market conditions, valuations of properties charged as contingent assets must be no more than 15 months old. This affects existing charges and is likely to increase underfunding;
- the insolvency risk of overseas scheme sponsors and guarantors will be converted to the UK scale. This will produce to winners and losers;
- the scaling factor is 1.64 (down on last year largely because deficits are up);
- as before, the risk-based levy starts to taper away when funding reaches 120%, falling to zero at 140%. Could your scheme take advantage? and
- Hong Kong is included on the list of permitted domiciles for contingent asset guarantors (alongside OECD and EU countries).

A proposal to treat unreported bulk transfers more harshly than in the current year has been dropped.

## 2011/12

The deadline for D&B information for 2011/12 is 30 March 2010.

The next couple of months could be an important window for reporting positive information because the PPF is proposing to change insolvency probabilities for 2011/12.

Insolvency probability is what goes into the levy calculation, not failure score. The proposal is to change the probability associated with each failure score on the D&B scale. The aim is that the probabilities should be a better reflection of the PPF's experience of insolvency in practice.

The proposed probabilities are generally higher and many would go up considerably. It is hard to predict the effect on an individual scheme's levy but in principle the impact could be substantial. A lot depends on the relative change in insolvency probability at different points on the scale (allied to the 3% cap on probability). And insolvency risk is, of course, only one of the variables that goes into the final calculation.

The PPF aims to publish its final plans early this year.

- For the current probabilities see:

[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/1011\\_determination\\_appendix\\_API.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/1011_determination_appendix_API.pdf)

- For the proposed new ones, see appendix 2 of :

[www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/insolvency\\_consultation\\_Nov09.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/insolvency_consultation_Nov09.pdf).

- To find out how D&B failure scores are calculated and how to improve your rating, go to:

[www.pensionprotectionfund.org.uk/levy/howthelevyworks/insolvencyrisk/Pages/InsolvencyRisk.aspx](http://www.pensionprotectionfund.org.uk/levy/howthelevyworks/insolvencyrisk/Pages/InsolvencyRisk.aspx).

## Paper chasing

While a lot of information is submitted electronically through Exchange, certain material – including in relation to contingent assets – has to be on paper. Schemes that get close to the wire need to leave time for secure postal delivery to the PPF or a courier (to Croydon).

## More information

For more information, please get in touch with your usual contact in the pensions team or with **Marcus Hellyer**, senior associate and professional support lawyer, at [marcus.hellyer@burges-salmon.com](mailto:marcus.hellyer@burges-salmon.com) or on **0117 902 7789**.

Full information about the levy is available at:

[www.pensionprotectionfund.org.uk/levy/Pages/PensionProtectionLevy.aspx](http://www.pensionprotectionfund.org.uk/levy/Pages/PensionProtectionLevy.aspx).