

PPF sets lowest ever total levy of £45m New provision may lead to future zero levy



What you need to know

- The Board of the Pension Protection Fund (PPF) has published its final levy rules for the 2025/26 levy, to be invoiced autumn 2025.
- The total levy estimate for 2025/26 is £45m, reducing the total from £100m in 2024/25.
- 99.7% of schemes are expected to pay a lower levy than last year.
- The scheme-based levy multiplier has reduced by 40% compared to last year, rather than an increase as was originally proposed.
- There is now a simplified process for schemes to submit deficit reduction contributions as well as greater inclusion of schemes and range of contributions that qualify for submission.
- There is clarification of the ability to apply for a levy waiver for schemes which have completed a full insurance buy-in where specific criteria are met.
- The Government is considering changing legislation to allow greater flexibility for the PPF to reduce the levy it collects. If legislation is passed or a commitment to change is made by the Government before the 2025/26 levy is invoiced this autumn, then the PPF has introduced a provision to set this year's levy to zero. The PPF has said it will provide an update on whether there will be a zero levy this year by the end of September at the latest.



Actions you can take

- **Obtain** an estimate of your 2025/26 levy to help you understand what the impact could be on your scheme's levy and to help you plan ahead.
- **Review** the accuracy of the data used by Dun & Bradstreet and the PPF and any possible levy mitigation measures.
- **Have your say!** Tell us at XPS what you think of the PPF's plans to potentially set a zero levy.

Deadlines for the 2025/26 levy

Development	Information to be provided
Midnight on 31 March 2025	Deadline for scheme return data, online contingent asset and ABC certification and special category applications
5pm on 1 April 2025	Deadline for contingent asset supporting paperwork
5pm on 30 April 2025	Certification of deficit reduction certificates and exempt transfer applications
5pm on 30 June 2025	Certification of block transfers
By September 2025	PPF to clarify expectations for invoicing 2025/26 levies. Encourage scheme contacts to access PPF portal to download invoice electronically.

The finer detail:

Key items in the PPF's levy rules for the 2025/26 levy

Proposed changes to the methodology

- The levy scaling factor has been maintained at the previous level of 0.40 instead of reducing to 0.35 as proposed in September 2024. The scheme-based levy multiplier has been reduced from 0.0015% in 2024/25 to 0.0009% (a 40% reduction) instead of increasing to 0.0018% as previously proposed.
- The liability and asset stresses have been updated using historical market data up to 31 December 2023, to reflect recent volatility including significant changes to interest rates experienced over 2022.
- The latest section 179 valuation basis, A11, has replaced A10 when calculating liabilities at 31 March 2025 which better reflects insurer pricing.
- There are minor adjustments to converting public credit ratings to PPF insolvency scores.

All other parameters (eg the risk-based levy cap and levy rates) are to remain the same.

2025/26 total levy estimate of £45m, possibly reducing to zero

Due to its strong funding position the PPF has been looking at ways to reduce the levy. Legislation currently restricts the levy being increased by more than 25% from year to year, which poses a risk to the PPF if they seek to collect a low or zero levy, as their ability to re-introduce the levy if there are future funding problems could be severely restricted. Whilst the headline total levy estimate has reduced from £100m to £45m, the PPF has introduced a provision to enable them to charge a zero levy this year provided that there is sufficient commitment from the Government that there will be legislative change to give them more flexibility. The PPF intends to announce by the end of September whether it will set this year's levy to zero.

Impact analysis

Over 99.7% of schemes are expected to pay a levy lower than 2024/25.

Split of levy between risk - and scheme-based

Legislation requires at least 80% of the total levy estimate to be risk-based. With improvements to funding, this level could have been breached. The PPF has therefore maintained the levy scaling factor and reduced the scheme-based levy multiplier to keep the appropriate split.

Simplification to deficit reduction contributions

Schemes of all sizes are now able to certify any ad-hoc special contributions whose purpose is to improve funding (including those not outlined in a recovery plan). Any special contributions outside any recovery plan will need actuarial certification.

Full buy-in waivers to pay levies

Schemes who have full insurance buy-ins can apply for levy waivers within 28 days of receiving their unpaid invoice. Risk-based levy waivers must have all liabilities insured and no further contributions due to cover liabilities. To waive the scheme-based levy the scheme must also satisfy that there are insufficient unallocated assets to pay this part of the levy. The PPF recommends schemes contact them to discuss their case.

Find out more

For further information, please get in touch with **Thomas Dummigan**, **Andrew Johnson** or speak to your usual XPS Group contact.



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