

PPF maintains lowest ever levy of £100m

What you need to know

- The Board of the Pension Protection Fund (PPF) has published its consultation on the rules for the 2025/26 levy to be invoiced autumn 2025.
- The total levy estimate for 2025/26 is £100m, maintaining the same total from 2024/25.
- Most schemes can expect to pay a similar levy in 2025/26 compared to 2024/25, with 95% of schemes expected to pay a lower levy than 2023/24.
- The risk-based scaling factor is decreasing from 0.40 to 0.35. The scheme-based multiplier will increase from 0.0015% to 0.0018%.
- Schemes' latest submitted liabilities on the section 179 PPF basis will be updated at 31 March 2025 using the latest section 179 valuation assumptions, A11, which in isolation will lower levies.
- Updating factors used to stress the assets and liabilities valued at 31 March 2025 in times of economic turmoil will in isolation increase the levy cost.
- There will be 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.
- The PPF has proposed adjusting its methodology from 2025/26 onwards so that the pool of schemes who pay risk-based levies is maintained and spreads the levy more reasonably.

Actions you can take

Along with being aware of the changes, it will be important to reflect changes in decisions being made now:

- **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** possible levy mitigation measures to understand which are cost effective.
- **Review** the accuracy of the data used by Dun & Bradstreet and the PPF.

Proposed deadlines for the 2025/26 levy

Deadline	Information to be provided
23 October 2024, 5pm	Consultation on the 2025/26 levy closes
End of December 2024	Final 2025/26 levy rules to be published
31 March 2025, Midnight	Deadline for scheme return data, online contingent asset and ABC certification, and special category applications
1 April 2025, 5pm	Deadline for contingent asset supporting paperwork
30 April 2025, 5pm	Certification of deficit reduction certificates and exempt transfer applications
30 June 2025, 5pm	Certification of block transfers

The finer detail: Key items covered in the PPF's 2025/26 levy consultation

Proposed changes to the methodology

- The risk-based levy scaling factor is to reduce from 0.40 to 0.35.
- The scheme-based levy multiplier is to increase from 0.0015% to 0.0018%.
- 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.
- Minor adjustments are proposed for converting public credit ratings to PPF insolvency scores, where an average credit rating of B/B2 has fallen to levy band 9 from levy band 8 which will increase the levy in isolation.

All other parameters are to remain the same, including the risk-based levy cap and levy rates.

2025/26 total levy estimate of £100m

The PPF has maintained a total levy estimate of £100m despite the continuing improved funding position following the rise in gilt yields since 2022. This is in the event of a future funding shock. The PPF now holds significant funding reserves and so did not see a need to make significant changes to the levy. However, the PPF continues to engage with the Government on making legislative changes which can enable levies to be reduced further, possibly to nothing.

Impact analysis

Most schemes can expect to pay a similar levy in 2025/26 compared to 2024/25 with over 95% of schemes expected to pay a total levy lower than 2023/24. Of those who paid a risk-based levy in 2024/25, 37% will see an increase with the risk-based levy cost being similar to 2023/24.

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 margin could have been breached. The PPF increased the asset and liability stress factors to keep a broad range of schemes who pay the levy but still keep the distribution of the levy risk reflective.

Simplification to deficit reduction contributions

Schemes of any size are able to certify any ad-hoc special contributions (including if not outlined in a recovery plan), whose purpose is to improve funding and considered in levy calculations as credit.

Full buy-in waivers to pay levies

Schemes who have full insurance buy-ins can apply for levy waivers within 30 days of receiving their invoice. Schemes wishing to waive the risk-based levy must have all defined benefit liabilities covered with no further contributions due in respect of those liabilities.

Schemes wishing to waive a scheme-based levy must also be able to confirm that there are insufficient unallocated assets available to pay the scheme-based levy in full. Allocated assets can include those intended to cover wind-up expenses.

Find out more

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



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