

First Briefing, January 2021 PPF levy 2021/22

The Pension Protection Fund (PPF) has confirmed its key decisions on what's changing in the levy rules for the 2021/22 levy year.

This briefing summarises the changes and provides a reminder of key deadlines.

2021/22 levy year

Following consultation, and in advance of publishing the final rules in January 2021, the PPF has confirmed the key rules that will apply for the 2021/22 levy year.

A new feature is the introduction of the *Small Schemes Adjustment (SSA)*, designed to help small schemes.

- For schemes with less than £20m of unstressed PPF liabilities, the uncapped risk-based levy will be cut by half.
- For schemes with between £20m and £50m of unstressed PPF liabilities, the reduction will be tapered to avoid cliff edges.
- No reduction will be applied for schemes with £50m or more of unstressed PPF liabilities.

To help protect schemes with high levies relative to their PPF liabilities, the PPF are cutting the *Risk based levy cap*. The maximum levy payable will now be 0.25% of unstressed liabilities, compared to 0.5% which applied previously.

Insolvency risk will be based on the average of the Dun & Bradstreet's (D&B) insolvency risk scores for the months April 2020 to March 2021 (inclusive). In recent years, Experian has provided insolvency risk scores. The change in provider may result in a change in levy band for some entities, due to data changes and an updated PPF model.

The levy scaling factor is unchanged at 0.48.

The PPF has considered the impact of Covid-19 on 2021/22 levies, but only expects a limited impact.

This is due to insolvency risk being assessed on accounts that pre-date Covid-19 for most employers.

However, there is an expectation that insolvencies and claims will rise, with evidence of the impact of Covid-19 expected to be seen in accounts filed for use in the 2022/23 levy.

The PPF Levy Determination, which sets out the rules in detail, will be published by the end of January 2021.

Invoices for 2021/22 will be issued in Autumn 2021. The PPF expects to collect £520m in 2021/22, which is around £100m less than the amount collected in 2020/21.

What actions should I take?

- Check the information held on the D&B portal is correct.
- Ensure Scheme Return information submitted on Exchange is correct, including s179 valuation results.
- Consider whether the usual levy reduction opportunities, such as deficit reduction contribution certificates and certifying new contingent assets, or re-certifying existing ones, would be worthwhile.
- If you receive a paper invoice, update your billing address to ensure levy bills go to the most appropriate address.
- For electronic invoices, update the Levy Contact email address listed on The Pensions Regulator (TPR) Exchange to ensure levy bill emails go to the most appropriate contact (**see note below**).
- Contact your First Actuarial consultant if you need help with any of the above.

Note: If a Levy Contact is not recorded on TPR Exchange, the PPF will use the following contact hierarchy:

Scheme Contact email address	If a Levy Contact email address is absent
Trustee email address(es)	If a Levy Contact and a Scheme Contact email address are absent

Key dates for the 2021/22 Levy year

Ongoing	<p><u>D&B Score Measurement Date</u> Monthly between 30 April 2020 – 31 March 2021.</p> <p>Data must be submitted to D&B at least one calendar month before the measurement date to ensure it is taken into account when assessing the score.</p>
End of January 2021	Final levy rules for the 2021/22 levy year will be published.
By midnight, 31 March 2021	<p><u>Submit online via TPR Exchange</u></p> <ul style="list-style-type: none"> • Scheme Return data. • Electronic contingent asset certificates. <p><u>Submit to the PPF</u></p> <ul style="list-style-type: none"> • ABC certificates. • Special category applications.
By 5pm, 1 April 2021	Send soft copy contingent asset documents (to PPF).
By 5pm, 30 April 2021	<p><u>Submit online via TPR Exchange</u></p> <ul style="list-style-type: none"> • Deficit reduction contribution certificates. <p><u>Submit to the PPF</u></p> <ul style="list-style-type: none"> • Exempt transfer applications.
By 5pm, 30 June 2021	<p><u>Submit online via TPR Exchange</u></p> <ul style="list-style-type: none"> • Certify full block transfers.
July 2021	<p><u>D&B Mean Scores</u> D&B will publish your final mean score and the PPF will use this to calculate the 2021/22 levy.</p> <p><u>GMP equalisation adjustment</u> A new GMP adjustment form will need to be submitted for the 2021/22 levy year in order to have the adjustment made to the D&B score.</p> <p>As per last year, the form will only be submitted once the D&B mean scores have been published.</p>
Autumn 2021	Invoicing starts.

2022/23 Levy year and beyond

The 2021/22 levy year would have been the start of the triennium review and the PPF would typically have set the rules which would then remain unchanged for the next 3-year period.

Given the uncertainty over the pandemic, however, and the expectation of the new scheme funding requirements taking effect in 2022, the PPF has moved away from this multi-year approach.

The rules will be subject to review on an annual basis and the PPF envisages a return to a multi-year approach in 2023/24.

Further information

For further information, please contact your usual First Actuarial consultant.