First Briefing, February 2022 – PPF levy 2022/23

The Pension Protection Fund (PPF) has confirmed its key decisions on levy rules for the 2022/23 levy year.

This briefing summarises the changes and provides a round-up of key deadlines.

2022/23 levy year

The PPF has published the final rules that will apply to the 2022/23 levy year (April 2021 to March 2022).

While changes from the previous year are limited, the headlines are:

- Over 80% of schemes paying a risk-based levy will see a fall in their levy compared to the previous year
- For the schemes that don't see a fall in levy, the PPF is introducing a new maximum increase in the risk-based levy of 25% (for 2022/23 only)
- The support measures introduced in the 2021/22 levy year, including the Small Scheme Adjustment, the lower risk-based levy cap and Covid-19 payment easement will remain in place.

The overall estimate of the levy for the 2022/23 year is £390m. This has fallen by £230 million since 2020.

Insolvency risk will be based on the average of the Dun & Bradstreet's (D&B) insolvency risk scores for the months April 2021 to March 2022 (inclusive).

Limit on increases in the levy

The PPF has acknowledged that some employers may see significant score movements because of the pandemic, and as a result:

For 2022/23 only, bills will not increase by more than 25% compared to the 2021/22 levy year.

Support measures introduced in 2021/22 levy year

The PPF has confirmed the following key support measures will be kept for the 2022/23 levy year:

- **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 to schemes with £50m or more of unstressed PPF liabilities

- **Lower risk-based levy cap**: a limit on the risk-based levy of 0.25% of unstressed liabilities

- **Covid-19 payment easement**: continued easements from its standard 28 days payment term:
  - Covid-19 payment extension: up to 90 days interest free to pay the 2022/23 levy bill for levy payers impacted by Covid-19
  - Payment plan: pay the levy in monthly instalments over a period of more than 90 days at reduced interest charges if application is approved.

What actions should I take?

- Take note of the key dates on the following page
- Check your information held on the D&B portal
- 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.
- Contact your First Actuarial consultant if you need help with any of the above.

Key dates for the 2022/23 Levy year

Ongoing	***D&B score measurement date*** Monthly between 30 April 2021 – 31 March 2022. 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.
By midnight, 31 March 2022	***Submit online via TPR Exchange*** • Scheme return data • Electronic contingent asset certificates. ***Submit to the PPF*** • ABC certificates • Special category applications.
By 5pm, 1 April 2022	***Email to PPF*** Soft copy of contingent asset documents, including Guarantor Strength Reports.
By 5pm, 29 April 2022	***Submit online via TPR Exchange*** • Deficit reduction contributions certificates. ***Submit to the PPF*** • Exempt transfer applications.
By 5pm, 30 June 2022	***Submit online via TPR Exchange*** • Certify full block transfers.
July 2022	***D&B Mean Scores*** D&B will publish the final mean score and the PPF will use this to calculate the 2022/23 levy.
Autumn 2022	Invoicing starts.

2023/24 Levy year and beyond

The Pensions Regulator is intending to implement the collection of new asset class data in 2023. Learn more about TPR's response to the consultation to update the asset information collected from DB schemes.

As part of the 2023/24 levy consultation process, the PPF will consult on the rule changes necessary to incorporate the use of the new asset class information in the levy. The PPF will also anticipate reviewing the overall system of asset and liability stress factors.

Other news

Probability of PPF success at highest ever level

The PPF's 2020/21 annual report and accounts revealed its funding position had improved to 127.3%, and reserves increased by £3.9bn, up to £9bn.

The PPF has a target of being 110% funded at its funding horizon, currently set at 2030. The probability of success of achieving this target rose from 83% up to a record high 95%.

As a result of the increased reserves, there were suggestions from some stakeholders that the amount of levy collected could be reduced. In response, the PPF said:

> *"The level of levy collections is set to support our long-term funding strategy. Our reserves need to be considered in the context of the significant risks to the PPF …*
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> *… We are undertaking a full review of our long-term funding strategy and this will provide the appropriate framework to set the overall direction of the levy. We expect to engage levy payers and our other stakeholders on this including as we consult on our proposals for the 2023/24 levy"*
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> ***Source: PPF Policy Statement- Levy Rules 2022/23***

Further information

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