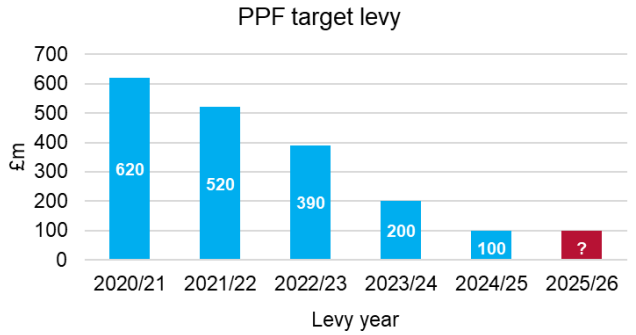
First Briefing, December 2024
PPF delays levy rule decision

The Pension Protection Fund (PPF) has delayed its decision on the rules for the 2025/26 levy year until January 2025 to allow more time to consider legislative change and reform.

In recent years, the PPF has made significant reductions to the target level of levy collected across all schemes:



The PPF has been able to collect a lower levy due to overall improvements in the funding of DB schemes and of the PPF itself – its latest position (as at 31 March 2024) showed built-up reserves of £13.2bn.

In the 2024/25 levy year (invoiced in autumn 2024), the PPF targeted an overall levy collection of £100m, despite the PPF board stating that it would:

"expect to be able to move to charging zero levy, only reintroducing the levy in the event of a significant challenge to its funding position"

The PPF recently consulted on a target levy of £100m for the 2025/26 levy year (to be invoiced in autumn 2025).

The outcome of this consultation was expected in December 2024, but the PPF have delayed this until January 2025 to allow more time to consider its options, including further levy reductions.

PPF levy issues

The Pensions Act 2004 established the PPF, gave it the power to collect an annual levy, and continues to limit how much it can charge and the extent to which the levy can be altered from year to year.

The most important restriction is that the PPF cannot increase the target levy by more than 25% each year.

This means that if the PPF ever sets the levy at zero, it will be impossible to start collecting a levy again. And if the levy is set at a low level, it will take some time to get it back up to a material level.

While the PPF has acknowledged that it doesn't need to collect a levy at present, it believes that certain funding challenges may arise that require it to charge a levy in future.

For these reasons, the PPF set the target levy in 2024/25 levy year at £100m, which they described as:

"the lowest level at which we could safely set a levy"

Next steps

In our recent responses to the PPF's consultations on levy rules, First Actuarial urged the PPF to pursue a legislative change that would allow it to stop collecting a levy. This would put financial resources to better use and improve outcomes for schemes, sponsors and members.

While it's unclear what the outcome will be for the 2025/26 levy year, it's promising to see that the PPF is considering further reductions to the levy target, and is continuing to engage with the Department for Work and Pensions (DWP) on legislative changes.

Further information

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