First Briefing, February 2025
PPF levy cut by over 50%

The Pension Protection Fund (PPF) plans to cut its levy by over 50%, as confirmed in its final rules for the 2025/26 levy year. It may even be the case that the PPF will collect no levy at all in 2025/26. In this briefing, we summarise key changes to the levy rules.

Following consultation in autumn 2024, the PPF has published the delayed rules which will be used to calculate levies for the 2025/26 levy year. These *may* be invoiced later in 2025 (more on this later).

The final rules reflect a significant change of position from the PPF since the consultation, reflecting industry feedback and engagement with the Government. We explore all this in this briefing.

Headline changes

The headline changes from the PPF's 2025/26 levy policy statement are:

- The PPF expects to collect total levies of around £45m in 2025/26, **less than half the targeted levy** collection for 2024/25 (£100m)
- **99.7% of schemes** are expected to pay a lower levy than the previous levy year
- The PPF may **not collect any levy in 2025/26**, if sufficient progress on legislation changes is made over the year.

2025/26 levy rules consultation

In autumn 2024, the PPF consulted on a target levy of £100m for the 2025/26 levy year, expecting it to be invoiced in autumn 2025.

While the PPF had acknowledged it no longer needed to collect a levy, they proposed to maintain the target levy at £100m because of certain restrictions in the current legislation.

The most important restriction is that the PPF cannot increase the target levy by over 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.

What has happened since the consultation?

The outcome of this consultation was expected in December 2024. However, it was delayed until late January 2025 to allow more time for the PPF to consider options such as further levy reductions. For more information on this, read our recent briefing.

The PPF acknowledged industry feedback, and agreed they could take more risk. As a result, they **have reduced the target levy from £100m to £45m**, meaning almost all schemes will see a lower levy compared to the previous year.

At the same time, the Government also announced that they are considering proposals to give the PPF more flexibility to reduce the levy it collects by relaxing restrictions.

As a result, the PPF has added more flexibilities to the 2025/26 rules, **to allow them to collect a zero levy** if *legislation is brought forward and sufficiently progressed over the course of 2025/26*.

To provide this flexibility and to allow as much time as possible for these legislative changes to be progressed, the PPF has not confirmed when 2025/26 levy invoices will be issued. However, it has promised to provide an update by the end of September 2025.

2025/26 levy rules – Details of the changes

Most of the fall in the target levy can be attributed to increases in bond yields over recent years.

There have been other changes to the way the levy is calculated. These have a smaller impact on the target levy, and include:

- Updating the measurement of liabilities to use the latest available assumptions

- Updating the asset and liability stresses to reflect recent periods of market volatility
- Reducing the scheme-based levy multiplier to 0.000009
- Including a new provision in the rules allowing the PPF to not collect any levy in 2025/26 if legislative changes are made or there is a clear commitment to make such changes.

The risk-based levy cap remains at 0.25% of scheme liabilities.

2025/26 – Deficit Reduction Contributions

Historically, there were two submission routes for Deficit Reduction Contributions to be factored into levy calculations, Option Alpha and Option Beta.

Option Beta was a simpler submission route but was only allowed for closed schemes with liabilities of less than £10m.

As part of the changes to the rules for 2025/26, the PPF has extended Option Beta submissions to include:

- Schemes of any size, including open schemes
- Ad hoc payments made even when there is no recovery plan in place (if confirmed by an actuary).

Contributions under Option Beta of over £1m and made outside of a recovery plan will continue to require actuarial certification.

What actions should I take?

Take note of the key dates outlined in the following table.

Check your information held on the PPF portal.

Make sure your scheme return information submitted on The Pensions Regulator's (TPR) Exchange is correct, including s179 valuation results.

Consider whether any levy reduction opportunities – such as Deficit Reduction Contribution certificates and certifying new contingent assets or re-certifying existing ones – are worthwhile.

Contact First Actuarial if you need help with any of these actions.

Key dates for the 2025/26 levy year

Monthly, from April 2024 to March 2025	**Insolvency score measurement** Data must be submitted at least one calendar month before the measurement date to ensure it's taken into account when assessing the score.
By midnight, 31 March 2025	**Submit online via TPR's Exchange** • Scheme return data • Electronic contingent asset certificates. **Submit to the PPF** • ABC certificates • Special category applications.
By 5pm, 1 April 2025	**Email the PPF** • Soft copy of contingent asset documents, including guarantor strength reports.
By 5pm, 30 April 2025	**Submit online via TPR's Exchange** • Deficit Reduction Contribution certificates. **Submit to the PPF** • Exempt transfer applications.
By 5pm, 30 June 2025	**Submit online via TPR's Exchange** • Certified full block transfers.
July 2025	**D&B mean scores** D&B will publish the final mean score, which the PPF will use to calculate the 2025/26 levy.
TBC	Invoicing starts. The timing of any invoicing for the 2025/26 levy year will be confirmed before the end of September 2025, giving more time for any legislative changes to become clear.

Further information

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