



Pension Protection Fund Annual Levy On Defined Benefit Pension Schemes

Shocked by the huge increase in your PPF Levy?

Can your PPF Levy be reduced next year?

All defined benefit (or final salary) pension schemes now pay an annual levy to the Pension Protection Fund (PPF). In general, levy invoices have increased dramatically this year. However, by taking professional advice and appropriate steps you may substantially reduce the levy amount for next year.

Why pay unnecessary levy, which is tantamount to a new tax, if you do not need to do so?

Can you appeal your current levy invoice amount? Yes, where there is a flaw in the levy calculations and we can advise you if this is the case.

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Levy Calculation

Levies are mainly risk-based and calculated upon the possibility of a claim on the PPF.

Dun & Bradstreet (D&B) as agents for the PPF are responsible for the credit rating system which calculates the levy. The principle is that D&B produce a failure score based on the employer/sponsor trading position as revealed from regular public and commercial information sources. If the pension scheme is in deficit then a low failure score means a large levy.

The D&B failure score did not take all circumstances into account and employers who are not limited companies may find the calculation of their levy invoices does not take into account data which could reduce the levy. However, the system has been modified for future years to reflect the true risk of insolvency.

If you did not supply all data to the PPF by 30 March 2007, then it is too late to do so to affect this year's levy determination. You may be able to affect next year's levy but you may need to prepare new accounts or financial statements and other data and ensure it is sent to D&B in good time before the deadline of 31 March 2008. Late submissions will be ignored, so action now is advisable to meet the 2008 deadline. The levies payable for 2008/09 and 2009/10 will probably be fixed on the 31 March 2008 submissions.

How can we help?

By working with you and other advisers to ensure that your levy payment is minimised using the following:-

- Contingent asset arrangements: we can advise on the practical impact of contingent assets on the D&B failure score and what is likely to be acceptable to the PPF. Guarantees can be provided but they do not have the same weight for the D&B failure score as tangible contingent assets.
- We can also assist with relevant legal and documentary requirements to put such arrangements in place.
- New PPF actuarial valuation information: a review of your business to improve the D&B failure score can be provided.

Please contact us now if you have received a much increased levy invoice this year and want to ensure it is correct and, if it is not, to discuss how it can be rectified and/or minimised next year.

Pension Scheme Reorganisation

Often when we deal with levy issues, we identify aspects of your pension scheme arrangements which may benefit from reconstruction and consequent changes in company structures. We can manage your pension reconstruction project and ensure that all professional advice is coordinated to ensure the best possible solution is achieved at a competitive cost.

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