

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 06/07

PPF Levy 2007/08

The Board of the Pension Protection Fund has released some factors that will be used to calculate the levy for 1 April 2007 to 31 March 2008. The levy is split into a scheme based levy (20%) and a risk based levy (80%).

The scheme based levy multiplier will be 0.016% for 2007/08 up from 0.014% from the previous year.

The levy scaling factor, used in the calculation of the risk based levy, has been set to 2.47 for the 2007/08 year. For the previous year, it was 0.53.

A cap has again been set on the maximum amount of levy payable to protect weaker schemes and their sponsoring employers. The cap has been set at 1.25% of liabilities for 2007/08; in the previous year the risk based levy was capped at 0.5% of PPF liabilities.

Most schemes will see a significant increase in their levy as a result of these changes. The PPF estimated, in December 2006, that it needed to collect £675 million through the pension protection levy during 2007/08. For the previous year, the estimate was £575m but the actual amount collected fell short of this target.

As an example, consider a scheme with a £50m fund, PPF liabilities of £55m with a D&B credit rating of 75. The 2007/08 levy will be calculated in the following way:

Scheme based levy	$£55m \times 0.016\% = £8,800$
Underfunding risk	$(1.05 \times £55m) - £50m = £7.75m$
Insolvency risk corresponding to D&B failure score of 75	= 1.0645%
Risk based levy	$£7.75m \times 1.0645\% \times 0.8 \times 2.47 = £163,000$
Total levy	$£8,800 + £163,000 = £171,800$

Using the same data, the total levy for the 2006/07 year was £42,700.



Now that the end of March has passed, there is little schemes can do to alleviate this substantial increase. However, it is important in the long term that all avenues are explored in the future, to reduce the amount of levy that is payable.

Premier Pensions Management Ltd would be delighted to help you to investigate this.

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This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email: paul.couchman@premierpensions.co.uk, if you require definitive advice