

The 2022/23 PPF levy determination

Alert | 11 January 2022



Introduction

On 16 December 2021, the PPF [published](#) its policy statement and formal levy rules for 2022/23.

Key points

- Over 80 per cent of schemes that pay a risk-based levy are projected to see a lower levy in 2022/23.
- The PPF has retained certain measures it introduced in 2021/22 to support schemes through the pandemic.
- Recognising the impact that COVID has had, for the minority of schemes seeing a rise in levies, the PPF will generally limit risk-based levy increases to 25% when compared against 2021/22 levy bills.
- As a result of the above policy change and the latest data, the PPF now expects to collect £390m (a reduction of £130m from the previous levy year).
- Since the levy year 2014/15, a simplified recertification procedure may be used for contingent assets where certification / recertification occurred not more than five years previously and the trustees can confirm that the underlying agreement remains in place. If you have not recertified an asset in the last four levy years, consider whether it would be worth doing so this year.

Covid-19

One-off cap on increase to risk-based levy

Prior to, and throughout, the pandemic, the PPF has remained in a strong financial position. As a result, it is able to introduce a rule that, for 2022/23 only (and unless the PPF determines otherwise), will limit increases in bills to 25% compared to the 2021/22 value. This measure allows for an increase in individual scheme bills reflecting that the risk posed to the PPF by some schemes will have increased to some extent over the pandemic. However, it will limit the impact of more significant deteriorations in levy band. This is intended to address a concern that a minority will see a significant increase in their levy bills and is designed to support schemes where levies increase as a result of employers, that remain viable, seeing downgrades in insolvency risk scores due to Covid impacts.

The PPF may disapply this limit, or alter the base value against which it is calculated, “where there is a material change in the scheme’s circumstances (such as a material increase in liabilities of the scheme) or where the employer has had an insolvency event so that applying the cap unadjusted would lead to a clearly inappropriate outcome”. For example, where a block transfer has occurred which effectively combines two schemes into one, the PPF would expect to alter the base value by aggregating the 2021/22 levies of the transferring and receiving schemes.

The rule will not apply to Alternate Covenant Schemes.

Continuing measures

The PPF has decided to retain:

- the small scheme adjustment. Intended to better reflect the risk posed by these schemes, this halves the risk-based levy for schemes with less than £20 million in liabilities. The reduction tapers between £20 and £50 million of liabilities
- the lower cap on the risk-based levy. (The cap was reduced from 0.5% to 0.25% of liabilities for the 21/22 levy year)

as well as the Covid-19 payment easement.

Alternate Covenant Schemes (“ACSs”)

The PPF’s aim is to apply the ACS methodology to those schemes where, following action to alter the support for a scheme, the risk of it coming to the PPF is best captured by assessing the risk of investment or funding failure. (This contrasts with the conventional levy which measures the risk of a scheme claiming on the PPF by assessing the insolvency risk of the sponsoring business). Given the range of potential structures and circumstances that may arise, as well as the immaturity of the ACS market (with the exception of “superfund consolidators”), the PPF does not believe it is practical to provide an objective test to distinguish whether the ACS methodology will or will not be appropriate. It therefore has given itself discretion to determine the most suitable approach.

The levy rules have been amended with the aim of emphasising that in order for a scheme to be classed as an ACS the Board has to take an active decision that the ACS methodology is the most appropriate. The accompanying guidance has also been extended to make clear the limited and specific circumstances in which the Board would consider the ACS methodology to be the most appropriate approach.

Next steps

As ever, trustees and employers who intend to put in place or retain contingent assets should start the process as soon as possible. In addition, as noted above, employers should consider whether to recertify certain contingent assets in order to revive them for PPF purposes. Once an asset has not been recertified for five levy years it must be submitted as new.

The deadline for certification / re-certification on Exchange is midnight on 31 March 2022. If any documents must be submitted, such as a guarantor strength report, these must be emailed to the PPF by 5pm on 1 April 2022. (Please click here for the PPF’s [timeline](#).)

If you would like any further information, or to discuss any of the above, please speak to your usual Sackers contact.

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