

## The 2023/24 PPF levy determination

Alert | 10 January 2023



### Introduction

On 13 December 2022, the PPF [published](#) its policy statement and formal levy rules for 2023/24.

### Key points

- The levy estimate for 2023/24 is £200 million, down from £390 million in 2022/23. This is generally expected to be positive for levy paying schemes as it should result in a reduction for most.
- The PPF is implementing measures which are intended to significantly reduce volatility in levies. In addition, the new asset class information being collected by TPR in the 2023 scheme return (which must be submitted to TPR by 31 March 2023) will be integrated into the levy calculation for 2023/24.
- 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 a contingent asset which you have not recertified in the last four levy years, consider whether it would be worth doing so this year.

### Changes for 2023/24 and direction of travel

In its September 2022 consultation on proposals for the 2023/24 levy rules, the PPF set out its thinking on its long-term approach to the development of the levy. This reflected its new funding strategy and expectation of a material decrease in the levy in the future, as well as the need to ensure the PPF remains able to address any future funding challenges. Having received positive feedback, the PPF intends to implement its plans.

With the aim of ensuring the levy is fit for purpose, more stable for levy payers, transparent and predictable, the PPF has devised the following four design principles:

- increase flexibility on the amount of levy it aims to collect
- increase flexibility to charge on the basis of scheme size (eg scheme based levy)
- reduce levy sensitivity to changes in insolvency risk which reduces volatility and increases the emphasis on underfunding

- apply different approaches to levy calculation, depending on scheme size.

The changes for 2023/24 (including the halving of the band-to-band increase in levy rates and the reductions to the risk-based levy scaling factor and the scheme-based levy multiplier) form the first step to the PPF's future levy plans.

### **Will larger and stronger schemes pay proportionately more?**

Respondents to the consultation raised concerns that the proposals might mean larger and stronger schemes would pay a proportionately greater share of the total levy bill. While the PPF notes the potential for this, should the levy rise in future, it is considered "unlikely to happen". The PPF's modelling suggests it has only a 1 in 10 chance of its reserves being less than £10bn in five years' time (with a similar probability of such a decline over 10 years).

### **What will happen to any excess reserves?**

Some respondents enquired about plans for any future excess reserves. The PA04 is silent on this, meaning there is no legislative mechanism to return funds to levy payers (or, generally, to redesign PPF compensation). One issue is that it is not clear how any refund would be dealt with where a scheme has been wound up. The PPF notes that it will be some time before it is certain whether or not its reserves will be required and, ultimately, what happens will be a decision for the Government.

## Next steps

There are no changes relating to documenting contingent assets or rectification requirements this year but, as ever, trustees and employers who intend to put in place or recertify 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 which can carry additional costs.

The deadline for certification / re-certification on Exchange is midnight on 31 March 2023. If any documents must be submitted, such as a guarantor strength report, these must be emailed to the PPF by 5pm on 3 April 2023. (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.

Sacker & Partners LLP  
20 Gresham Street  
London EC2V 7JE  
T +44 (0)20 7329 6699  
E [enquiries@sackers.com](mailto:enquiries@sackers.com)  
[www.sackers.com](http://www.sackers.com)

Nothing stated in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. Action should not be taken on the basis of this document alone. For specific advice on any particular aspect you should speak to your usual Sackers contact. © Sacker & Partners LLP January 2023