

The 2024/25 PPF levy determination

Alert | 16 January 2024



Introduction

On 14 December 2023, the PPF published its [policy statement](#) and formal [levy rules](#) for 2024/25.

Key points

- The levy estimate for 2024/25 is a historic low of £100 million, down from £200 million in 2023/24. This should result in a reduction for most levy paying schemes.
- The PPF is considering how it might divide up liability for the risk-based levy in future years, as the number of schemes paying the levy reduces. It has also been working with the DWP on its thinking regarding the development of the levy and the DWP expects to legislate “as soon as Parliamentary time allows”. The PPF hopes this will reassure stakeholders “that any action needed to maintain a minimum levy is likely only to be for the short term”.
- 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 2024/25

Levy estimate

In its September 2023 [consultation](#) on proposals for the 2024/25 levy rules (the “consultation”), the PPF explained that, due to the constraints of its governing legislation, it has to charge a minimum levy of £100m to retain the ability to materially increase the levy within a reasonable period, were PPF funding or risk to DB schemes to significantly worsen. The PPF’s modelling suggests that it currently has enough funding to cover its liabilities in the majority of modelled scenarios. A levy of £100m was considered to “strike the right balance” between the potential need to increase the levy in the future and the PPF’s current position.

Asset class implementation

Following a review of the implementation of asset class changes in 2023 (see our [Alert](#)), the consultation set out possible changes to TPR’s asset class guidance for the 2024/25 scheme return. The changes are intended to clarify the preference for schemes to report their exposure primarily via the asset mix, only using

the more detailed risk factor stress impact methodology for particularly complex arrangements that cannot be adequately described in the asset mix.

TPR's [revised guidance](#) on completing the asset class questions in the scheme return will also be used by the PPF for levy purposes.

Credit rating providers

For the levy year 2024/25, the PPF will stop using Moody's as a credit rating provider but will continue with S&P and Fitch. This is expected to have very limited impact, and the PPF will write to the small number of affected schemes to alert them to the change.

Future direction of the levy

Minimum levy

The majority of respondents were "supportive" of the PPF setting a minimum levy of £100m, while giving a "very clear message" that progressing the case for legislative change to allow the PPF to move to a much lower or even zero levy should be a "key priority". The PPF is working with the DWP, and the DWP is expected to revisit the legislation "as soon as parliamentary time allows".

Allocating liability for the risk-based levy

The consultation set out initial thoughts on how the PPF might appropriately divide up liability for the risk-based levy in future years, in light of the expected decline in the proportion of levy paying schemes. 91% of respondents agreed that "focusing the risk-based levy on a diminishing pool of risk-based levy payers is undesirable" (with the remaining 9% offering no opinion on that question). The PPF is considering the responses, including how to split the levy between open and closed schemes, and will develop the proposals further next year.

Next steps

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 2024. Any documents that need to be submitted, such as a guarantor strength report, must be emailed to the PPF by 5pm on 2 April 2024. (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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