Pension Protection Fund

Levy policy statement

Levy rules 2025/26

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Foreword

In my role as the lead executive for the levy, I am pleased to introduce this policy statement which concludes our consultation on the levy rules for 2025/26.

Our consultation proposed maintaining our levy at £100 million, the lowest we have ever charged. We explained our view that – until legislation is changed – it was important for us to preserve our ability to re-establish a material levy in the future.

We have also reflected carefully on points raised by consultation respondents. In particular, that a levy of £100 million did not strike the right balance between limiting the impacts on schemes now and preserving an ability to charge a levy in the future. A particular concern expressed was that, over time, this balance would become less reasonable given expectations that our funding position will continue to improve and the risk of claims on us will remain low.

The likelihood of the PPF encountering significant funding problems in the future (such that a substantive levy is required) is low and is expected to continue to reduce over time. We also recognise that if funding problems did arise, these could be resolved over a multi-year period with our investment returns likely to be the most significant contributor in returning us to a position of financial strength.

Given this, we have concluded it is reasonable for us to take more risk and reduce the speed with which we could establish a material levy in the future in order to reduce costs on schemes and employers now. We will therefore reduce the levy by more than half to £45 million. As a result, 99.7% of schemes will see a reduction in levy, with the average levy as a proportion of liabilities falling from 0.011% to 0.006%.

Since our consultation we have continued to work closely and constructively with Government on the case for legislative change. While future legislation is a matter for Government, the positive nature of our engagement has informed our approach.

Our rules include a provision to allow us to calculate a zero levy if legislation is brought forward and sufficiently progressed over the course of 2025/26. We've set out more details in Section 2. We will continue to work closely and collaboratively with Government and other stakeholders over the coming period.

Shalin Bhagwan
Chief Actuary

Contents

1. Key conclusions

1.1 Background

1.1.1 We issued the consultation on the levy rules for 2025/26 on 12 September 2024. The consultation closed on 23 October, and we received a total of 25 responses. These were considered in determining the final levy policy and rules.

1.2 Key conclusions

1.2.1 We have now concluded our consultation and are publishing our conclusions together with the levy rules for 2025/26. The headlines are:

Levy estimate
• We have set a levy estimate of £45 million.
Levy parameters
• The levy scaling factor (LSF) and scheme-based levy multiplier (SLM) are confirmed as 0.40 and 0.000009 respectively, and the risk-based levy cap at 0.25 per cent of scheme liabilities. • We have moved to A11 as the output basis for levy calculations. • We have updated the asset and liability stresses and maintain a one standard deviation stress for the levy.
Flexibility to reflect potential changes to levy clauses in forthcoming legislation
• We have included a provision within our rules that will allow us to calculate a zero levy if the required legislative provisions are brought forward, and expected to become law, over the course of 2025/26. The provision enables the risk-based levy (RBL) and scheme-based levy (SBL) to be calculated as zero. The alternative covenant scheme (ACS) risk-based levy will continue to be charged.
Other
• Deficit reduction contributions: all schemes are now able to use Option Beta. In addition, Option Beta can now be used for special contributions if there is no recovery plan, with actuarial certification. • We have widened our special category employer criteria allowing entities classified by ONS as public financial and public non-financial corporations to apply. The other existing criteria will still need to be met – for example, very low risk of the scheme entering the PPF.

1.2.2 The levy rules that will govern the calculation of the levies for 2025/26, as specified in the Board's Determination under section 175(5) of the Pensions Act 2004, are published alongside this policy statement. Together with the levy rules, we have published guidance for schemes on how to meet the requirements of the levy rules, and to explain how we expect to act in the areas where the levy rules provide us with flexibility.

1.2.3 The next section highlights the main themes arising from the consultation responses, our analysis, and next steps.

2. Our levy estimate

2.1 Introduction

2.1.1 Our consultation laid out our plans for the levy rules for 2025/26, including setting the levy at £100 million and the policy changes proposed to achieve this. We have provided a summary of the responses we received below and our conclusions.

2.2 Levy quantum

2.2.1 Our proposal to maintain a £100 million levy was a key focus for most respondents. We first set out our plans to maintain a minimum levy of £100 million – until legislation could be changed – in our consultation in Autumn 2023 on the 2024/25 levy. At that point, most respondents accepted our position (for the short term). This time, of the 12 respondents that specifically commented on levy quantum, all felt that the levy should be reduced below £100 million.

2.2.2 Respondents did recognise the challenges posed by the existing legislation and the constraints it places on the PPF's ability to raise a levy in the future. There was consensus that legislative change is needed. Many respondents called for the changes to be prioritised by Government, with three respondents referencing the upcoming Pension Schemes Bill as being an ideal opportunity for change. While not all respondents expressed a view on what it should fall to, those that did suggested the following three options:

- A small reduction in levy, perhaps to £80 million.
- A more significant reduction in the levy, more in line with universe risk, to £55 million.
- Levy should reduce to zero from 2025/26.

2.2.3 The reasons cited by respondents as to why the levy needs to fall now fit broadly into three categories:

- The impact on schemes and employers – respondents noted that, while low as a percentage of liabilities, for some schemes the levy remained high in absolute terms and that the charge prevented schemes and employers from using the money more productively.
- The low risk of the PPF needing to raise a material levy in the future – respondents noted the PPF's strong financial position, and in particular that the level of the PPF's reserves exceeded the aggregate deficit of schemes in deficit. Respondents also pointed to expectations that risk would continue to diminish, and our reserves would continue to grow. Given this, respondents felt the likelihood of needing to raise the levy again was so low that maintaining a levy of £100 million could not be justified on those grounds.
- Reliance on Government – some respondents also argued that should the levy be needed in the future the PPF should rely on Government legislating quickly at that point in time to allow the PPF to establish a material levy.

2.2.4 In addition, a scheme and a trade body (PLSA) asked that we consider mechanisms by which the levy charged in 2025/26 could be refunded, for example:

"*One potential solution raised by our members could be that, pending legislative change, the PPF levy could be treated in some way as an escrow, i.e. collected but with the expectation of being refunded to schemes when the legislation is amended.*" (PLSA)

2.3 Our response

2.3.1 In view of the importance of the points raised with us in consultation responses, we have considered carefully whether maintaining a levy of £100 million is the right approach. As several respondents noted, our financial position continues to strengthen. Since our consultation was opened, our annual report and accounts have been published showing an increase in our reserves to £13.2 billion. Funding in the DB universe remains high and there continues to be record numbers of buy-out transactions – meaning schemes are permanently leaving the universe of PPF eligible schemes. As a result – and as we have previously set out – the likelihood of our needing to raise a levy in the future is low and is expected to (over time) diminish further.

2.3.2 However, it remains the case that although the likelihood of needing to raise a levy is low, it cannot be ruled out. It is worth noting that our assessment of underfunding in the universe has changed since our consultation was published. This was set out in the most recent 'Purple Book' – we now assess the aggregate deficit of schemes in deficit to stand at £21 billion, a significant increase over our previous estimate.[1] In total the PPF acts as insurer of last resort for 8.8 million DB scheme members and our reserves underwrite approximately £1 trillion in pension scheme liabilities with payments extending for many years. Our legislative framework – which limits year on year increases in the levy to 25 per cent – means that if the levy falls to too low a level, we would lose the ability to restore a material levy charge within a reasonable timeframe.

2.3.3 Still, given the low – and potentially diminishing – risk of the levy being required in the future, we have concluded that we can reasonably accept more risk to our ability to re-establish the levy. We also consider that, if funding problems did arise, these could be resolved over a multi-year period with our investment returns likely to be the most significant contributor in returning us to a position of financial strength.

2.3.4 Therefore, under our final rules, the 2025/26 levy will fall in line with movements in scheme and universe risk leading to a levy estimate of £45 million. We find that 98.9 per cent of schemes that pay a risk-based levy (RBL) will see a reduction in RBL as result of our response to the consultation. The average total levy as a proportion of liabilities reduces from 0.011 per cent to 0.006 per cent (see Appendix 2 for more details). Where a scheme sees an increase in RBL, this will generally be because of an increase in scheme risk, such as where there has been a significant worsening in the sponsors' insolvency scores.

2.4 Final levy estimate, levy scaling factor and scheme-based levy multiplier

2.4.1 In our consultation we advised that, based on an unchanged levy scaling factor (LSF) and scheme-based levy multiplier (SLM) – but taking into account the move to A11 and updating the asset and liability stresses to reflect market conditions – the resulting levy estimate for 2025/26 would be £55 million. We also noted that this would reflect a scheme-based levy (SBL) of around 30 per cent. This is in excess of the 20 per cent limit as set out in legislation. To bring this in line with the permitted maximum of 20 per cent while maintaining a LSF of 0.40, a reduction in the SLM is required. Moving from an SLM of 0.000015 to 0.000009 to bring the SBL down to 20 per cent of the total results in a levy estimate of £45 million.

2.4.2 We will therefore retain the LSF used in the 2024/25 levy (0.40), reduce the SLM to 0.000009 and have set a levy estimate for 2025/26 of £45 million.

[1] See more detail on the changes to the Purple Book here - https://www.ppf.co.uk/press-releases/The-Purple-Book-shows-stability-in-strong-defined-benefit-pension-scheme-funding

2.5 Implementing the levy estimate

2.5.1 As part of our consultation, we sought views on the key policy changes we needed to undertake in order to maintain a levy of £100 million. We also consulted on some business-as-usual updates to our levy methodology – updating to the latest valuation basis (A11) and updating our asset and liability stress factors to ensure they reflect recent market conditions. We also set out our proposals for the levy scaling factor (LSF) and scheme-based levy multiplier (SLM).

2.5.2 We asked respondents for their views on our proposals to update the output basis to A11 and update the asset and liability factors to ensure they reflect recent market conditions. A summary of the responses is in Appendix 1. Almost all responses supported both of our 'business-as usual' updates. Two respondents answered 'no' to this question but only on the basis that they don't agree that £100 million levy is appropriate.

2.5.3 Our key proposal to maintain the levy at £100 million was to increase the stresses applied to scheme assets and liabilities to two standard deviations (alongside less significant changes to the LSF and SLM). Most respondents, despite disagreeing with our plans to maintain a levy of £100 million, felt this approach was the most suitable (if we did proceed with a £100 million levy) including because it increased the pool of risk-based levy payers and maintained risk reflectiveness.

2.5.4 As we have now set the 2025/26 levy estimate to £45 million, the move to two standard deviation asset and liability stresses and changes to the LSF are no longer required.

2.5.5 We can confirm we have proceeded with proposals to move to A11 and update asset and liability stresses to reflect latest market conditions.

2.6 Provision for legislation in 2025/26

2.6.1 Since our consultation we have continued to work closely and constructively with Government on the case for legislative change. As part of this, we have shared consultation feedback with DWP officials, and we also know that stakeholders have shared their views directly with Government. Future legislation is a matter for Government, but the positive nature of our engagement has shaped our approach.

2.6.2 Stakeholders suggested that we consider incorporating provision for escrow / the repayment of any levies collected for 2025/26. We cannot, legally, set up a formal escrow arrangement.

2.6.3 However, we have considered further whether we can allow for the possibility that the expected Pension Schemes Bill contains the necessary provisions on levy, and that the Board becomes confident that this will pass in to law, prior to the point at which we invoice.

2.6.4 We have therefore introduced a provision within our rules that will effectively act to allow us to set the levy to zero if legislation is brought forward, and sufficiently progressed, over the course of 2025/26.

2.6.5 We have done this by introducing an alternative levy scaling factor (LSF) and scheme-based levy multiplier (SLM) in rule C1.2 and C2.2 respectively of the levy determination – to allow for an alternative calculation approach. The rule is drafted to provide the Board with flexibility to take a decision on the facts at the time, by using a discretion. However, the Board expects to take the alternative approach if it can be confident ahead of invoicing that the legislative changes needed will be enacted in the forthcoming Pension Schemes Bill. The Board will keep the situation under review and make a decision based on the facts at the time.

2.6.6 We are also prepared to be flexible regarding the timing of invoicing to allow as much time as we reasonably can for the situation to become clear. We will provide an update on our expectations for invoicing by the end of September at the latest, or sooner if we are able to.

3. Other levy proposals

3.1 Introduction

3.1.1 This section summarises the consultation responses we received in relation to our other proposals – including simplifying our approach to deficit reduction contributions, updating the credit rating mapping, and the case for amending the criteria used to determine special category employer status.

3.1.2 It also sets out our update and conclusions in relation to alternative covenant schemes (ACS). This includes the proposed minor updates to the ACS guidance and asset and liability stress factors, consistent with the updates to the stress factors for standard schemes.

3.2 Deficit reduction contributions – expanding Option Beta

3.2.1 We proposed to extend Option Beta to all schemes – including open schemes, and schemes of any size. We also proposed to enable ad hoc payments (special contributions) to be recognised (if confirmed by an actuary) using Option Beta, even where there is no recovery plan in place.

3.2.2 Almost all agreed with the proposals. Reasons for supporting the proposals included that ad hoc payments are becoming more common, and that the change is reasonable and pragmatic.

3.2.3 A few respondents queried the benefits of maintaining Option Alpha due to the widening of the Option Beta to all schemes and disconnect from including open schemes. We believe it is worth continuing to make Option Alpha available to schemes as it could continue to be of benefit in some circumstances. We will keep the usage under review.

3.3 Special category employers

3.3.1 We sought views on how our criteria on special category employers operated in practice – in particular the criteria that the employer must be central Government (or foreign equivalent), the Crown or established under legislation/treaty (see rule E3.1(11)(a)(i) and (ii) of the determination) and whether they should be amended or updated. We received nine comments which also included feedback on their experience of applying for special category employer status.

3.3.2 There were five comments which focused on the question, all of which were supportive of reviewing the definition. There was support for considering a wider range of public entities within the definition. For example:

"We note that there have been some recent instances where previously privatised enterprises have been brought back into public ownership. This is a trend that is expected to continue, and it seems appropriate that these entities are considered as special category employers. Additionally, we expect that for these employers the risk of a call on the PPF will have significantly reduced and there may be a case to charge nil risk-based levies." (Advisor)

3.3.3 We also received feedback based on respondents' experience of the application process, including that the experience of identifying and successfully applying for special category status has been mixed.

3.3.4 As a result of the feedback we received and research carried out, we have decided to extend our special category employer gateway to include 'public non-financial corporations' and 'public financial corporations', as classified by the Office for National Statistics (ONS). We consider there could be very low risk schemes with sponsoring employers within these ONS categories that – because of their proximity to Government – are best assessed through our special category employer rule (rather than the standard D&B insolvency risk model).

3.3.5 Our impact assessment indicated that, due to schemes' improved funding leading to fewer schemes paying a risk-based levy, only a small number of schemes would consider an application to be beneficial.

3.3.6 Schemes should note that the sponsoring employer and scheme would also need to satisfy our other requirements (see rule E3.1(11) of the levy determination). In particular, it must be demonstrated that:

- employers cannot be appropriately scored using our standard PPF insolvency model (the D&B model); and
- schemes must have a very low likelihood of entering the PPF.

3.3.7 Schemes should note that we are aiming to capture situations where employers are expected to be permanently very low risk, rather than this being the result of temporary or short-term measures.

3.3.8 To help schemes understand our requirements and expectations, we have updated our special category employer guidance (included in the insolvency risk guidance).

3.4 Credit rating mapping

3.4.1 In our consultation we had one question in relation to updating our credit rating mapping to take account of our operational change of moving to using two credit rating providers. All those who responded and expressed a view supported the proposal to update the credit rating mapping. We have therefore made the update.

3.5 Alternative covenant schemes

Provision for legislation and impact on alternative covenant schemes

3.5.1 We have a separate methodology for calculating risk-based levies of alternative covenant schemes (ACS). These are schemes that do not benefit from the financial support of a trading employer.

3.5.2 As we indicated in last year's consultation, we are expecting to maintain a separate methodology for such schemes, and the levy charge is based on the risk they pose at that point in time, rather than scaling the charge to reflect our funding position.

3.5.3 As we have outlined in Section 2, we have introduced a rule that would allow us to recalculate levies, using an alternative levy scaling factor and scheme-based levy multiplier, which allows the calculation of a zero standard levy if legislation is brought forward and sufficiently progressed over the course of 2025/26. We are confirming this would not impact the calculation of ACS risk-based levies – and ACSs would continue to be charged a risk-based levy.

3.5.4 If the alternative rule is implemented, we would expect the ACS levy would benefit from the alternative scheme-based levy multiplier, so would not be charged a scheme-based levy.

Other proposals on alternative covenant scheme methodology

3.5.5 Our consultation sought views on our ACS methodology. We had two questions about our levy proposals for the 2025/26 levy. As expected, we received limited engagement as only a small number of schemes are subject to this part of our levy rules.

3.5.6 There was support for our proposal to maintain a one standard deviation stress for ACSs, and to update the asset and liability factors used.

3.5.7 Based on the acceptance of our proposals, we decided to maintain the asset and liability and risk factor stresses at one standard deviation for ACSs and update the asset and liability factors as proposed, consistent with our approach for standard schemes.

3.5.8 As outlined in the consultation, we are also undertaking some minor updates to our associated guidance to take account of recent experiences. We received no comments on the proposed changes and have updated the ACS guidance.

3.5.9 We also had a question and some feedback on our ACS methodology more generally. We will consider these points as part of any future development of this methodology.

Pension Schemes Bill

3.5.10 As was recently announced, the Government is expecting to bring forth legislation on Superfunds. As part of this we will be reflecting on our approach to alternative covenant schemes based on the planned legislative regime to understand what, if any, changes we would need to make.

4. Customer service

4.1 Invoicing

4.1.1 The majority of schemes received their 2024/25 levy invoice by early October 2024. The remaining standard schemes' invoices were issued by the middle of November 2024.

4.1.2 In total, we invoiced 4,974 schemes and 4,194 of these elected to opt out of paper invoices this year. We are once again happy with the number of schemes taking up the option to only receive their invoice electronically. We are aware that a small number of scheme contacts were still unable to access their electronic invoice via the Mimecast portal that we use for sending invoices securely.

4.1.3 If required, we are happy to provide a copy invoice on request, However, we are pleased that the number of requests has declined as trustees and delegates are now able to access their electronic invoices on the PPF score portal. All existing trustees and delegates who had access to the portal were able to view and download their 2024/25 invoice and this will continue for future levy years. We encourage those who do not currently have access to the portal to visit https://www.ppf.co.uk/scores where they will find instructions on how to request and manage access.

4.2 Levy waivers

4.2.1 Regulations[2] set out the requirements for levy waivers, including the circumstances in which a scheme can apply. We have been exploring our approach to the regulations, particularly in the context of buy-ins.

4.2.2 In our consultation we highlighted that we have updated our online guidance[3] to make it clearer that schemes do not need to have a buy-out contract (or be in wind-up) to apply – and that we would consider applications related to a full buy-in. Schemes have already taken advantage of this for the 2024/25 levy.

4.2.3 We have received some requests for clarification and, have updated our levy waiver webpages and associated guidance as a result. We also note that we may need to consider specific elements of a scheme's waiver application (for example, whether all DB liabilities have been secured) on a case-by-case basis and therefore we encourage schemes to contact us to discuss the particular characteristics/circumstances of their case.

[2] Pension Protection Fund (Waiver of Pension Protection Levy and Consequential Amendments) Regulation 2007.
[3] www.ppf.co.uk/levy-payers/pay-your-levy/who-can-apply-levy-waiver

5. Levy rules for 2025/26

5.1 Introduction

5.1.1 The main changes to the levy rules are to reflect:

- The policy changes confirmed in this statement
- Minor clarifications and changes to the levy rules.

5.1.2 The Determination, Appendices and Guidance have been published alongside this policy statement.

5.2 Changes to the levy rules

5.2.1 The changes are summarised below.

Determination

(a) Rule C1.2 has been updated to reflect a scheme-based levy multiplier of 0.000009, and to insert the new alternative multiplier of zero.

(b) Rule C2.2 has been updated to insert the new alternative levy scaling factor of zero.

(c) Rule E3.1(11) of the Determination: extension of the special category employer definition to potentially (subject to meeting the other requirements) 'public financial corporations' and 'public non-financial corporations'. As well as the consequential new definitions in rule A1.1.

Insolvency Risk Appendix

(d) Table 4 of the Insolvency Risk Appendix includes the new mapping of credit rated agencies.

Deficit Reduction Contributions Appendix and Guidance

(e) The Deficit Reduction Contributions Appendix and Guidance have been updated in line with the draft versions published as part of our consultation package. These documents reflect the extension of Option Beta to all schemes and the new approach to determining the contributions to be certified under this methodology. As well as a consequential update to rule G1.1(c) of the Determination.

Transformation Appendix

(f) The Transformation Appendix reflects the extension of the measurement period for market volatility in order to update the stress factors, and the move to the output basis of version A11 of the s179 valuation assumptions guidance.

Alternative Covenant Schemes Appendix and Guidance

(g) The Alternative Covenant Scheme Appendix reflects the extended market data used to update the stress factors.

(h) The Alternative Covenant Scheme Guidance has been updated to clarify what is required for the combined legal opinion, and to update examples of what is/is not an alternative covenant scheme.

5.3 Other minor changes to the levy rules

5.3.1 As noted in the consultation, we have updated (d) of the definition of "Officer's Certificate" in the Determination, so as to recognise that the certificate could also be sent to the Board.

6. Key dates

6.1.1 The Board will take and communicate its decision on invoicing for 2025/26 as soon as it reasonably can. The Board wishes to allow time for the content of the Pension Schemes Bill to become clear – specifically whether the necessary changes to the legislation governing the levy are included. We will provide an update by end September at the latest.

6.1.2 The below key dates will apply.

Item	Key dates
Scheme returns and electronic contingent asset certificates to TPR	31 March 2025 – Midnight
ABC certificates and special category applications to PPF	31 March 2025 – Midnight
Start of 2025/26 levy year	01 April 2025
Email contingent asset documents to PPF	01 April 2025 – 5.00pm
Deficit reduction contributions certificates to TPR[4]	30 April 2025 – 5.00pm
Send exempt transfer applications to PPF	30 April 2025 – 5.00pm
Certify full block transfers with TPR	30 June 2025 – 5.00pm
Publication of Mean Scores	July 2025
Invoicing starts if required	To be confirmed (see Section 2.6)

[4] DRC certificate submission functionality will be made available on 28 February 2025 on the TPR Exchange system.

Appendix 1 - Summary of consultation question responses

A1.1.1 This section summaries the results we received in relation to the consultation questions. Overall, we received 25 responses to the consultation. We received 10 responses to our short consultation form, while 15 respondents used our long consultation form.

Table 1: Responses to consultation on updating the levy factors

Question	Agree	Disagree	No opinion
Q1: Do you agree with our proposal to update the levy factors (A11 and asset and liability factors)?	80%	13%	7%

Table 2: Responses to consultation on proposed package of measures to maintain £100m levy

Question	Agree	Disagree	No opinion
Q2 *(short form)*: Do you agree with our package of measures to maintain the levy estimate at £100m? This includes updating and increasing the asset and liability factors to two standard deviations, reducing the levy scaling factor to 0.35 and increasing the scheme-based levy multiplier to 0.000018.	80%	10%	10%
Q2 *(long form)*: Do you agree with our proposal on how to maintain the levy at £100 million? (Moving to a two standard deviation asset and liability stress, reducing the levy scaling factor and increasing the scheme-based levy multiplier to ensure that the scheme-based levy reflects 20 per cent of the total levy).	60%	33%	7%

Table 3: Responses to consultation on credit mapping

Question	Agree	Disagree	No opinion
Q5: Do you agree with our proposal to update the credit rating mapping to take account of two credit rating providers rather than three?	53%	0%	47%

Table 4: Responses to consultation on simplifying deficit reduction contributions

Question	Agree	Disagree	No opinion
Q3: Do you agree with our proposal on deficit reduction contributions to expand Option Beta to all schemes?	84%	0%	16%
Q4: Do you agree with our proposal on deficit reduction contributions to widen the definition of contributions that can be certified to include special contributions without a recovery plan (but with actuarial certification) for Option Beta?	88%	4%	8%

Table 5: Responses to consultation on alternative covenant scheme methodology

Question	Agree	Disagree	No opinion
Q9a: Do you agree with our proposed approach to maintain the asset and liability stresses and the risk factor stresses at a calibration of one standard deviation for ACSs?	20%	0%	80%
Q10a: Do you agree with our proposal to update the asset and liability factors to take account of market data up to 31 December 2023 for ACSs?	27%	0%	73%

Appendix 2 - Impact analysis

A2.1 Introduction

A2.1.1 This section provides more detail on the impact analysis of a levy estimate at £45 million.

A2.2 Update on impact assessment for levy at £45m

A2.2.1 Below is a breakdown of the change from the 2024/25 levy estimate of £100 million to this figure, which is also shown in Figure 1.

- Incorporation of 2024/25 invoicing data and actual market data up to 31 March 2024, to replace the assumptions made in the 2024/25 levy estimate. This leads to an increase in levy of £5 million. Most of this impact is due to new s179 submissions leading to higher underfunding than that assumed, partly offset by changes to asset allocation reported by schemes.
- The change in the measurement date from 31 March 2024 to 31 March 2025, moving the five-year smoothing period for the rollforward output forward a year; and to a far lesser degree, incorporation of insolvency score movement between April and June 2024. This reduces expected levy collection by £45 million.
- Change in the output basis from A10 to A11, reflecting more up to date measurement of buy-out pricing that reduces liabilities. This reduces expected levy collection by £10 million.
- Updating the historical data set used in the calculation of the stress factors up to 31 December 2023, incorporating higher volatility in interest rates and increasing the impact of the stress scenario. This increases expected levy collection by £5 million.
- Setting the scheme-based levy multiplier (SLM) to 0.000009 to restrict scheme-based levy (SBL) to 20 per cent of total levy reduces expected levy collection by £10 million.

Figure 1: Change from 2024/25 levy estimate to 2025/26 levy projection

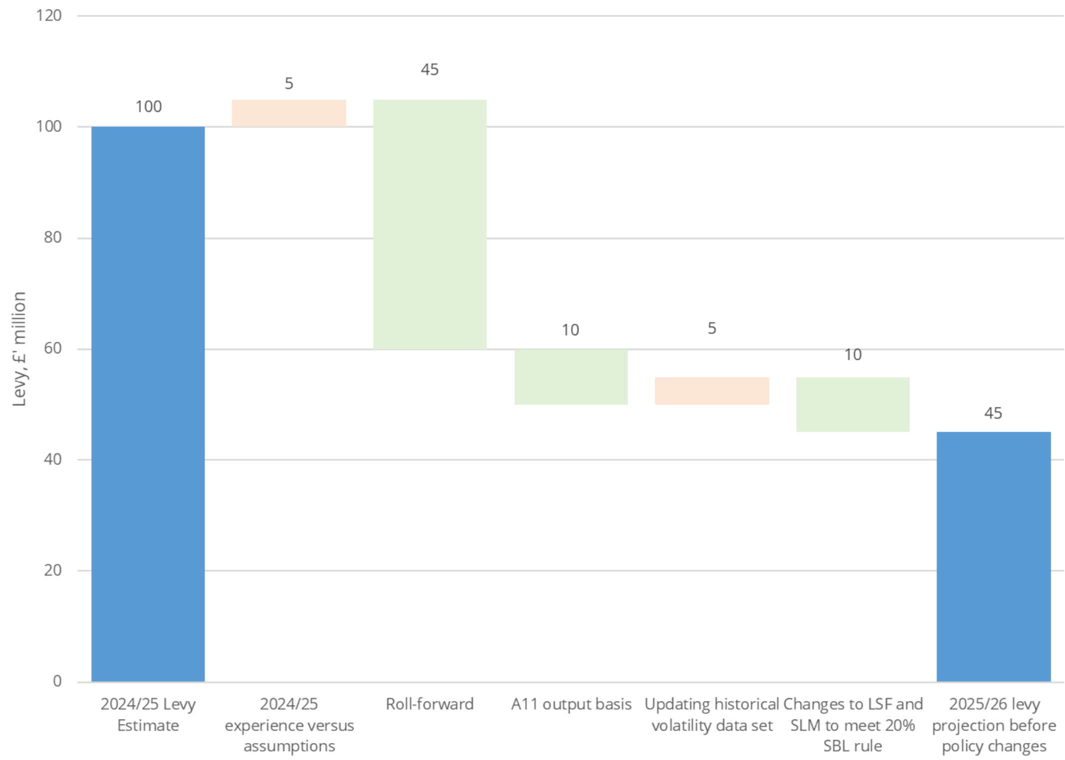
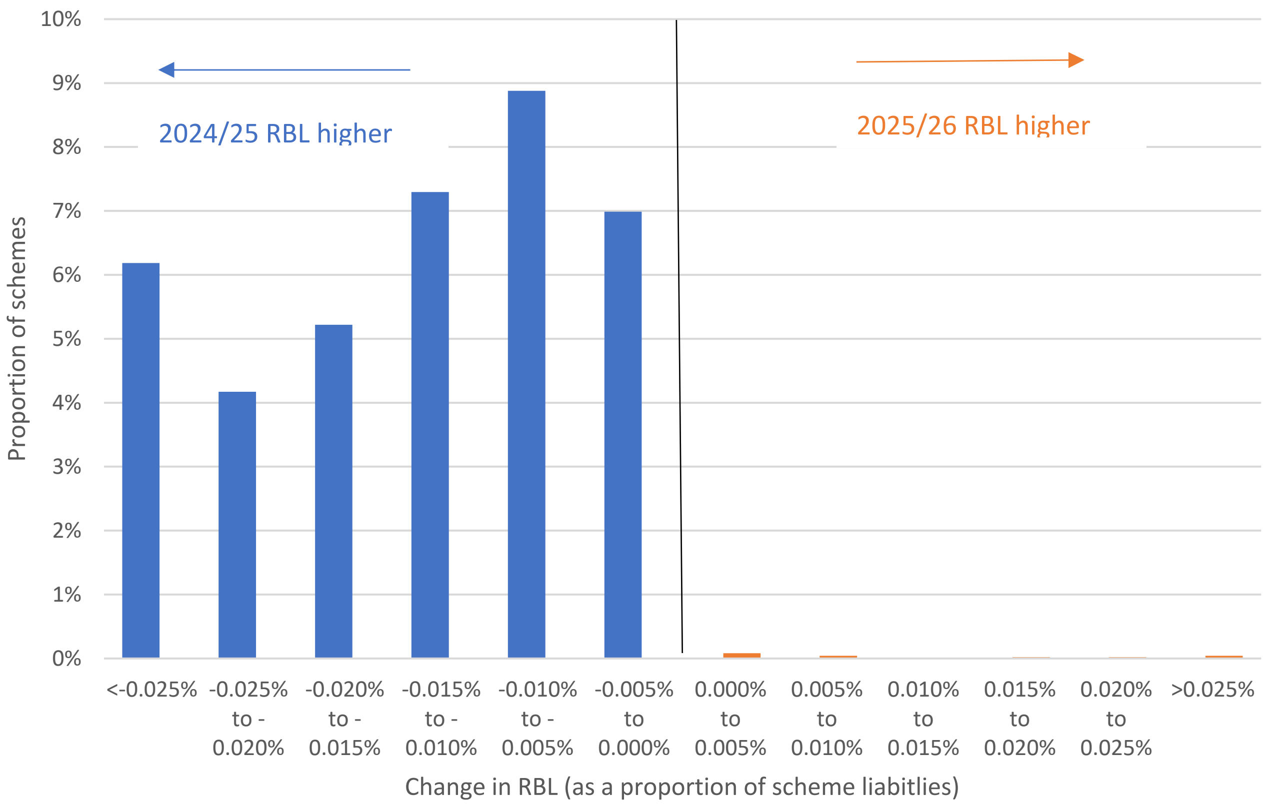


Figure 2: Distribution of changes in RBL between 2024/25 and 2025/26 with LSF maintained at 0.40 and a reduction in SLM to 0.000009 (excluding schemes who pay no RBL)



A2.2.2 Of the schemes that pay a risk-based levy (RBL), 98.9 per cent will see a reduction in RBL as result of our final rules, with a reduction in the average RBL as a proportion of liabilities from 0.009 per cent to 0.005 per cent. Where a scheme sees an increase in RBL, this will generally be because of an increase in either underfunding or insolvency risk.

A2.2.3 Overall, 99.7 per cent of schemes will see a reduction in total levy – with an average decrease of around 55 per cent – and the average levy as a proportion of liabilities falling from 0.011 per cent to 0.006 per cent.