# The Pension Protection Fund Levy - 2025/26 Determination

**March 2025**

## Introduction

The Board of the Pension Protection Fund (the “PPF”) has released its Determination for the PPF Levy for the 2025/26 levy year and in light of strong pushback against its proposed plans (plus some positive noises from Government) will now collect less than half the originally proposed amount – the lowest levy ever.

Not only this, but the PPF has opened the door to reducing the PPF levy to zero if legislative changes take place – a huge step forward in the evolution of the annual levy.

The changes that the PPF is proposing and the rationale for change is set out in an associated Policy Statement that was released alongside the Determination. This briefing note provides a summary of the PPF's final Determination.

### Summary of changes for 2025/26

- The total amount the PPF plans to collect next year has been reduced to £45 million. This represents a significant fall from the £100 million this year (and originally proposed for next year).
- Introduce additional flexibility that the overall levy raised can be reduced to zero if legislative changes are made (or expected to be made).
- The Levy Scaling Factor will remain at 0.40.
- The Scheme-based Levy Multiplier is to change to 0.0009% (currently 0.0015%).
- The Small Scheme Adjustment and risk-based levy cap both remain.
- The asset and liability stress factors are to be recalibrated to reflect market volatility data up to December 2023.
- Levies to be based on the latest "A11" version of the s179 valuation assumptions.
- Widen the definition of contributions that can be self-certified.
- Make it easier for schemes with buy-ins to access risk-based levy waivers.

# The Levy Estimate for 2025/26

**The PPF's updated Levy Estimate, i.e. the total amount it expects to collect, for 2025/26 is £45m.  This is the lowest ever charged and less than half of the £100m invoiced in 2024/25.**

In its initial consultation issued in September 2024, the PPF proposed that the levy estimate for 2025/26 be set at £100m, unchanged from the previous year.  Its view was that legislative constraints meant that £100m was the minimum levy it could reasonably set without restricting the amount it could then raise quickly in the event of a sudden funding shock.

To keep the levy estimate at £100m, the PPF was going to have to tweak elements of the calculation to counteract improvements in market conditions and scheme funding positions.  This would have effectively moved the goalposts, requiring a higher level of funding before a nil 'risk-based' levy would be achieved.

However, due to a combination of industry feedback, positive discussions with Government, and acceptance that the size of the current PPF surplus put less reliance on future PPF levies, the PPF is no longer implementing the changes it had originally proposed.  Instead, those improvements in market conditions have been allowed to flow through naturally, resulting in the lowest PPF levy ever raised.

## Allowing for legislation changes

A consistent message in recent years has been that the PPF was prevented from reducing the levy further (potentially even to zero) due to legislative constraints, namely that it can only increase the levy year to year by 25%.

For this year, the PPF has included a provision in its rules that will allow it to reduce the levy to zero '*if legislation is brought forward, and sufficiently progressed, over the course of 2025/26.*'  This reflects 'positive engagement' with Government on the issue and raises the prospect of eliminating the need for a PPF levy entirely.

The PPF has said it will communicate its decision on this at the end of September 2025, which could provide yet further good news although from a practical perspective it may also slightly delay the issuing of levy invoices, which is typically in October and November.

## Other elements

As is normally the case, the PPF is having to make tweaks to its methodology to ensure it collects its target amount and that the Risk Based element of the levy is spread across a range of schemes.

To ensure the Risk Based levy does not make up less than 80% of the total levy being raised, the PPF has reduced the Scheme Based Levy Multiplier of 0.0015% to 0.0009%.

In addition, the PPF is adopting some of the technical changes to its methodology that were consulted on, such as moving to the latest valuation basis (A11) and including historical volatility data up to December 2023. This is the first time that the volatility from interest rate movements in 2022 has been incorporated into the stress factors.

Other changes worthy of note are:

**Simplified deficit reduction certificates** - The PPF has opened up its simplified submission process for certifying deficit contributions, called “Option Beta”. This will now be available to all schemes including large schemes and open schemes, which were previously excluded. However, contributions above £1m made outside of a recovery plan will still require actuarial certification.

**PPF levy waivers** - The PPF has also made changes to make it easier for schemes to request a PPF levy waiver if they have entered into a buy-in with an insurance company. A waiver can only be applied for within 28 days following receipt of the levy invoice and schemes are encouraged to contact the PPF before this to discuss their circumstances prior to applying.

**Special category employers** – Finally, the PPF has expanded its definition to allow entities classified by ONS as public financial and public non-financial corporations to apply.

Beyond this, the rules will remain broadly unchanged, with the PPF not proposing any changes to the Small Scheme Adjustment or risk-based levy cap.

# Key dates

**The key deadlines for submitting information for the 2025/26 Levy are as follows:**

| | |
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| Scheme Returns and electronic contingent asset certificates | **Midnight on 31 March 2025** |
| ABC certificates and special category employer applications | **Midnight on 31 March 2025** |
| Send contingent documents by post | **5 pm on 1 April 2025** |
| Start of 2025/26 levy year | **1 April 2025** |
| Certify Deficit Reduction Contributions | **5pm on 30 April 2025** |
| Exempt transfer applications | **5pm on 30 April 2025** |
| Certify full block transfers | **5pm on 30 June 2025** |
| Publication of mean scores | **July 2025** |
| Update on legislation progress | **End of September 2025** |
| Invoicing starts (if required) | **To be confirmed** |

# Broadstone comment

This is a hugely positive development from the PPF and great news for schemes (and sponsors) in terms of reducing an unwanted (and arguably unnecessary) cost burden.

With increased focus on longer term expenses it is good to see a potential 'zero levy' world in future and is reassuring for those who otherwise risked being sucked back into levy payment by the original proposals despite improved funding positions.

In terms of process, the PPF has listened to consultation feedback from Broadstone and others in the pensions industry and adapted to changing circumstances. In terms of outcome, the overall levy estimate has been more than halved and nearly all schemes are expected to see a material reduction in PPF levy, consistent with the improvement in their funding status.

We also welcome the PPF's innovation in updating its rules to allow the flexibility to reduce the 2025/26 levy to zero. This development puts the ball firmly in the Government's court to take forward and we continue to hope that progress can be made in this area.

The changes to the deficit contribution certification process and the PPF levy waiver process are relatively minor in comparison but demonstrate that the PPF is continually implementing new ways to simplify its processes.

Fingers crossed for more positive updates later in the year!

# Find out more

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