Broadstone

The Pension Protection Fund Levy 2027/28

November 2026

The PPF confirms there will be no annual levy this year.

The Pension Protection Fund (PPF) has confirmed that it will not impose a levy on conventional defined benefit (DB) pension schemes for 2027/28. This will be the third consecutive year in which schemes have not been required to pay a PPF levy and is welcome, if widely expected, news for the 4,800 or so DB schemes that will benefit from this decision.

Alongside its levy announcement, the PPF has also confirmed changes to the assumptions used for section 143 and section 179 valuations to bring them more in line with current insurer pricing. Whilst these changes are primarily technical in nature, they may affect the assessed liabilities of schemes and may therefore be relevant for trustees and sponsors undertaking valuations in the coming years.

Overall, the announcement reflects the continued strength of the PPF's financial position and provides further positive news to DB pension scheme trustees and employers.

This briefing is intended for professional trustees, pension scheme sponsors, employers and professional advisers. It is not intended for retail clients or individual members and should not be relied upon as personal financial, tax or legal advice.

PPF levy remains at zero

The Pension Protection Fund (PPF) acts as a safety net for members of eligible DB pension schemes. If a sponsoring employer becomes insolvent and the pension scheme does not have sufficient assets to secure the benefits it has promised, the PPF steps in and pays compensation to members, subject to its compensation rules.

Historically, the PPF has been funded in part by an annual levy charged to eligible DB pension schemes. This levy has helped to support the protection offered by the PPF and ensure it can meet its obligations to members when required.

In September 2025 the PPF first announced that it would not raise a levy that year due to its strong funding position. This was repeated in 2026 and no levy invoices were issued earlier this year. The PPF has now confirmed that conventional DB schemes will not pay a levy for 2027/28, meaning schemes with a traditional sponsoring employer (as distinct from alternative covenant schemes) will again avoid levy charges.

The PPF stated that this decision reflects its strong financial position and follows an evidence-based approach to levy setting. In recent years, improved funding levels across many DB schemes, together with strong investment performance within the PPF itself, have left it in a position where it does not need to collect levies from conventional schemes in order to meet its obligations. Further, it has been able to use some of the surplus it holds to improve levels of compensation without additional cost to employers.

For trustees and sponsoring employers, this removes an expense that only a few years ago represented a significant annual cost across the industry. It also provides greater certainty when budgeting and planning future funding or endgame strategies.

Changes to valuation assumptions

Alongside the levy announcement, the PPF published its response to a consultation on the assumptions used for section 143 and section 179 valuations.

Following a review of bulk annuity pricing, the PPF concluded that insurer pricing has become more competitive since it last carried out a detailed review. As a result, it has decided to update various assumptions, including those relating to discount rates and mortality. These will be formally documented when the PPF releases its valuation guidance later this year.

The new section 179 assumptions (used for most schemes) will apply to valuations with an effective date on or after 30 November 2026. The section 143 assumptions (used where a scheme's employer has become insolvent and the scheme has entered an assessment period with the PPF) will apply from 31 May 2026.

The later implementation date for section 179 valuations reflects consultation feedback and is intended to avoid disruption to valuations already underway.

In broad terms, the changes are intended to ensure that valuation assumptions remain aligned with current buy-out pricing. For many schemes, this is expected to reduce liabilities measured on the relevant valuation bases, although the impact will vary depending on specific scheme circumstances.

At this stage, no changes are being made to allow for the increased compensation being introduced for pre-97 pension increases. Further guidance and instructions on this are expected in the coming months.

Are S179 valuations still important?

The decision to set the conventional levy at zero and the regular adjustment of the underlying assumptions has increased industry debate about whether section 179 valuations are still needed. Producing these results as part of the triennial valuation incurs unnecessary cost for limited benefit for most well-funded schemes.

However, the PPF has confirmed that section 179 valuations will continue to be required as they serve several purposes, including:

- supporting the PPF's risk assessment and modelling;
- providing a consistent measure of funding across DB schemes;
- informing the PPF's industry publications and data on the defined benefit pensions landscape; and perhaps most critically
- fulfilling a statutory requirement.

As a result, it should not be assumed that section 179 valuations will disappear simply because the conventional levy remains zero.

Section 179 valuations may be of more interest where an employer is in distress as the trustee is likely to want to establish what may happen to members' benefits in the event of insolvency. Specialist advice can be helpful in such cases, particularly for smaller schemes where the section 179 assumptions may still differ materially from pricing the scheme may be able to achieve through a buy-out.

Alternative Covenant Schemes

The PPF has also announced that it will pause the levy applicable to Alternative Covenant Schemes (ACS) for one year.

Alternative Covenant Schemes include arrangements, such as superfunds, where member security relies on covenant support arrangements rather than a conventional sponsoring employer.

The levy pause is intended to give the PPF time to complete its review of the ACS framework and ensure that any future levy remains proportionate to the risks involved. The PPF has stressed that this is a temporary pause rather than a permanent removal of the levy.

Broadstone comment

The continuation of a zero PPF levy is welcome news for DB schemes and their sponsors. Only a few years ago, the industry was debating how the PPF could justify continuing to collect substantial levies despite an increasingly strong funding surplus. The latest announcement demonstrates just how far PPF finances, scheme funding levels, and member protection have improved.

In this context, sponsors (and, to a lesser extent, trustees) may be disappointed that the PPF is still requiring all schemes to carry out a section 179 valuation every three years. We will continue to provide feedback to the PPF and the Regulator on this, particularly for an easement for schemes that have already completed a full buy-in transaction with an insurer.

The changes to section 143 and section 179 assumptions are less eye-catching but may prove important for some schemes. In particular, the PPF and Broadstone remain ready to support with contingency planning where an employer is in distress.

Find out more

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