Rt Hon Frank Field MP  
Chair of the Work and Pensions Committee  
House of Commons  
London  
SW1A 0AA

13 December 2018

Dear Mr Field

**PPF Levy – 2019/20 Policy Statement and Determination**

Further to my letter to you of 20 September, I am writing to update the Committee on the conclusions of the consultation on the proposed levy rules for 2019/20. We published yesterday our Policy Statement and Determination, and also confirmed our levy estimate for next year.

**Levy estimate**

The levy estimate, the total amount we are seeking to collect from across the c. 5,600 schemes we protect, is now confirmed as £500 million in 2019/20. We received very few comments on the core levy methodology, which supported our belief that the methodology is working well and that there is no case for substantive change. The levy rules will therefore remain largely unchanged from the proposals set out in September’s consultation.

**Levy invoicing and payment**

Following feedback from the Committee and stakeholders on our levy payment processes, we included in the consultation a number of questions about how we might be able to help schemes (especially schemes sponsored by SMEs) plan for and manage the levy. We emailed all schemes directly to make them aware of our consultation, and drew their attention to the fact that we were seeking their input on this set of questions; specialist publications including Professional Pensions, PensionsAge, Actuarial Post and MoneyAge also referenced the questions in their coverage.

We received 15 responses on this group of questions, with a range of suggestions on how we could help schemes. These included requests for improved guidance on issues such as when invoices were to be expected, and making sure the levy invoice is sent directly to the person responsible for payment. We will be taking action on these suggestions including promoting the existing mechanism for schemes to provide us with their preferred billing address, as we send levy invoices to the address provided by the scheme.

We specifically asked for views on the provision of levy estimates for individual schemes (to help them prepare for levy bills) and on payments by instalment.

On estimates, there were mixed views. Some respondents felt that schemes should be encouraged to ask advisers to provide estimates, while others thought those without
advisers (particularly SMEs) would benefit. Some thought that simple ‘rule of thumb’
calculators should be developed while others suggested more sophisticated and accurate
tools/estimates were needed. This is an area we continue to think could provide value for
schemes and we will continue to explore.

There were similarly mixed views on payments by instalment. We received limited responses
from SMEs (five) of which two (one from a group of SMEs) were supportive, while the other
three did not express a view on this point.

As we have previously set out, the current legislative framework prevents us from
introducing different invoice frequency for specific groups. However, upon receipt of their
annual invoice, schemes can apply to pay that invoice by instalments under a payment plan.
There is also action we can take within the existing framework to address SME concerns. We
will revisit our policy for accepting applications to move to a payment plan, including our
policy for waiving interest on such a plan. We will also continue to work to publicise this
option more clearly. We intend to have this in place for next year’s invoicing.

In parallel, we will continue to work to understand SME concerns more fully - 15 responses
gives us a limited evidence base to work from - and the extent to which our planned actions
are helpful. We are carrying out a quantitative survey of levy payers, and, building on our
engagement with the SME Consultation Group, are also establishing a new SME Forum which
we hope to bring together for the first time in early 2019. We are seeking participants in
the Forum through a range of our own and partners’ channels; if the Committee has
knowledge of any SME schemes which might like to participate, and would like to pass on
this invitation, any interested parties should email their interest to

corporateaffairs@ppf.gsi.gov.uk.

**Levy rule for consolidators**

The Committee may also be interested to note the conclusions on our levy methodology for
commercial consolidators.

Clearly, how we levy commercial consolidators will be informed by the regulatory regime
that is established (and the Committee will be aware of the consultation launched by the
Department for Work and Pensions last week). However, given the pace with which
propositions may come to market, it is right that we act to ensure we can charge an
appropriate levy in the meantime.

We based our proposal for a levy for commercial consolidators on our existing methodology
for schemes without a substantive sponsor (SWOSS). Most respondents supported this
approach and the adjustments we proposed to reflect the specific risks posed by commercial
consolidators.

A small number of respondents queried whether our amendments could lead to an
unreasonably high levy. We consider that each of our amendments is clearly justified by
the nature of the risk posed by consolidators in comparison to that posed by standard
schemes. Moreover, the levy we expect to charge on well-funded, low risk consolidators
(that would meet the terms of the emerging regulatory regime) will be low. We have set
out some numerical examples in the Policy Statement to illustrate this.

In light of stakeholder feedback and further investigation we have made some changes to
the rule at a detailed level. In particular we have moved to a principles based approach for
recognising buffer funds in the 2019/20 levy, referencing the principles published by The
Pensions Regulator last week in its guidance for consolidators. This will mean we are able to
recognise buffer fund assets in our levy calculations but only where we are assured they are held securely and are able to be accessed by the scheme itself when required.

We believe that the approach we have published today provides a workable and risk reflective methodology for 2019/20. However, this is an initial approach only. We fully expect our methodology to evolve as the regulatory regime develops and as the structure of commercial consolidators becomes clearer.

I hope this information is helpful. I am more than happy to assist further if you or colleagues have any further questions.

Yours sincerely,

Oliver Morley CBE
Chief Executive