Pension Protection Fund

Policy statement

Levy rules 2021/22

Foreword

I am delighted to introduce this policy statement. Its publication marks the conclusion of a two-year development process over which we have sought to refine and improve our levy rules, including reviewing our approach to insolvency risk as part of the move to Dun and Bradstreet.

In our last consultation we set out our proposals to ensure the levy better reflects the risk posed to us by smaller schemes and to support schemes and employers affected by the COVID-19 pandemic. This included ensuring that no scheme will pay a levy of more than 0.25% of its liabilities. In addition, we explained that the PPF's strong financial position at the start of the pandemic – in terms of both its balance sheet and defensive investment strategy – enabled us to leave the levy scaling factor unchanged. That led to a levy estimate of £520 million which is £100 million lower than the 2020/21 figure.

These proposals were strongly supported and we have confirmed we will proceed with them. Some limited issues were raised in consultation responses which we have considered carefully and this document sets out our analysis and conclusions on these points.

We are very grateful to all those who have engaged with us over this period: those who responded to our two consultations, our SME Forum and Industry Steering Group and all others whose views have helped inform our approach.

The invoices to be issued in 2021/22 will be the first to use insolvency risk scores calculated by Dun and Bradstreet, and we have therefore started winding down Experian services. I would like to take this opportunity to put on record our thanks to the excellent team at Experian who have worked very hard in partnership with us over the past 6 years, including in the creation of the very first PPF specific insolvency risk model. More information on the transition of services between Experian and D&B is detailed in this document.

We recognise that we are publishing this policy statement at an extremely difficult time due to the pandemic. But we hope the policy and service measures we are introducing will provide effective support to levy payers whilst maintaining a risk reflective levy.

We will continue to monitor economic and other developments carefully and consider what, if any, changes to our rules are necessary in view of these exceptional circumstances in future years.

David Taylor

David Taylor
Executive Director and General Counsel

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1. Key conclusions

We have now completed our consultation on the 2021/22 levy rules and are publishing our conclusions together with the levy rules for 2021/22. The headlines are:

Small scheme adjustment

- Confirming the introduction of the small scheme adjustment, which we expect to be a long-term feature of the levy. This will halve risk-based levies for schemes with less than £20 million in liabilities, with the reduction tapered to £50 million of liabilities.

Risk-based levy cap

- Confirming the cap on the amount of levy paid by any individual scheme will be cut from 0.5 per cent of that scheme's liabilities to 0.25 per cent. This will be kept under review for future years.

Flexible approach to developing the levy

- Confirming we will take a year by year approach for setting the levy rules up to 2023/24. This will enable us to respond flexibly, if we need to, to the impacts COVID-19 has on schemes and sponsors.

Insolvency risk model

- We will continue to measure insolvency risk on the basis in use since April using credit ratings and the PPF specific insolvency risk model operated by Dun & Bradstreet (D&B)[1].

- We will continue to review insolvency experience and monitor the D&B insolvency risk scoring model to ensure that the model remains risk reflective.

The Board's Levy Estimate and the levy parameters

- We are confirming that for 2021/22 the Levy Estimate is £520 million.

- The Levy Scaling Factor ('LSF') and Scheme-Based Multiplier are confirmed at 0.48 and 0.000021 respectively.

More about our analysis and rationale for decisions, along with information about other subjects noted in the consultation document can be found in the following sections of this policy statement.

[1] We are making some minor technical changes to resolve inconsistencies between D&B calculated scores and the insolvency risk appendix, A handful of schemes are affected, and are being contacted. See section 5.2 for detail.

2. Introduction

2.1. Consultation

2.1.1. On 29 September 2020, we launched the consultation on the Levy Rules for 2021/22. It closed on 24 November 2020. We received a total of 59 responses. These were considered in determining the final Levy Rules.

2.1.2. This document summarises the responses we received, our analysis of the issues raised and the conclusions we reached.

2.2. The levy rules

2.2.1. The Levy Rules that will govern the calculation of the levies for 2021/22, as specified in the Board's Determination under section 175(5) of the Pensions Act 2004, are published alongside this Policy Statement.

2.2.2. As set out in our consultation we are publishing - alongside this policy statement - a draft guidance document to accompany our Commercial Consolidator Appendix. We are interested to receive views on the drafting and have opened a short consultation on the content to allow stakeholder feedback. Details are available on our website.

Our response to COVID-19

3. The scope of our review

3.1. Focussing on 2021/22

3.1.1. In our consultation document we set out our reasons for proposing a temporary move away from our typical multi-year approach to designing the levy rules. Critically, this was to allow us to take a more flexible approach, in the event this is called for, as a result of the impact of COVID on schemes and their employers. We signalled that we expected to be able to move back to a multi-year approach by 2023/24.

3.1.2. Responses overwhelmingly supported our proposal for a more flexible approach in the short term. 49 of 55 responses supported our proposed approach with three neutral and three disagreeing.

3.1.3. A number of those offering support for the change stressed the benefits that a stable methodology brings and encouraged us to return to a multi-year framework when we are able to. There were also concerns expressed about the possible impact of insolvency risks on levies, and the desirability of a flexible approach, short term. For example, we received the following responses from an advisor and from an SME employer respectively:

"*Given the potential volatility in funding positions and insolvency risk over the next few years we are supportive of a year by year approach. Although this does reduce predictability we think the PPF has demonstrated through their actions to minimise the potential increase that they will look to sensibly manage as much as possible any changes from year to year.*"

"*Taking a flexible approach during the pandemic is imperative. These are unparalleled times and that needs to be recognised where possible. With so much uncertainty around especially for smaller businesses, it is critical they are not burdened with even more pressure.*
The expectation of possible significant change in the next levy year once insolvencies wash through is entirely understandable but again may need a considered approach to avoid a hammer blow at a time when businesses may only just be starting to get back on their feet. This risk needs to be married up against the PPF's financial position at that time.”

3.1.4. We can confirm that it remains our intention to move back to a multi-year approach once the current instability recedes. Our expectation is that this could be for the 2023/24 levy year – on which we will consult in 2022 (at which time we also expect to be able to use the outputs of our review of the PPF’s funding strategy scheduled for 2021/22).

3.1.5. In the meantime, adopting a year by year approach will give us the flexibility to assess the right balance of responsive action – for example, across the board measures and/or targeted approaches. In considering any changes to the levy calculation, we will start from a position of preserving stability, unless there is a clear case for change. But we need to acknowledge that the anticipated rise in overall insolvency risk - due to the COVID-19 pandemic - may increase the overall collection required in future years.

3.2. Insolvency risk model performance

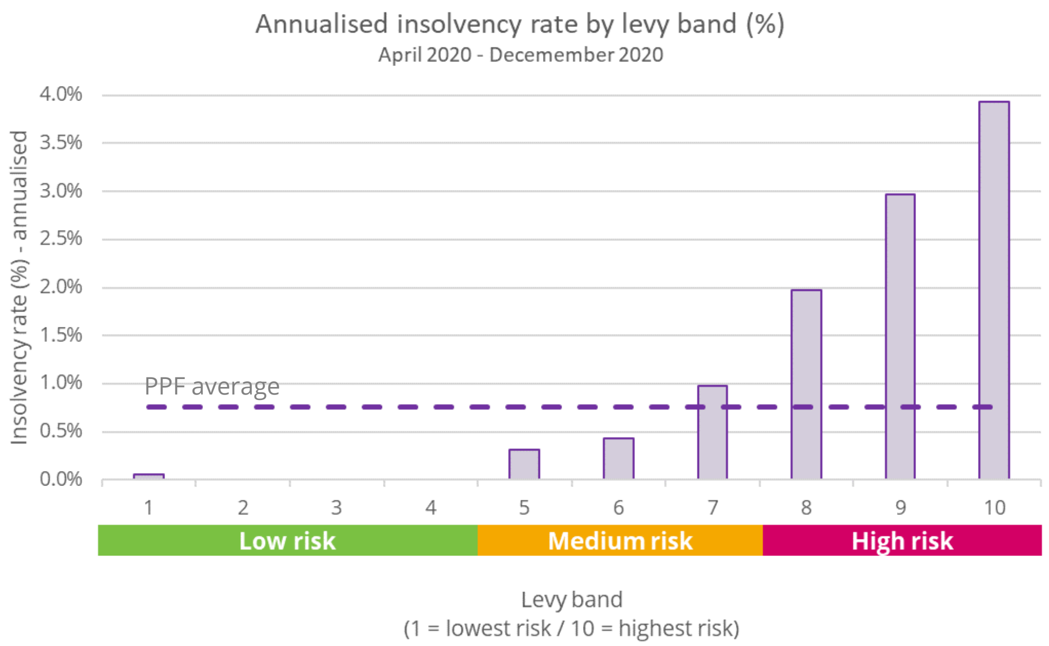
3.2.1. We initially set out our proposals for updating the PPF-specific model in our December 2019 consultation. In the March 2020 Policy Statement, we analysed the 38 responses received and concluded that the key changes consulted on should proceed, with some limited amendments made resulting from feedback.

3.2.2. No additional changes to the PPF-specific model were proposed under the latest (September 2020) consultation, and continuous monitoring of the model performance has shown it to be performing well. All responses received were in favour of retaining our planned approach.

3.2.3. A few stakeholders asked us whether we would consider making an adjustment to COVID-19 impacted accounts for 2022/23 scoring. There were also some suggestions for potential actions that could be implemented to account for the impact of COVID-19. Our current thinking is that it is too early to say; however, we are encouraged by the stresses we performed over the summer which demonstrated that the model continued to perform well when using COVID-19 impacted financials.

3.2.4. One concern expressed was whether scores based on accounts dated prior to the onset of COVID-19 would continue to be predictive of insolvency risk once the economic impacts were felt. As demonstrated in the graph below there is no evidence that the scores based on existing accounts have been unfit for purpose when discriminating between solvent and insolvent sponsors to date. It can be seen that businesses that entered the period in a weaker state (as measured by their April 2020 levy band which is based on financial information collected in March 2020) were more likely to fail over the nine months to December 2020[2]. There is a clear pattern of rising insolvency rate as the levy band worsens – and only one insolvency in the low risk levy bands (it is worth noting that these bands are expected to see occasional insolvencies – as has been the case in 2020 - reflecting that they are low risk rather than zero risk bands).

[2] Insolvency rates for each band have been annualised, to show an insolvency rate for a 12-month period – by multiplying the actual number of insolvencies by 4/3.



3.2.5. It was noted that public credit ratings are forward looking and when used for scoring will already be reflecting any adverse impact from COVID-19 from April 2020 onwards, impacting scores for the whole of 2021/2022 onwards. One respondent considered this to be unfair as those scored using account filings are unlikely to see the same impact from COVID-19 on their credit assessment. However, the reverse may also be true – publicly rated entities can get upgraded ahead of the publication of annual accounts showing an improvement in trading conditions. We do not consider that publicly rated sponsors should be shielded during a downturn while benefitting during more favourable economic conditions.

3.2.6. We also note that across our universe of schemes only 25 publicly rated employers had experienced a downgrade up to 1 January 2021 (and 4 had been upgraded), typically by one levy band. This relatively low count reflects that downgrades in the publicly rated universe have been concentrated among non-investment grade companies, which only account for around 10 per cent of publicly rated sponsors in the PPF universe. Downgrades were on average 1.16 levy bands, with 8 sponsors experiencing a downgrade from investment grade to non-investment grade.

4. Levy policy

4.1. Introducing a small scheme adjustment

4.1.1. In our consultation we set out analysis showing that in previous levy years, small schemes (under £20m liabilities) were far more likely to pay a high levy as a proportion of scheme liabilities and had more volatile levy bills. This would be justified if the risks presented to the PPF were that much higher. However, we had concluded that there were a number of ways whereby risk may in fact be overstated in our calculations.

4.1.2. Accordingly, we proposed a Small Scheme Adjustment (SSA). For schemes with less than £20 million of liabilities this would apply a factor of 0.5 to their (uncapped) calculation - with the reduction tapered so that a full levy is paid at £50 million of liabilities. We see the small scheme adjustment as a long-term change, rather than a response to the current economic circumstances. We also set out that we would not seek to recover the limited cost of this change through a higher levy on other schemes.

4.1.3. A total of 55 responses were received in relation to the introduction of the SSA, with 49 supportive of the proposal and only two responses opposing it. A number of comments stressed the challenge that the levy can pose for smaller businesses. The following response from an SME employer provides an example:

"The analysis has shown that small schemes represent only a very small portion of the overall levy figure however [small schemes] are numerous and the impact on those of levies and other costs is undoubtedly more impactful than to a major multinational. The financial impact to the levy of this change is relatively small but will make a big difference to the smallest businesses in particular so this is welcome. Small schemes simply don't have the resources or the scope to implement and benefit from more complex strategies so providing some relief in this simple manner is a welcome boost."

4.1.4. We received strikingly few comments regarding the level at which the thresholds are based and there was broad recognition that smaller schemes' risk has potentially been overstated historically. A number commented that access to risk reduction mechanisms can be more limited for smaller schemes, with one comment querying if the £20m threshold is fair to medium sized schemes (typically between £20m and £100m of liabilities).

4.1.5. Our consultation document set out the analysis showing the levy volatility is greater for smaller schemes. We noted that larger schemes have a greater budget for discretionary advice, therefore certifying risk reduction measures are likely to be more accessible. It's difficult to find evidence that risks are less than reported, but we did find that schemes under £50m of liabilities were less likely to certify risk reduction measures. Our further analysis showed that the proportion of schemes certifying deficit reduction contributions (DRCs) increases with scheme size up to around £50m of liabilities, supporting the small scheme adjustment proposals and proposed taper limit. Additionally, despite the relaxation in certification of DRCs for schemes under £10m (option beta), the proportion of the smallest schemes certifying DRCs is around half that of schemes over £50m.

4.1.6. There were a very small number of queries raised about the application of the SSA, one of which being whether the benefit could be provided in such a way that would ensure that it is retained by the relevant scheme, rather than be passed to, or retained by the employer.

4.1.7. How costs – such as the levy – are shared is a matter for individual schemes and their sponsoring employers. We have no authority to intervene in these arrangements. We are also broadly comfortable with levy savings being passed to employers, as this could help improve sponsor strength which will of course be of benefit to schemes.

4.1.8. We have concluded that we should implement the small scheme adjustment as proposed in the consultation.

4.2. The risk-based levy cap

4.2.1. The cap on the risk-based levy is set to protect those with the highest bills relative to their liabilities. In our consultation document we highlighted that in recent years the number of schemes benefiting from the cap has reduced significantly, and that levies charged to capped schemes have risen in absolute terms as deficits have widened due to the low-yield environment. As a result, we proposed that we should reduce the cap to 0.25% of liabilities, down from 0.5%.

4.2.2. Our analysis recognised that this protects a lower proportion of schemes than have been protected in the past (now c. 3%). In large part this was due to the small scheme adjustment reducing levies (c. 4 per cent of schemes would be capped before the SSA is applied). We think when the new cap threshold is considered in combination with the SSA, that the level of the cap is appropriate.

4.2.3. 41 responses supported our proposal and rationale for setting the cap at 0.25% for 2021/22, with only one response disagreeing. The concerns that were raised focused primarily on the potential cost of the measure from 2022/23 onwards – when more schemes could be subject to the cap as a result of worsening insolvency risk scores which could increase the cost of the risk-based levy cap. A few respondents cautioned that, should there be additional cost, increases should not be supported by stronger schemes. We note that worsening insolvency risk scores would not necessarily translate into more schemes being capped and would depend on the response we adopt in 2022/23.

4.2.4. We have concluded that we should implement the reduction in the cap, as proposed, for 2021/22 as we consider it offers an appropriate balance between protecting levy payers with the highest levies and reduced overall collection. As indicated in the consultation, we intend to keep the level of the risk-based levy cap in 2022/23 under review as part of the flexible approach to the levy we are taking over the next two years. Part of that consideration will be the implied cross-subsidy introduced by capping, though we would note that for 2021/22 we have chosen not to seek to recover the increased cost of capping from other levy payers.

4.3. Support with payments

4.3.1. In June, we introduced additional payment flexibility for the levy to help schemes with sponsors financially impacted by COVID-19. Based on stakeholder feedback, and on what we're permitted to do by legislation, the policy introduced a new payment plan option – available for the invoices issued last year (2020/21). Affected schemes or their sponsoring employers were able to submit a notification form via our website – within 28 days of receiving their invoice – explaining how they had been negatively affected by COVID-19 and requesting an extension to payment terms. If approved, interest charges that would have normally accrued due to late payment were waived for up to 90 days (as long as payment was made within those 90 days).

4.3.2. Where schemes/employers needed longer than 90 days (or there were other reasons why they would face particular difficulties paying on time) applications could be made under the existing payment plan processes.

4.3.3. Given declines in turnover during the lockdown period, the flexibility was introduced to address concerns about cash flow availability in the short term.

4.3.4. We were interested in views on the merits of extending the flexibility to cover the 2021/22 levy that the consultation covered.

4.3.5. Generally, responses were supportive of extending the payment flexibility with many responses acknowledging that the full impact of COVID-19 has not yet materialised. But there was an underlying theme that any such easement should be kept under review to ensure its controls remain appropriate when compared against the level of take up.

4.3.6. For 2020/21 invoices, fewer than 50 easement terms were requested, primarily for small to medium sized schemes, and all were agreed. We consider this level of take up to be low and the cumulative levy value subject to the extended term was not considered material. We agree that the conditions surrounding any payment easement – entry criteria for example – should be relevant at the time the flexibility is offered.

4.3.7. We will therefore continue to monitor the economic environment through 2021 and expect to announce the policy surrounding COVID easements for 2021/22 invoices in advance of invoicing for 2021/22 levies starting in autumn 2021.

Other developments

5. D&B Scoring

5.1. Corporate linkage for ultimate parents

5.1.1. D&B's approach to corporate linkage uses an algorithm that continually updates based on global filings and builds an overarching view of a group's corporate structure. The responsiveness demonstrated by this methodology is a strength of D&B's approach.

5.1.2. We noted in our consultation however, that there were a small number of instances where frequent month on month changes were occurring. While this was not raised as a concern by any schemes or employers, we asked if there was any experience of this happening so that we could analyse the extent to which the scenario occurs, and whether it is problematic for the purposes of levy calculations.

5.1.3. We received nine responses from stakeholders which were primarily focused at instances where the ultimate parent had been incorrectly identified or had changed once between months. D&B have identified that changes of this kind have two main causes:

- Accounts data ceases to be available or becomes available; and
- Where a corporate action / restructuring is announced which breaks the chain

5.1.4. These types of changes are legitimate responses to data availability so cannot proactively be overridden by D&B. However, there are processes in place to allow schemes and sponsoring employers to challenge the identification where they consider it inappropriate.

5.1.5. Respondents were positive about D&B's Customer Service team dealing with queries about ultimate parent identification quickly. However, we want to be sure that stakeholders are confident in the methodology used.

5.1.6. To provide assurance on their approach, D&B are continuing to:

- Pro-actively investigate the limited instances where multiple month on month changes are experienced. These instances could be entirely legitimate (for example, due to a major restructuring within a group), but D&B checks will ensure there are not technical issues causing the change.
- Investigate any issues or concerns about the identification of ultimate parents raised with them by schemes or sponsoring employers if there is clear evidence that the corporate linkage approach is not accurately identifying the ultimate parent. For example, in an instance where a group structure crosses a jurisdiction with limited transparency.

5.1.7. We encourage schemes and employers to continue to engage with D&B and monitor scores on the portal, and where the scheme employer is a group company to have regard to the score of the ultimate parent. This will help ensure D&B is able to calculate the most accurate scores.

5.2. Technical changes to the Insolvency Risk Appendix

5.2.1. During the consultation period, a small number of inconsistencies were identified between the Insolvency Risk Appendix and the basis on which D&B are scoring companies. We have amended the Insolvency Risk Appendix or where appropriate D&B is amending its scoring model. As a result, a very small number of schemes will see a change in levy band for an employer, and we will contact schemes where the impact is more than marginal. Changes being made are:

- A table of adjustment factors for scorecards 6, 7 and 8 has been added as Table 3 under paragraph 4.5;
- The reference to a '6-month period' in paragraph 6.2 has been corrected to a '12-month period';
- The treatment of Return on Capital on scorecard 5 where both capital and profit are negative has been clarified. Companies making a loss and having negative capital are scored in line with other companies that have negative capital;
- On scorecard 6, D&B scoring will be aligned with the Insolvency Risk Appendix to distinguish negative and positive net worth where the absolute value of Net Worth is less than or equal to 10,000; and
- The treatment of Retained Earnings on scorecard 6 in both the Insolvency Risk Appendix and D&B scoring has been altered to render it consistent with the basis used in scorecard 7. This distinguishes negative and positive values of Retained Earnings where the absolute value of Retained Earnings is less than or equal to 10,000.

6. Responding to regulatory developments

6.1. The Corporate Insolvency and Governance Act 2020

6.1.1. Overall, limited comments were received on this section of the consultation. Specific questions were however raised about the process for assessing realisable recoveries for the purposes of certifying a contingent asset.

6.1.2. A few responses queried whether any allowance should be made, when assessing the realisable recovery, for the potential for certain creditors to gain 'super-priority':

- If a guarantor could not meet a call under the guarantee and continue trading; and
- A moratorium in respect of the guarantor had ended within 12 weeks of its insolvency.

6.1.3. Having considered the responses that we received, we have concluded that when assessing the amount of realisable recovery, an allowance should be made in certain circumstances for the potential effect of 'super priority' creditors. This would only be required if the guarantor is not able to continue trading after having disposed of assets needed to meet a call under the guarantee, and the guarantor is a type of entity that is able to apply for a moratorium. We therefore expect the number of schemes with contingent assets that are affected by this to be limited. We have updated our Contingent Asset Guidance to help schemes consider whether they need to take into account the change in creditor priority introduced by the Corporate Insolvency and Governance Act in certain circumstances when certifying a realisable recovery.

6.2. Levy band adjustments for entities entering moratoriums or restructuring plans

6.2.1. Monthly insolvency risk scores are adjusted to 100% when an insolvency event, insolvency procedure, or another procedure analogous to an insolvency event occurs. Following comments raised as part of the consultation on how we might treat the new Corporate Insolvency and Governance Act procedures of moratoriums and restructurings plans, we considered whether these procedures were analogous to insolvency procedures and whether to apply an adjusted insolvency risk score.

6.2.2. Companies entering into a moratorium or restructuring plan are likely to be in a stressed, or distressed position and we think that, in principle it is reasonable to reflect this in an adjustment to the company's score. However, a moratorium is not an insolvency or restructuring procedure and is intended to lead to an ongoing employer, so whilst the risk of insolvency is significantly increased in these circumstances, there is not a 100% chance of insolvency. So, we are minded to apply a levy band 10 in these circumstances, but not a 100% insolvency risk score as we don't consider this would accurately capture the risk.

6.2.3. To date, no scheme sponsors or guarantors have entered into the new arrangements and we have no reason to expect this to happen imminently. The risk that one does is also limited given that the scoring period for 2021/22 ends on 31 March 2021. We therefore are not changing the rules for 2021/22, but are minded to make this change for 2022/23. This will allow time to consult on the detail of our approach. In the meantime, we're investigating how D&B can apply the change to scores from April 2021, for use in levy calculations for 2022/23.

6.3. Brexit

6.3.1. While the UK was a member of the EU (and during the Brexit transition period) it was subject to the Recast Brussels Regulation. The Recast Brussels Regulation governs the treatment of jurisdiction clauses and the enforcement of judgments in EU member states.

6.3.2. With effect from 1 January 2021, after the end of the Brexit transition period, the UK is no longer subject to the Recast Brussels Regulation and in its place, the UK government has signed up to the Hague Convention on Choice of Court Agreements (the 'Hague Convention'). The Hague Convention has a similar application to the Recast Brussels Regulation; however, the Hague Convention only applies to exclusive jurisdiction clauses whereas the Recast Brussels Regulation applied to both exclusive and non-exclusive jurisdiction clauses. The PPF's standard form contingent assets have historically contained a non-exclusive jurisdiction clause under which the English courts have jurisdiction to settle disputes between the parties unless the trustee wishes to issue proceedings in an alternative jurisdiction.

6.3.3. The Recast Brussels Regulation would have applied to a judgment about a standard form contingent asset before 1 January 2021. However, as the Hague Convention only applies to exclusive jurisdiction clauses, from 1 January 2021 it will not apply to judgments concerning contingent assets with non-exclusive jurisdiction clauses.

6.3.4. The practical consequence of the application of the Hague Convention is that, from 1 January 2021, it may be harder to enforce a judgment obtained in the UK in relation to a standard form contingent asset in an EU member state. In recognition of this changed position, the PPF is:

- Amending our contingent asset standard forms enabling parties to choose either a non-exclusive jurisdiction clause or an English/Scottish/Northern Ireland courts exclusive jurisdiction clause; and
- Updating our guidance on contingent assets to confirm that an amendment to a contingent asset entered into before 1 January 2021 to include an English/Scottish/Northern Ireland courts exclusive jurisdiction clause would be a permissible change to the standard form document.

6.3.5. We are not requiring any action to be taken by schemes. And we will not require existing contingent assets to be re-executed using updated standard form documentation.

7. Responding to market developments

7.1. Consolidators and other endgame solutions

7.1.1. In general, respondents expressed support for maintaining the existing levy methodology for commercial consolidators for 2021/22, with an emphasis on reviewing the levy approach as the market develops and where the need arises to accommodate a range of endgame solutions.

7.1.2. While there were no objections to our proposals, one respondent suggested a review of levy methodology may be warranted in light of the recent guidance from the Pensions Regulator on superfunds, specifically to better align the levy structure to the Regulator's requirements around oversight and control of buffer arrangements. To ensure transparency and prudence in the PPF's approach to levying commercial consolidators, one respondent suggested that independent certification (of any contingent capital) could be appropriate.

7.1.3. We do not consider there is a need to update our methodology at this point – as we do not consider that developments fundamentally alter our risk - but will continue to monitor the evolving consolidator market.

7.1.4. Guidance on consolidators has been published alongside this policy statement. We will continue to review this and update it as required to take account of market developments but welcome comments on the guidance in its current form.

7.1.5. We are collecting stakeholder feedback on the PPF consolidators guidance via a short consultation which will open on 26 January 2021 and close on 16 February 2021. More information about how to access the draft guidance, and how to respond, can be found on our website at ppf.co.uk/levy-payers/help-shape-our-rules.

7.1.6. We will update the guidance, or confirm that it remains as published, ahead of 31 March 2021.

7.2. Credit rating realignment

7.2.1. All responses received were in support of our proposal to recalibrate credit rating mapping to levy bands as at 31 December 2020. There was broad support for the revised mapping being applied to monthly scores from April 2021, which will be used to calculate the levy for 2022/23.

7.2.2. Two respondents, while supportive, expressed a preference in future for any recalibration to happen at the same time as the recalibration of the PPF-specific model scorecards.

7.2.3. We agree that ideally recalibration of scorecards and public credit ratings would happen simultaneously. There are however operational considerations which make this more challenging.

7.2.4. For the public credit ratings, we use the annual default studies which are updated once every calendar year. Annual default studies are favoured as these are typically publicly available, providing transparency to our stakeholders, and include private ratings. However, as the PPF Levy Year runs from April to March there is a natural mismatch.

7.2.5. There is also a natural mismatch in that the ratio of insolvency to default always lags the annual default studies by one calendar year, as the insolvency events are observed over a 12-month period.

7.2.6. We can understand the idea behind more frequent recalibration. However, we have to balance this with the desire for stability.

8. Customer service

8.1. Making the PPF website a better resource for customers

8.1.1. The newly introduced functionality that allows stakeholders to download and complete an offline version of the 'full' consultation response form, alongside the recently introduced ability to respond to our consultations online, has been positively received.

8.1.2. Respondents welcomed the new functionality noting that its introduction has helped to make collaborative responses much easier to structure, and that the online submission forms and resources are accessible and easy to use.

8.1.3. A small number of suggestions were put forward for improvement, which we are considering and whose feasibility we will investigate for future consultations.

8.2. New PPF functionality to support the invoicing process

8.2.1. The e-invoicing service for the PPF levy was introduced for invoices issued last year. Feedback received was broadly supportive noting – particularly in light of office closures due to COVID-19 – that the service is a step in the right direction and has made it easier for schemes to share invoices with their advisors and accounts payable teams.

8.2.2. A number of suggestions for improvement were made however regarding the processes introduced. This useful feedback will be used as we investigate ways in which we can enhance the service, and explore how we can continue to improve our wider service offering to make understanding and paying the levy easier.

8.3. Document submission

8.3.1. Historically, the submission of Contingent Asset documents has been prescribed as 'in hard copy', by hand or by post to the offices of the PPF. We have reviewed our processes and have agreed that it is most likely useful for stakeholders to be able to submit this documentation in 'soft copy' format. As such, we have amended our rules to reflect that supporting documentation should be submitted to the PPF by email to information@PPF.co.uk. Please note the deadline for this documentation remains 5pm on 1 April, as in previous years.

8.4. Experian services

8.4.1. The invoicing cycle for 2020/21 marked the final year under which Experian scores were used to calculate the levy under the current contract.

8.4.2. We would like to take this opportunity to thank the excellent Experian team who have worked with us and our stakeholders to provide an outstanding service for the last six years.

8.4.3. This marks the conclusion of the formal service hand over from Experian to D&B, with Experian services being phased out through early to mid-2021. The key dates and activities relating to Experian's wind down of PPF services are as follows:

- The PPF score portal managed by Experian will be decommissioned on 1 April 2021.
- The customer support team at Experian will be available to respond to queries until 1 July 2021.
- Any Experian related queries after 1 July 2021 will need to be referred directly to the PPF.

8.4.4. The first monthly score used in the levy calculation for 2021/22 was generated by D&B in April 2020. The mean average of monthly scores generated between April 2020 and March 2021 will be used to calculate levy invoices issued in autumn 2021.

9. Key dates

The following table sets out the key dates in the coming year:

Item	Key dates and times
Deadline for submission of data to D&B to impact a Monthly Score	One calendar month before a score is generated
Submit scheme returns on Exchange	By midnight on 31 March 2021
Reference period over which funding is smoothed	5-year period to 31 March 2021
Guarantor Strength Reports (where relevant) to be completed and Contingent Asset Certificates to be submitted on Exchange	By midnight on 31 March 2021
Contingent Asset documents where required (inc. Guarantor Strength Reports) to be delivered in soft copy to the PPF	By 5pm on 1 April 2021
ABC Certificate to be completed and submitted to the PPF	By midnight on 31 March 2021
Accounting Standard Change certificate to D&B	By midnight on 31 March 2021
Special category employer applications (and confirmation of no change) submitted to the PPF	By midnight on 31 March 2021
Deficit-Reduction Contribution Certificates to be submitted on Exchange	By 5pm on 30 April 2021
Exempt transfer applications with supporting evidence submitted to the PPF	By 5pm on 30 April 2021
Certification of full block transfers to be completed on Exchange or submitted to the PPF (in limited circumstances)	By 5pm on 30 June 2021
Invoicing starts	September 2021