

## 9. PPF levy 2019/20

### Summary

- This chapter contains information on how much PPF levy was invoiced and how this was distributed between schemes and by employers.
- Since 2006/07, the PPF has collected a total of £8 billion through levies, determined mainly by the risk schemes pose to the PPF. This and other key statistics from this chapter are summarised in the following table:

	2019/20 <sup>13</sup>	2018/19
Total levy since 2006/07	<b>£8.0bn</b>	£7.4bn
Total levy in year <sup>14</sup>	<b>£564m</b>	£564m
Proportion of total scheme assets	<b>0.04%</b>	0.04%
Number of schemes which contributed to this	<b>5,425</b>	5,531
Amount and proportion of total levy contributed by the top 100 levy payers (by size of levy)	<b>£290m</b> <b>51%</b>	£279m 50%
Proportion of schemes which paid no risk-based levy	<b>28%</b>	26%
Number of schemes with a capped risk-based levy	<b>161</b>	184
Proportion of total number of schemes	<b>3.0%</b>	3.3%
PPF levy band whose schemes made the largest contribution in the year	<b>3</b>	3
Levy contribution made by these schemes	<b>£114m</b>	£93m
Proportion of total levy contribution	<b>20%</b>	17%
Proportion of total liabilities accounted for by schemes in this category	<b>24%</b>	18%
Proportion of levy being paid by the three top Experian scorecards (as measured by levy paid)	<b>82%</b>	80%

Note: the percentages may not match those calculated using financial amounts in the table because of rounding.

Assets and liabilities, and therefore funding ratios, in this chapter are on a smoothed, stressed basis unless otherwise stated and exclude DRCs. For more information on these and other terms and definitions used in this chapter, see the 2019/20 Levy Determination, and its associated appendices, available on our website.

<sup>13</sup> Year from 1 April 2019 to 31 March 2020.

<sup>14</sup> Whereas this is the total amount of levy invoiced, the figure disclosed in the PPF's Annual Report and Accounts (ARA) is the amount collected, which includes levies collected in the year to 31 March 2020 in respect of the previous year. The ARA also makes an allowance for credit notes, accrued invoices, and bad debt provisions, which *The Purple Book* does not.

## Total levy by year

In this section we compare total levy by levy year, from 2012/13 to 2019/20. We look at the distribution across schemes broken down by levy band, considering the risk-based levy and scheme-based levy separately.

**Figure 9.1 | Total levy**

The levy has varied between £540 million and £650 million and has fallen as a percentage of assets since 2012/13.

Source: PPF

Notes:

- a) The figures quoted in this chapter are based on the total levy for the dataset of 5,425 schemes in 2019/20, or from prior years' *Purple Books*.
- b) Total levy as a percentage of levy-paying schemes' total assets.
- c) Refers to schemes to which the risk-based levy cap applied.

Levy year	Total levy (£m) <sup>a</sup>	Levy as a percentage of assets <sup>b</sup>	Number of capped schemes <sup>c</sup>
2012/13	648	0.08%	427
2013/14	577	0.06%	302
2014/15	579	0.06%	274
2015/16	560	0.05%	211
2016/17	563	0.05%	187
2017/18	541	0.04%	147
2018/19	564	0.04%	184
2019/20	564	0.04%	161

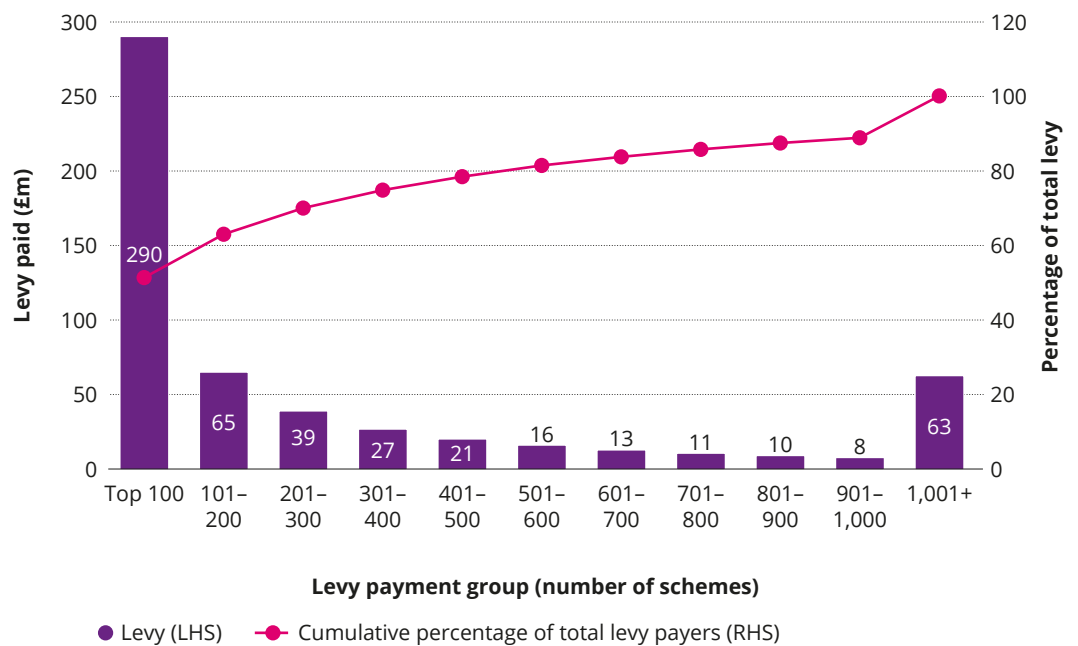
**Figure 9.2 | Distribution of levy by largest levy payers in 2019/20**

In 2019/20, the top 100 levy payers accounted for £290 million, or 51 per cent of the total levy.

Source: PPF

Note: the 1,001+ category accounts for a relatively large percentage of the total levy as it contains just over 4,500 schemes.

Note: the figures may not sum to the total levy due to rounding.



## 9. PPF levy 2019/20 continued

Figure 9.3 | Schemes with no risk-based levy by levy year

The proportion of schemes paying no risk-based levy is the highest since the introduction of the New Levy Framework in 2012/13.

Source: PPF

Levy year	Number of schemes	Percentage of total schemes	s179 liabilities <sup>15</sup> (£bn)	s179 liabilities as percentage of total
2012/13	1,191	19%	199	19%
2013/14	1,056	17%	171	15%
2014/15	1,113	18%	206	17%
2015/16	985	17%	195	14%
2016/17	961	17%	239	16%
2017/18	1,011	18%	405	25%
2018/19	1,457	26%	560	35%
2019/20	1,509	28%	562	33%

Figure 9.4 | Number of schemes with capped risk-based levies by levy band

The proportion of schemes with a capped risk-based levy was 3 per cent for 2019/20.

Source: PPF

Levy band	Levy rate	Total number of schemes	Number of capped schemes	Percentage of schemes in levy band which are capped
1	0.28%	759	–	0.0%
2	0.31%	388	–	0.0%
3	0.35%	588	–	0.0%
4	0.40%	671	–	0.0%
5	0.53%	736	–	0.0%
6	0.81%	789	–	0.0%
7	1.26%	667	3	0.4%
8	1.76%	286	19	6.6%
9	2.39%	335	63	18.8%
10	3.83%	206	76	36.9%
<b>Total</b>		<b>5,425</b>	<b>161</b>	<b>3.0%</b>

A scheme's risk-based levy is calculated by mapping the sponsoring employer's insolvency risk to one of the 10 levy rates above. Schemes with multiple employers have had their insolvency risk calculated as an average of the corresponding employers, mapped back to the nearest levy band. This is then multiplied by the amount of underfunding in the scheme and the levy scaling factor in order to give the risk-based levy. Further details of how the PPF levy is calculated can be found on the PPF website.<sup>16</sup>

<sup>15</sup> Liabilities are stressed and smoothed.

<sup>16</sup> For more information see: <https://www.ppf.co.uk/levy-payers/what-levy-and-who-has-pay-it/introduction-levy>

**Figure 9.5 | Number of schemes with capped risk-based levies by funding ratio (on a stressed and smoothed basis)**

Schemes with lower funding levels are more likely to pay a capped risk-based levy. Only one scheme with a funding level over 75 per cent had a cap applying in 2019/20.

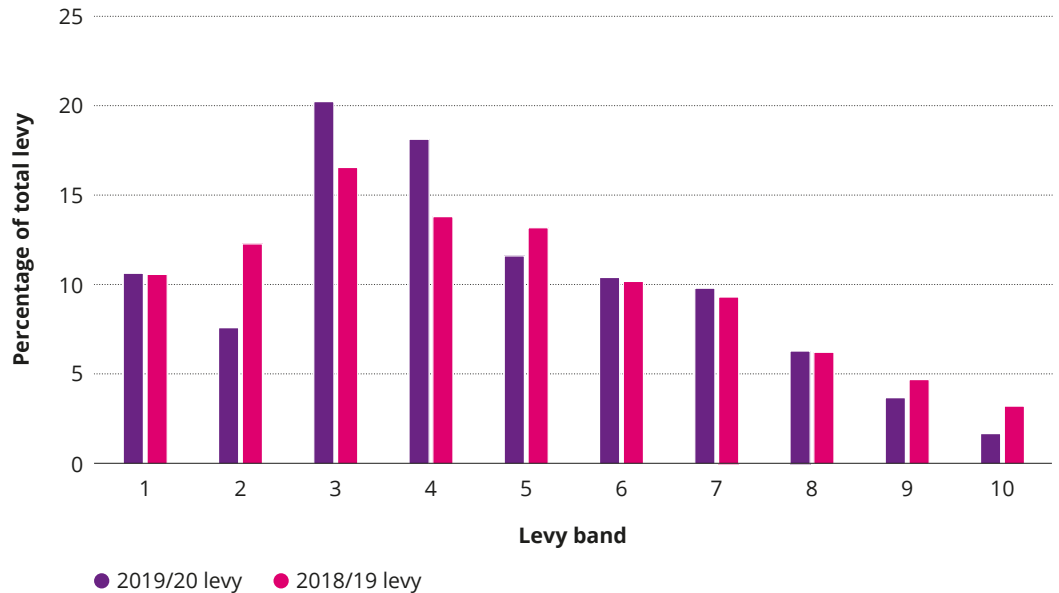
Source: PPF

Funding ratio	Number of capped schemes	Percentage of schemes in funding band which are capped	Total number of schemes
Less than 50%	73	17.3%	423
50%–75%	87	4.5%	1,955
75%–100%	1	0.1%	1,740
Over 100%	–	0.0%	1,307
<b>Total</b>	<b>161</b>	<b>3.0%</b>	<b>5,425</b>

**Figure 9.6 | Levy distribution by levy band**

Schemes in levy band 3 made the largest contribution to the total levy in 2019/20, paying 20 per cent.

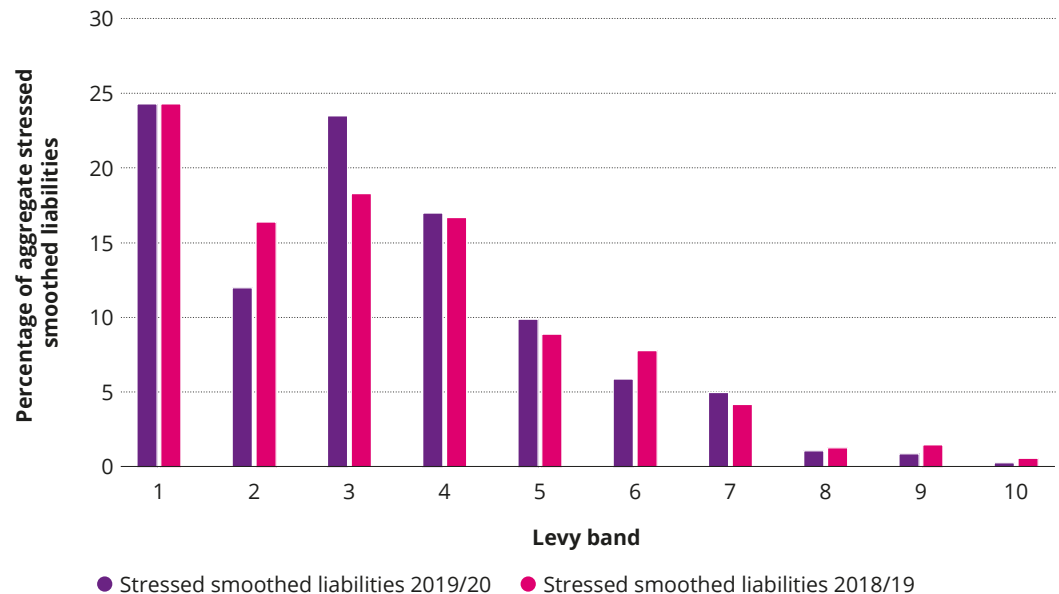
Source: PPF



**Figure 9.7 | s179 aggregate stressed smoothed liabilities by levy band**

Schemes in levy band 1 account for 24 per cent of the total liabilities in 2019/20.

Source: PPF



9. PPF levy 2019/20 continued

Figure 9.8 | Levy as a proportion of assets by levy band

Schemes in the lowest levy bands paid a noticeably lower levy, expressed as a percentage of assets, than schemes in the highest three levy bands.

Source: PPF

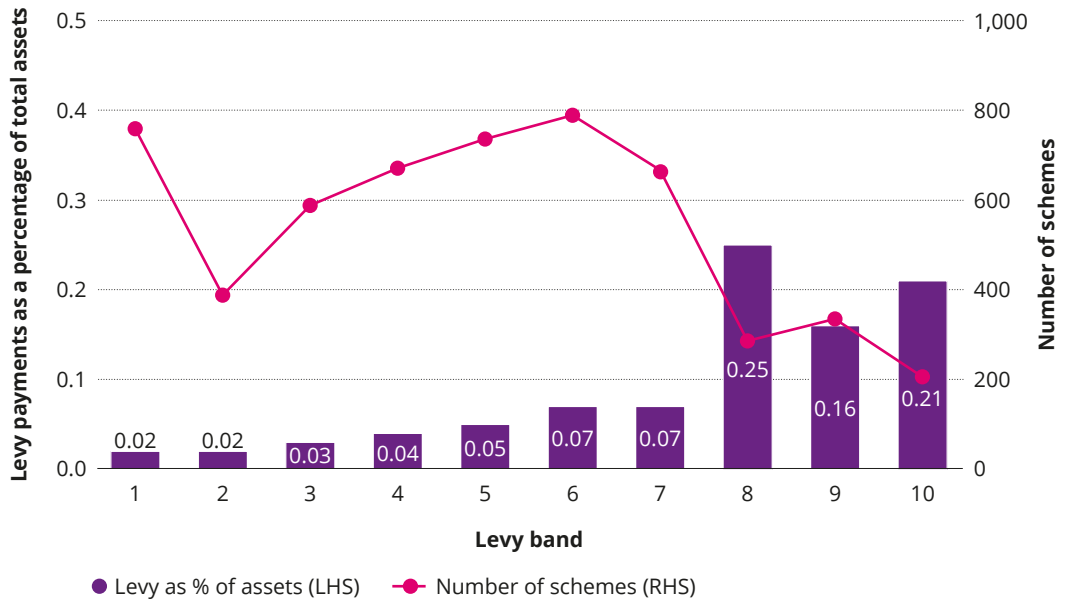
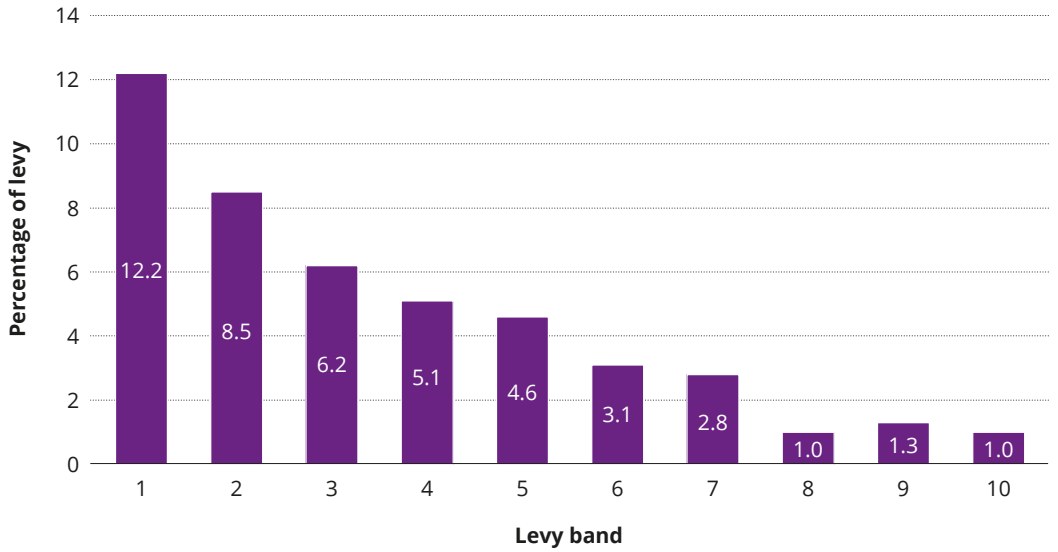


Figure 9.9 | Percentage of total levy that is scheme-based<sup>17</sup> by levy band

In general, the proportion of total levy that is scheme-based falls as the levy band increases.

Source: PPF



17 For the definition of scheme-based levy, please see the 2019/20 Levy Determination.

**Figure 9.10 | Percentage of total levy that is scheme-based by funding ratio (on a stressed and smoothed basis)**

For schemes that were over 100 per cent funded, the scheme-based levy constituted on average 95 per cent of their total levy.

Funding ratio	Less than 50%	50%–75%	75%–100%	Over 100%
Percentage of levy that is scheme-based	1.6%	3.0%	8.9%	95.0%

Source: PPF

Note: the risk-based levy is calculated using either the underfunding amount on an unstressed and smoothed basis or the underfunding amount on a stressed and smoothed basis, whichever is lower. A minority of schemes that are over 100 per cent funded on a stressed and smoothed basis pay a risk-based levy as they are underfunded on an unstressed and smoothed basis.

### Experian scorecards

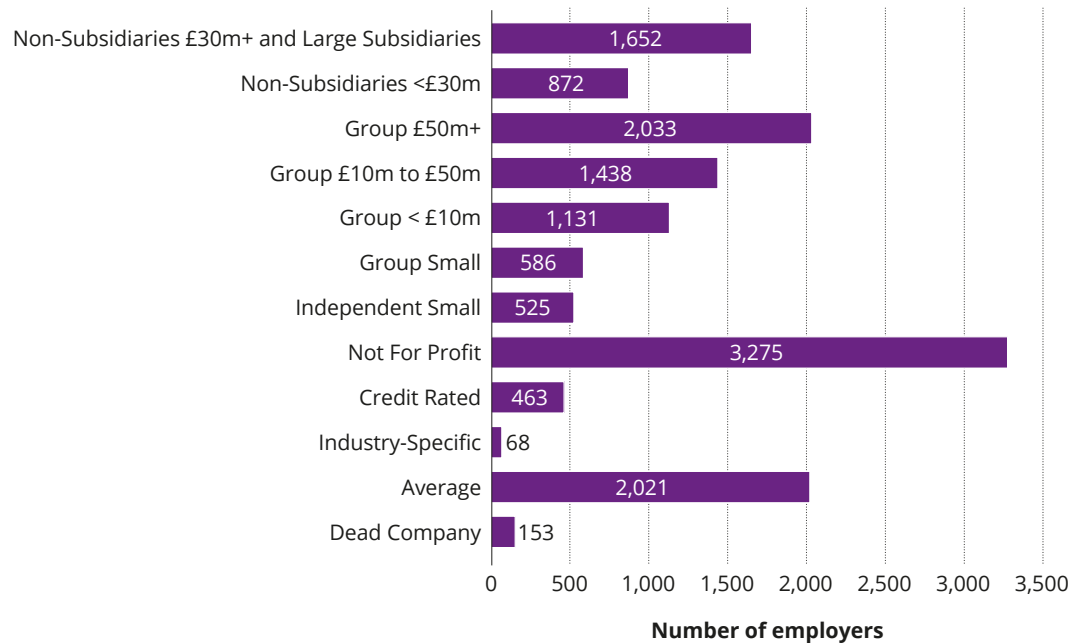
For the 2019/20 levy year, we used the PPF and Experian’s bespoke model for assessing insolvency risk of schemes in the universe.

The charts in this section show how many sponsoring employers in the PPF universe are assigned to each scorecard, and how much of the total 2019/20 PPF levy was collected in respect of schemes sponsored by the employers in these categories.<sup>18</sup>

**Figure 9.11 | Number of sponsoring employers in each Experian scorecard**

‘Not For Profit’ organisations make up the greatest number of sponsoring employers in the PPF universe.

Source: PPF



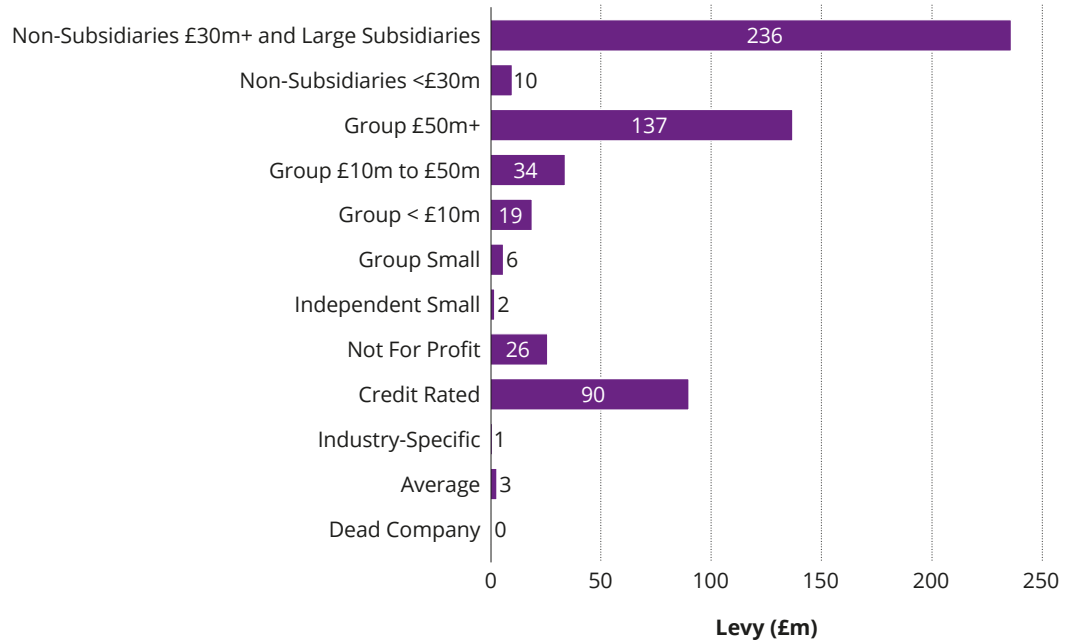
18 For multi-employer schemes (with employers on different scorecards), the levy was split proportionately by membership numbers.

9. PPF levy 2019/20 continued

**Figure 9.12 | Levy invoiced in respect of schemes with sponsoring employers in each Experian scorecard**

Schemes on three of the 12 Experian scorecards paid 82 per cent of the total levy.

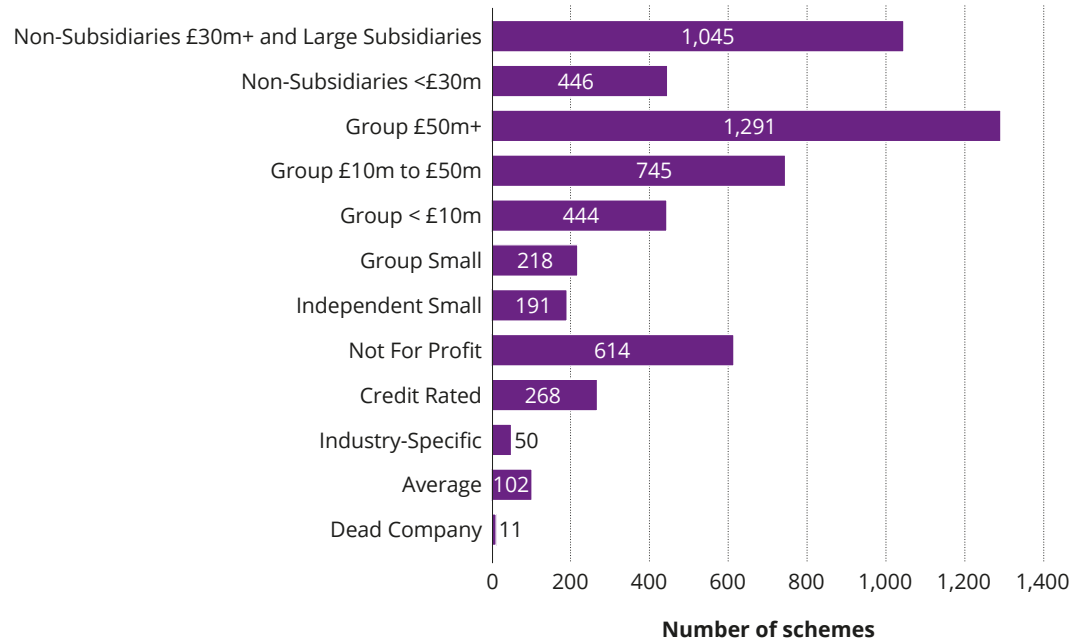
Source: PPF



**Figure 9.13 | Number of schemes with sponsoring employers in each Experian scorecard**

43 per cent of schemes had sponsors categorised as 'Non-Subsidiaries £30 million+ and Large Subsidiaries' or 'Group £50 million+'.

Source: PPF



**Figure 9.14 | Aggregate funding ratio (unstressed and unsmoothed) of schemes with sponsoring employers in each Experian scorecard**

Schemes with sponsoring employers categorised as 'Not For Profit' have the lowest aggregate funding ratios.

Source: PPF

