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**Pension  
 Protection  
 Fund**

Trustees of the:	
Sample Scheme Name	Invoice No.: 12345678-000-07-01
Address 1	Invoice Date: DD-MM-YYYY
Address 2	SSID: 12345678-000
Address 3	Terms: Immediate
Address 4	
Address 5	
Post Code	

Pension Protection Levy Invoice for 2006/07	Amount
<p><b>Scheme based levy</b></p> <p>0.00014 x L (estimated section 179 liabilities at 31/03/2006)            = 0.00014 x £120,000,000</p>	<b>£16,800</b>
<p><b>Risk based levy</b></p> <p>U (Underfunding risk) x P (Probability of Insolvency) x Levy Scaling Factor            x Percentage risk based</p> <p>= £6,000,000 x 5.1015% x 0.53 x 0.8</p>	<b>£129,781</b>
<p><b>If you have a query on this invoice, please telephone or email using the contact details above, quoting Invoice Number and Scheme Name</b></p>	
<b>Total</b>	<b>£146,581</b>

**All levies are due for immediate payment**

**Please send your remittance, quoting Invoice Number by BACS/CHAPS to:**

**Bank of Scotland  
 600 Gorgie Road  
 Edinburgh  
 EH11 3XP**

**Bank Sort Code: 12-20-29  
 Account No.: 06067843  
 Account Name: PPF Levy Collection Account**

## **Debt collection policy**

Under section 175 of the Pensions Act 2004, the Board of the Pension Protection Fund is required to raise a pension protection levy. This invoice is formal notification of the Board's decision of the amount of pension protection levy payable by the scheme referred to on the face of the invoice.

Under section 181 of the Pensions Act 2004, the trustees of the scheme are required to pay this amount to the Board, and the Board intends that the invoice and the supporting documentation will provide all the relevant information to enable levy payers to meet their statutory obligations to pay this invoice immediately. If the trustees wish to query the amount of pension protection levy payable by the scheme, they must raise their query within 28 days of the date of this invoice by contacting the Pension Protection Fund using the contact details shown on the invoice.

A more formal review process for invoices is also available – details can be found on the Pension Protection Fund's website.

If no query is raised with the Board within 28 days, the Board will begin debt collection activities. The Board will carry out these debt collection activities rigorously, in ways that are clearly compliant with applicable legislation, and in ways that are consistent with its overall stakeholder management strategy.

## Example 2

# Your Levy Invoice Explained

The calculation of the scheme based levy and the risk based levy shown on this invoice is based on the following data and calculations in respect of the scheme. Please see the enclosed levy booklet for further information on the calculation of the pension protection levy.

## Underfunding risk factor calculation

### Assets (see page 9 of the levy booklet)

Scheme assets as at 1 September 2005 = £92,000,000

**S** (estimated scheme assets as at 31 March 2006)<sup>1</sup> = **£100,000,000**

### Contingent Assets (see page 9 of the levy booklet)

#### *Type B*

Deemed value of Type B contingent asset ignoring value of charged assets =  
£20,000,000

Value of charged assets = £20,000,000

**N<sub>B</sub>** (Deemed value of Type B contingent asset) = **£20,000,000**

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<sup>1</sup> This figure has been derived using the Board's methodology for rolling forward scheme assets and liabilities to 31 March 2006. This methodology is available on the Pension Protection Fund website

## Example 2

### Total Asset calculation (see page 10 of the levy booklet)

$$A \text{ (Total Assets)} = S + N_B$$

$$= \text{£}100,000,000 + \text{£}20,000,000 = \text{£}120,000,000$$

### Liabilities (see page 11 of the levy booklet)

Liabilities on an MFR basis as at 1 September 2005 = £105,000,000

L (estimated section 179 liabilities as at 31 March 2006)<sup>2</sup> = **£120,000,000**

### Underfunding calculation based on assets and liabilities (see page 12 of the levy booklet)

$$\begin{aligned} \text{Funding level} &= \frac{S + N_B}{L} = \frac{100,000,000 + 20,000,000}{120,000,000} \\ &= 100\% \end{aligned}$$

Hence:

$$U = (1.05 \times L) - A = \text{£}6,000,000$$

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<sup>2</sup> This figure has been derived using the Board's methodology for rolling forward scheme assets and liabilities to 31 March 2006. This methodology is available on the Pension Protection Fund website

## Example 2

### Insolvency risk factor calculation

Data in respect of the employer with the most members (EMM)  
(see page 14 of the levy booklet)

Employer with most members	DUNs Number	D&B Failure Score <sup>3</sup>	Insolvency Probability
Employer B	123456789	8	0.054906

$$P_{\text{emm}} = 0.054906$$

Data in respect of all participating employers (see page 15 of the levy booklet)

Participating employer	DUNs Number	D&B Failure Score <sup>4</sup>	Insolvency Probability (PP)	No. of members	Weighted PP <sup>5</sup>
Employer A	123456789	1	0.377973	100	37.7973
Employer B	112345678	8	0.054906	600	32.9436
Employer C	111234567	10	0.047612	300	14.2836

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<sup>3</sup> Or local equivalent, if appropriate i.e. the employer is based in an OECD country where D&B does not use the term 'Failure Score'

<sup>4</sup> Or local equivalent, if appropriate i.e. one employer is based in an overseas country where D&B do not use the term 'Failure Score'

<sup>5</sup> This is PP x No. of employees

## Example 2

### Insolvency probability calculation for the scheme (see page 14 of the levy booklet)

Sum of Weighted PP<sup>6</sup> = 85.0245

Total number of members = 1000

**WP** (Weighted Probability)<sup>7</sup> = Sum of Weighted PP / Total number of employees

= 85.0245 / 1000

= **0.085025**

Type of multi-employer scheme<sup>8</sup> = Last man standing non-associated scheme

**SF** (scaling factor applied to WP) = 600/1000 = **0.6**

**P<sub>me</sub>** (multi employer scheme probability of insolvency)

= WP x SF

= 0.085025 x 0.6

= **0.051015**

Hence:

**P (lower of P<sub>emm</sub> and P<sub>me</sub>) = 0.051015**

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<sup>6</sup> This is the sum of the Weighted PP column in the participating employers table

<sup>7</sup> Weighted average probability of insolvency of all participating employers

<sup>8</sup> As set out in the Board's Determination under section 175(5) of the Pensions Act 2004 and explained in the Pension Protection Levy Consultation update - October 2005, the Board classifies all multi-employer schemes under three headings: those with an option or requirement to segregate upon insolvency of the sponsoring employer; last man standing associated; and last man standing non-associated. A different scaling factor is then applied to each different type.