

To be submitted via online [form](#)

30 October, 2023

## **SPP response to PPF consultation on Levy rules for 2024/25**

### **Question 1 - Do you agree that our approach to charging a minimum levy is appropriate given our legislative framework?**

Yes.

#### **Do you have any further comments?**

Yes, we agree with the approach for charging this level of levy as a one-off on the assumption that the legislative framework cannot be changed before the 2024/25 levy rules are finalised. However, in future, unless there is a downturn in the funding position of the PPF or an increase in expected future claims, we think that the levy should be reduced even if the legislative framework does not change.

The PPF appears to be using its legislative restrictions as a reason to charge a levy that it openly describes as being higher than it would otherwise need. This is clearly unsustainable in the long term, and at the expense of sponsors and trustees who would otherwise direct these resources towards sponsor growth/pension scheme funding/scheme members.

Please note that whilst our responses to the remaining questions in this consultation assume that the legislative framework cannot be changed, we disagree with the premise of assuming this will not or could not happen in the future if necessary. We consider core proposals to be largely arbitrary in order to maintain the levy at an inappropriate level relative to the degree of risk that the PPF is exposed to.

### **Question 2 - Do you agree with our approach to introducing simplifications to the levy over time?**

Yes.

#### **Do you have any further comments?**

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Given the amount being collected has reduced, it is appropriate to simplify the approach, but this should not be rushed.

**Question 3 - Do you consider there are any areas where simplification should be considered more urgently?**

No.

**Do you have any further comments?**

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**Question 4 - Do you agree with our proposal to minimise changes (delaying the introduction of A11, and the updating of asset and liability stress factors) to limit adjustments to the levy scaling factor (LSF) for 2024/25?**

Yes.

**Do you have any further comments?**

Yes, this seems sensible at the current time, although we note that this is arbitrary in order to maintain a £100 million levy (there would not otherwise be any logical reason to delay the introduction of A11, for example).

**Question 5 - Do you agree that focusing the risk-based levy on a diminishing pool of risk-based levy payers is undesirable?**

Yes.

**Do you have any further comments?**

Yes, this is undesirable given that £100m is aiming to be collected. However, as discussed above, we do not think this level of levy should be maintained in the future. If significantly less were to be collected, it may be appropriate to focus on a diminishing pool of risk-based levy payers.

**Question 6 - Do you agree with our proposed criteria to assess the different options?**

Yes.

**Do you have any further comments?**

Yes, these criteria seem reasonable. However, a key consideration is the balance between the different criteria. Our view is that the reflection of risk should be the primary consideration.

**If you answered no, what do you consider the criteria should be?**

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**Question 7 - Should we add an additional factor to the liabilities to limit the scale of increases in the levy scaling factor (LSF)? If so, do you have comments on how we should balance using the levy scaling factor and an adjustment factor for liabilities?**

Yes.

**Do you have any further comments?**

These seem reasonable given the regulations, but we think it would be more appropriate to reduce levies and lobby to change the legislation to provide greater flexibility to increase levies if risk increases.

**Question 8 - Do you agree that it would be appropriate to align the levy methodology to the reason for charging the levy – to provide against highly adverse claims - by altering the asset and liability stresses?**

Yes.

**Do you have any further comments?**

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**Question 9 - Do you agree that altering asset and liability stresses are more suited to a one-off adjustment rather than being adjusted every year to scale the overall levy up or down?**

Yes.

**Do you have any further comments?**

Whilst we agree, changing the asset stresses would better reflect risk than introducing a factor on the liabilities.

**Question 10 - Do you have any other ideas or suggestions to ensure a risk reflective approach to the levy in future years? Please provide more details below.**

We strongly encourage the PPF to seriously consider reducing levies below the £100m level in the next few years. Whilst this seems reasonable for the 2024/25 levy year, we do not think it will be in the future (or at least it is not expected to be). Whilst we understand the PPF's concern about potential downside events, in the long term, not being able to change the legislation is not a good enough reason to collect such a large amount of money.

**Question 11 - Do you agree with our approach to simplify the process for special category employers?**

Yes.

**Do you have any further comments?**

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**Question 12 - Do you have any other comments?**

We would like to stress again that a change in legislation should be sought. This would give more comfort that levies could be reduced now but increase more quickly if circumstances were to be changed.