

Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR
 T 0845 600 2541 E levyinvoice@ppf.gsi.gov.uk
 www.pensionprotectionfund.org.uk

EXAMPLE 2

Trustees of the:	
Sample Scheme Name	Invoice Number: 12345678-000-08-01
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 2007/08	Amount
<p>Scheme based levy</p> <p>0.00016 x L (estimated section 179 liabilities at 31/10/2006) = 0.00016 x £120,000,000.00</p> <p>Risk based levy</p> <p>U (Underfunding risk) x P (Probability of Insolvency) x Levy Scaling Factor x Percentage risk based = £6,000,000.00 x 0.051015 x 2.47 x 0.8</p> <p>THIS INVOICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are not the person responsible for paying invoices on behalf of the above pension scheme, please pass it on to the correct person immediately. If you have a query on this invoice, please telephone or email using the contact details above, quoting Invoice Number and Scheme/Section Name, within 28 days of the date of invoice, that is, by DD/MM/YYYY. If you do not raise a query within this time frame you may lose the right to do so.</p>	<p>£19,200.00</p> <p>£604,834.00</p>
Total	£624,034.00

All levies are due for immediate payment. We expect payment within a maximum of 28 days.

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

Bank Details:

XXXXXXXXXXXXX
 XXXXXXXXXXXXX
 XXXXXXXXXXXXX
 XXXX XXXX

Bank Sort Code: XX-XX-XX
 Account No.: XXXXXXXX
 Account Name: PPF Levy Collection Account

Any electronic remittance advice should be sent to: creditcontrol@ppf.gsi.gov.uk

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 issued with it will 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 in the enclosed booklet.

If no query is raised with the Board within 28 days and payment is not received, 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.

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 booklet "A Guide to the Pension Protection Levy 2007/08" ("the levy booklet") for further information on the calculation of the pension protection levy. The comprehensive rules for this calculation are set out in the Board's determination under s.175(5) of the Pensions Act 2004 for the 2007/08 levy year (the "Determination") published on the PPF website.

Underfunding risk factor calculation

Assets (see page 9 of the levy booklet)

Scheme assets as at 1 September 2006 = £95,000,000.00

S (estimated scheme assets as at 31 October 2006)¹ = **£100,000,000.00**

Contingent Assets (see page 11 of the levy booklet)

Type B

Deemed value of Type B contingent asset ignoring value of charged assets = £20,000,000.00

Value of charged assets = £20,000,000.00

N_B (Deemed value of Type B contingent asset = **£20,000,000.00**)

Total assets calculation (see page 11 of the levy booklet)

A (Total Assets) = S + N_B

= £100,000,000.00 + £20,000,000.00

A = £120,000,000.00

¹ This figure has been derived using the Board's methodology for converting MFR valuations to a section 179 basis, and/or rolling forward or backward section 179 valuations to a section 179 basis as at 31/10/06. These methodologies are available on the Pension Protection Fund website and form Appendices 1 and 2 to the Determination.

Liabilities (see page 9 of the levy booklet)

Liabilities on a section 179 basis as at 1 September 2006 = £110,000,000.00

L (estimated section 179 liabilities as at 31 October 2006)² = £120,000,000.00

Underfunding calculation based on assets and liabilities (see page 10 of the levy booklet)

$$\begin{aligned}\text{Funding level} &= (S + N_B) / L \\ &= (100,000,000.00 + 20,000,000.00) / 120,000,000.00 \\ &= \mathbf{100.00\%}\end{aligned}$$

Hence:

$$\mathbf{U = (1.05 \times L) - A = £6,000,000.00}$$

² This figure has been derived using the Board's methodology for converting MFR valuations to a section 179 basis, and/or rolling forward or backward section 179 valuations to a section 179 basis as at 31/10/06. These methodologies are available on the Pension Protection Fund website and form Appendices 1 and 2 to the Determination.

Insolvency risk factor calculation

Data in respect of the scheme's participating employers (see page 12 of the levy booklet)

Participating employer	DUNS Number	D&B Failure Score (or local equivalent (if appropriate)) ³	Insolvency Probability (PP)	No. of members
Employer A	123456789	8	0.054906	600
Employer B	112345678	10	0.047612	300
Employer C	111234567	1	0.377973	100

Insolvency probability calculation for the scheme (see page 12 of the levy booklet)

Total number of members = 1,000

WP (weighted average probability of insolvency of all participating employers)⁴ = **0.085025**

Type of multi-employer scheme⁵ = Last man standing non-associated scheme

SF (scaling factor applied to WP) = **0.600000**

P_{me} (multi-employer scheme probability of insolvency)

= WP x SF

= 0.085025 x 0.600000

= **0.051015**

Hence:

P = P_{me} = 0.051015

³ Amended where appropriate as per paragraph 32 of the Schedule to the Determination.

⁴ Calculated as per paragraph 37 of the Schedule to the Determination.

⁵ As set out in the Determination, 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