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www.pensionprotectionfund.org.uk

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>Scheme based levy</p> <p>0.00014 x L (estimated section 179 liabilities at 31/03/2006) = 0.00014 x £100,000,000</p> <p>Risk based levy</p> <p>U (Underfunding risk) x P (Probability of Insolvency) x Levy Scaling Factor x Percentage risk based</p> <p>= £30,701,754 x 2.2344% x 0.53 x 0.8</p> <p>If you have a query on this invoice, please telephone or email using the contact details above, quoting Invoice Number and Scheme Name</p>	<p>£14,000</p> <p>£290,864</p>
Total	£304,864

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 4

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 31 December 2004 = £56,000,000

S (estimated scheme assets as at 31 March 2006)¹ = £60,000,000

Contingent Assets (see page 9 of the levy booklet)

Type A

Deemed value of Type A contingent asset before capping = £20,000,000

Maximum value of Type A contingent asset that will be recognised

$$= (1.05 \times L) - S$$

$$= £45,000,000$$

N_A (Deemed value of type A contingent asset) = £20,000,000

z (Discount factor applied to type A contingent assets $(1 - P_{\text{guar}}/P) = 1 - (0.006370/0.022344)$)

(For P_{guar} and P see the insolvency risk factor calculation section)

¹ 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 4

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

$$A \text{ (Total Assets)} = S + (N_A \times z)$$

$$= \text{£}60,000,000 + (\text{£}20,000,000 \times (1 - (0.006370/0.022344))) = \text{£}74,298,246$$

Liabilities (see page 11 of the levy booklet)

Liabilities on a section 179 basis as at 31 December 2004 = £88,000,000

L (estimated section 179 liabilities as at 31 March 2006)² = **£100,000,000**

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

$$\begin{aligned} \text{Funding level} &= \frac{S}{L} &= \frac{60,000,000}{100,000,000} \\ &= \mathbf{60\%} \end{aligned}$$

Hence:

$$\mathbf{U = (1.05 \times L) - A = \text{£}30,701,754}$$

² 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 4

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 ³	Insolvency Probability
Employer A	123456789	26	0.022344

$$P_{\text{emm}} = 0.022344$$

$$P = 0.022344$$

Data in respect of guarantor required for Type A contingent asset calculation (see page 16 of the levy booklet)

Guarantor providing Type A contingent asset	DUNS Number	D&B Failure Score ⁴	Insolvency Probability (P _{guar})
Employer B	123456789	87	0.006370

$$P_{\text{guar}} = 0.006370$$

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

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