



# Pensions Act 2004

## 2004 CHAPTER 35

### PART 2

#### THE BOARD OF THE PENSION PROTECTION FUND

### CHAPTER 3

#### PENSION PROTECTION

##### *The levies*

#### **175 Pension protection levies**

(1) For each financial year falling after the initial period, the Board must impose both of the following—

- (a) a risk-based pension protection levy in respect of all eligible schemes;
- (b) a scheme-based pension protection levy in respect of eligible schemes.

In this Chapter “pension protection levy” means a levy imposed in accordance with this section.

(2) For the purposes of this section—

- (a) a risk-based pension protection levy is a levy assessed by reference to—
  - (i) the difference between the value of a scheme’s assets (disregarding any assets representing the value of any rights in respect of money purchase benefits under the scheme rules) and the amount of its protected liabilities,
  - (ii) except in relation to any prescribed scheme or scheme of a prescribed description, the likelihood of an insolvency event occurring in relation to the employer in relation to a scheme, and
  - (iii) if the Board considers it appropriate, one or more other risk factors mentioned in subsection (3), and

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**Changes to legislation:** *Pensions Act 2004, Section 175 is up to date with all changes known to be in force on or before 12 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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- (b) a scheme-based pension protection levy is a levy assessed by reference to—
  - (i) the amount of a scheme’s liabilities to or in respect of members (other than liabilities in respect of money purchase benefits), and
  - (ii) if the Board considers it appropriate, one or more other scheme factors mentioned in subsection (4).
- (3) The other risk factors referred to in subsection (2)(a)(iii) are factors which the Board considers indicate one or more of the following—
  - (a) the risks associated with the nature of a scheme’s investments when compared with the nature of its liabilities;
  - (b) such other matters as may be prescribed.
- (4) The other scheme factors referred to in subsection (2)(b)(ii) are—
  - (a) the number of persons who are members, or fall within any description of member, of a scheme;
  - (b) the total annual amount of pensionable earnings of active members of a scheme;
  - (c) such other factors as may be prescribed.
- (5) The Board must, before the beginning of each financial year, determine in respect of that year—
  - (a) the factors by reference to which the pension protection levies are to be assessed,
  - (b) the time or times by reference to which those factors are to be assessed,
  - (c) the rate of the levies, and
  - (d) the time or times during the year when the levies, or any instalment of levy, becomes payable.
- (6) Different risk factors, scheme factors or rates may be determined in respect of different descriptions of scheme.
- (7) The rate determined in respect of a description of scheme may be nil.
- (8) In this section—
  - “initial period” is to be construed in accordance with section 174;
  - “pensionable earnings”, in relation to an active member under a scheme, means the earnings by reference to which a member’s entitlement to benefits would be calculated under the scheme rules if he ceased to be an active member at the time by reference to which the factor within subsection (4)(b) is to be assessed.
- (9) In this section and sections 176 to 181 “financial year” means a period of 12 months ending with 31st March.
- (10) The Board’s duty to impose pension protection levies in respect of any financial year is subject to—
  - (a) section 177 (amounts to be raised by the pension protection levies), and
  - (b) section 180 (transitional provision).

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#### Modifications etc. (not altering text)

- C1** Pt. 2 modified in part (9.3.2005 for specified purposes, 1.4.2005 for specified purposes, 6.4.2005 in so far as not already in force (except ch. 4)) by [The Pension Protection Fund \(Multi-employer Schemes\) \(Modification\) Regulations 2005 \(S.I. 2005/441\)](#), regs. 1, **2-60**, 71, 72
- C2** Pt. 2 modified (8.3.2005 for specified purposes, 6.4.2005 in so far as not already in force) by [The Pension Protection Fund \(Partially Guaranteed Schemes\) \(Modification\) Regulations 2005 \(S.I. 2005/277\)](#), regs. 1(1), **2-11**
- C3** Ss. 175-181 modified (9.3.2005 for specified purposes, 1.4.2005 for specified purposes, 6.4.2005 for specified purposes in so far as not already in force) by [The Pension Protection Fund \(Multi-employer Schemes\) \(Modification\) Regulations 2005 \(S.I. 2005/441\)](#), regs. 1, **73-75**
- C4** S. 175 modified (with application in accordance with reg. 3(1) of the amending S.I.) by [The Occupational Pension Schemes \(Pension Protection Levies\) \(Transitional Period and Modification for Multi-employer Schemes\) Regulations 2006 \(S.I. 2006/566\)](#), regs. 1(1), **3(2)(a)**
- C5** S. 175 modified (with application in accordance with reg. 4(1) of the amending S.I.) by [The Occupational Pension Schemes \(Pension Protection Levies\) \(Transitional Period and Modification for Multi-employer Schemes\) Regulations 2006 \(S.I. 2006/566\)](#), regs. 1(1), **4**
- C6** S. 175 modified (with application in accordance with reg. 5(1) of the amending S.I.) by [The Occupational Pension Schemes \(Pension Protection Levies\) \(Transitional Period and Modification for Multi-employer Schemes\) Regulations 2006 \(S.I. 2006/566\)](#), regs. 1(1), **5**
- C7** S. 175(1) modified (with application in accordance with reg. 3(1) of the amending S.I.) by [The Occupational Pension Schemes \(Pension Protection Levies\) \(Transitional Period and Modification for Multi-employer Schemes\) Regulations 2006 \(S.I. 2006/566\)](#), regs. 1(1), **3(2)(b)**

#### Commencement Information

- I1** S. 175 in force at 20.6.2005 for specified purposes (in so far as it relates to a consultation by the Board under section 176 of the Act (supplementary provisions about pension protection levies)) by [S.I. 2005/1436](#), **art. 2(2)(b)**
- I2** S. 175(1)(2)(a)(ii)(b)(3)(b)(4)(a)(b)(5)-(10) in force at 9.12.2005 in so far as not already in force by [S.I. 2005/3331](#), **art. 2(2)**, **Sch. Pt. 2**
- I3** S. 175(2)(a)(i)(iii)(3)(a) in force at 6.4.2005 by [S.I. 2005/275](#), **art. 2(7)**, **Sch. Pt. 7**

**Changes to legislation:**

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 18(5A) inserted by [2014 c. 19 s. 52\(2\)](#)
- s. 18(6) words inserted by [2014 c. 19 s. 52\(3\)](#)
- s. 18(8) words inserted by [2014 c. 19 s. 52\(3\)](#)
- s. 23(1A) inserted by [2015 c. 8 Sch. 2 para. 26\(3\)](#)
- s. 23(10A) inserted by [2015 c. 8 Sch. 2 para. 26\(5\)](#)
- s. 38(1)-(1B) substituted for s. 38(1) by [2015 c. 8 Sch. 2 para. 27](#)
- s. 38(7)(da) inserted by [2021 c. 1 s. 104\(2\)](#)
- s. 43(1)-(1B) substituted for s. 43(1) by [2015 c. 8 Sch. 2 para. 28\(2\)](#)
- s. 52(1)-(1B) substituted for s. 52(1) by [2015 c. 8 Sch. 2 para. 29](#)
- s. 80(1)(a)(iib) inserted by [2021 c. 1 s. 109\(3\)](#)
- s. 102(2)(a) words in s. 102(2) renumbered as s. 102(2)(a) by [2008 c. 30 s. 44\(5\)\(a\)](#)
- s. 102(2)(b) inserted by [2008 c. 30 s. 44\(5\)\(b\)](#)
- s. 103(1A) inserted by [2008 c. 30 s. 44\(6\)](#)
- s. 117A inserted by [2008 c. 30 Sch. 10 para. 3](#)
- s. 126(1)-(1B) substituted for s. 126(1) by [2015 c. 8 Sch. 2 para. 31](#)
- s. 188(1)(ba) inserted by [2008 c. 30 Sch. 10 para. 6](#)
- s. 189A inserted by [2008 c. 30 Sch. 10 para. 7](#)
- s. 209(9) added by [2008 c. 30 Sch. 10 para. 8](#)
- s. 291(4)(f) and word inserted by [2021 c. 1 Sch. 3 para. 19\(b\)](#)
- s. 318(3)(a)(viii)-(x) inserted by [2015 c. 8 Sch. 2 para. 38\(3\)\(a\)](#)
- s. 318(3)(b)(vi)-(viii) inserted by [2015 c. 8 Sch. 2 para. 38\(3\)\(b\)](#)
- Sch. 4 para. 7(5)(b) inserted by [2008 c. 30 s. 44\(8\)\(b\)](#)
- Sch. 4 para. 13(3) inserted by [2008 c. 30 s. 44\(9\)\(b\)](#)
- Sch. 4 para. 7(5)(a) words in Sch. 4 para. 7(5) renumbered as Sch. 4 para. 7(5)(a) by [2008 c. 30 s. 44\(8\)\(a\)](#)
- Sch. 7 para. 21(2)(c)-(cc) substituted for Sch. 7 para. 21(2)(b)(c) by [2008 c. 30 Sch. 8 para. 11](#) (This amendment not applied to legislation.gov.uk. Sch. 8 para. 10 (3.1.2012) omitted without ever being in force by virtue of 2011 c. 19, Sch. 4 para. 20; S.I. 2011/3034 art. 3(i)(iv))