

# The Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012

Pensions – Consultation on Draft Regulations

November 2011

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## **Introduction**

The consultation seeks views on the enclosed draft of the Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012, which would make changes to the rates of the general levy and the Pension Protection Fund (PPF) administration levy for 2012/13 onwards. The intention is that the regulations will come into force on 1 April 2012.

This document is available on the Department's website at:

<http://www.dwp.gov.uk/consultations/2011/>

## **About this consultation**

### **Who this consultation is aimed at**

The consultation is primarily aimed at employers, pension scheme administrators, trustees and managers. Comments are also welcomed from the wider public. A list of those being directly consulted is attached in **Annex A**.

### **Purpose of the consultation**

This consultation seeks views on the proposed rates of the general levy and the PPF administration levy for 2012/13 onwards.

### **Scope of consultation**

This consultation applies to England, Wales and Scotland. Corresponding provisions are being made in Northern Ireland.

### **Duration of the consultation**

The consultation period begins on 7 November 2011 and runs until 30 January 2012. Any replies received after that date may not be taken into account.

## **How to respond to this consultation**

Please send your consultation responses to:

Maria Meyer  
Department for Work and Pensions  
7<sup>th</sup> Floor, Caxton House  
Tothill Street  
London  
SW1H 9DA

Phone 020 7449 7683

Email [pensionsregulator.dwpconsultation@dwp.gsi.gov.uk](mailto:pensionsregulator.dwpconsultation@dwp.gsi.gov.uk)

Please ensure your response reaches us by 30 January 2012.

When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents, and where applicable, how the views of members were assembled. We will acknowledge your response.

## **Other ways of getting involved**

We have sent this consultation document to a large number of people and organisations who have already been involved in this work or who have expressed an interest. Please do share this document with, or tell us about, anyone you think will want to be involved in this consultation.

## **Summary of responses**

A summary of responses will be published following the consultation. The Government will aim to publish this summary within three months of the consultation closing. The summary of responses will be available on the Department's website: <http://www.dwp.gov.uk/consultations/2011/> and paper copies will be available on request.

## **Queries about the content of this document**

Please direct any queries about the subject matter of this consultation to:

Maria Meyer

Department for Work and Pensions

7<sup>th</sup> Floor, Caxton House

Tothill Street

London

SW1H 9DA

Phone 020 7449 7683

Email [pensionsregulator.dwpconsultation@dwp.gsi.gov.uk](mailto:pensionsregulator.dwpconsultation@dwp.gsi.gov.uk)

## **How we consult**

### **Freedom of information**

The information you send us may need to be passed to colleagues within the Department for Work and Pensions, published in a summary of responses received and referred to in the published consultation report.

All information contained in your response, including personal information, may be subject to publication or disclosure if requested under the Freedom of Information Act 2000. By providing personal information for the purposes of the public consultation exercise, it is understood that you consent to its disclosure and publication. If this is not the case, you should limit any personal information provided, or remove it completely. If you want the information in your response to the consultation to be kept confidential, you should explain why as part of your response, although we cannot guarantee to do this.

To find out more about the general principles of Freedom of Information and how it is applied within DWP, please contact:

Central Freedom of Information Team  
The Adelphi  
1-11, John Adam Street  
London WC2N 6HT

[Freedom-of-information-request@dwp.gsi.gov.uk](mailto:Freedom-of-information-request@dwp.gsi.gov.uk)

The Central Fol team cannot advise on specific consultation exercises, only on Freedom of Information issues. More information about the Freedom of Information Act can be found at [www.dwp.gov.uk/freedom-of-information](http://www.dwp.gov.uk/freedom-of-information)

## The consultation criteria

The consultation is being conducted in line with the Government Code of Practice on Consultation – [Government Code of Practice on Consultation](#) (BIS). The seven consultation criteria are:

- **When to Consult.** Formal consultation should take place at a stage when there is scope to influence the outcome.
- **Duration of consultation exercises.** Consultations should normally last for at least 12 weeks, with consideration given to longer timescales where feasible and sensible.
- **Clarity of scope and impact.** Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence, and the expected costs and benefits of the proposals.
- **Accessibility of consultation exercises.** Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is designed to reach.
- **The burden of consultation.** Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
- **Responsiveness of consultation exercises.** Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

- **Capacity to consult.** Officials running consultation exercises should seek guidance in how to run an effective consultation exercise, and share what they have learned from the experience.

## **Feedback on the consultation process**

We value your feedback on how well we consult. If you have any comments on the process of this consultation (as opposed to the issues raised) please contact our Consultation Coordinator:

Roger Pugh  
DWP Consultation Coordinator  
1<sup>st</sup> floor, Crown House  
2, Ferensway  
Hull HU2 8NF

Phone 01482 584681

>> [roger.pugh@dwp.gsi.gov.uk](mailto:roger.pugh@dwp.gsi.gov.uk)

In particular, please tell us if you feel that the consultation does not satisfy the consultation criteria. Please also make any suggestions as to how the process of consultation could be improved further.

If you have any requirements that we need to meet to enable you to comment, please let us know.

We will publish the responses to the consultation in a report on the consultations section of our website [www.dwp.gov.uk/consultations](http://www.dwp.gov.uk/consultations). The report will summarise the responses and the action that we will take as a result of them.

## **Background**

1. The general levy on occupational and personal pension schemes provides for all of the administration costs of the Pensions Ombudsman (PO) and the Pensions Advisory Service (TPAS) and some of the administration costs of the Pensions Regulator (TPR). The general levy excludes the Regulator's costs in relation to compliance with new duties introduced for workplace pension schemes by the Pensions Act 2008, which are met by the Government.
2. The PPF administration levy on pension schemes eligible for the PPF provides for the administration costs of the PPF in respect of the Pension Protection Fund and the Fraud Compensation Fund (FCF). PPF's administration costs in respect of the Financial Assistance Scheme (FAS) are met by the Government.
3. The rates of the general levy and the PPF administration levy are set in regulations and are reviewed annually. Both levies are payable by eligible pension schemes and calculated based on the number of members in the pension scheme. They are invoiced and collected annually by the Regulator on behalf of the Secretary of State.
4. The rates for both levies have remained unchanged since 2008/9. After the review of the rates for 2012/13, the Secretary of State proposes to reduce the rates of both levies.

## **Commentary on the draft Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012**

5. The following summary explains the purpose of each of the provisions:

### **Regulation 1 – Citation and commencement**

6. This is a general regulation which gives the title of the regulations and specifies the dates on which they are proposed to come into force.

### **Regulation 2 – Amendment of the Occupational and Personal Pension Schemes (General Levy) Regulations 2005**

7. This regulation sets out amendments to regulations 6 and 7 of the Occupational and Personal Pension Schemes (General Levy) Regulations

(S.I. 2005/626) which specify the proposed new amounts of general levy for occupational pension schemes and personal pension schemes for each financial year starting with the one which begins on 1st April 2012.

8. The proposed new rates for the general levy would meet all of the administration costs of the PO and TPAS and some of the administration costs of The Pensions Regulator. The general levy excludes the Regulator's costs in relation to compliance with new duties introduced for workplace pension schemes by the Pensions Act 2008, which are met by the Government.
9. The general levy rates would be reduced by at least 12%. The proposed new rates would fund the forecast future administration costs of these bodies, which are set out in the following business plans: the Regulator's Corporate Plan 2011-2014  
<http://www.thepensionsregulator.gov.uk/docs/corporate-plan-2011-2014.pdf>; The PO's Corporate and Business Plan 2011-2014  
<http://www.pensions-ombudsman.org.uk/Publications/docs/CorporatePlan2011FinalAgreed.pdf>; and TPAS's Corporate Plan 2011-2015  
<http://www.pensionsadvisoryservice.org.uk/media/539041/corporate%20plan%202011-15.pdf>.
10. These amendments would apply to all future years unless amended further. The rates will be reviewed yearly and regulations will be brought forward when it is considered a change to the rates will be needed.

### **Regulation 3 – Amendment of the Occupational Pension Schemes (Levies) Regulations 2005**

11. This regulation amends regulation 6(2) of the Occupational Pension Schemes (Levies) Regulations 2005 (S.I. 2005/842) to provide for the amount payable, in respect of the PPF administration levy, for each financial year starting with the one which begins on 1 April 2012
12. The proposed new rates for the PPF administration levy would meet administration costs of the PPF in respect of the Protection Fund and the FCF.
13. The PPF administration levy rates would be reduced by at least 25% by these Regulations. This is largely because legislative changes made in 2008 and 2011 – consolidated in the Pension Protection Fund (Prescribed Payments and Investment Costs – Amendment) Regulations 2011 – mean that since April 2011, certain costs have no longer been met by the PPF administration levy income, but are now funded out of the Protection Fund. The Department considered that if the PPF were a pension scheme the activities that give rise to these costs would be charged to the scheme



rather than the sponsoring employer, and therefore it was considered appropriate that these costs were met by the Protection Fund rather than the PPF administration levy income.

14. The proposed new rates would fund the PPF's forecast future administration costs, which are set out in the PPF's Strategic Plan 2011 [http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Strategic\\_Plan\\_2011.pdf](http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Strategic_Plan_2011.pdf).
15. The Board of the PPF has been formally consulted (as required by section 117(4) of the Pensions Act 2004) and has approved these proposed rates.
16. These amendments would apply to all future years unless amended further. The rates will be reviewed yearly and regulations will be brought forward when it is considered a change to the rates will be needed.
17. Regulation 2 and Regulation 3 have been combined to create one statutory instrument. The last time these levies were amended, the amendments were in separate statutory instruments. This change is possible because Regulation 3 has been subject to the affirmative Parliamentary procedure, but this requirement would be removed by the current Pensions Bill, meaning that it can be included in these Regulations which use the negative Parliamentary procedure.

## **Impact Assessment**

18. The draft Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012 amend existing levy regimes but impose negligible associated administrative costs on business, charities and the voluntary sector. A full Impact Assessment is not necessary for such legislation.

## **Annex A – list of those consulted**

Aon Consulting  
Association of British Insurers  
Association of Consulting Actuaries  
Association of Corporate Trustees  
Association of Independent Financial Advisers  
Association of Pension Lawyers  
Auditing Practices Board  
Better Regulation Executive  
British Chambers of Commerce  
Confederation of British Industry  
Consumer Focus  
Consumers Association  
Department for Social Development (Northern Ireland)  
Engineers Employers Federation  
Faculty and Institute of Actuaries  
Federation of Small Businesses  
Financial Ombudsman Service  
Financial Services Authority  
HM Revenue and Customs  
Insolvency Service  
Institute of Chartered Accountants in England and Wales  
Institute of Chartered Accountants in Scotland  
Institute of Directors  
Investment Managers' Association  
KPMG  
Law Society of England and Wales  
Law Society of Scotland  
Legal & General  
Mercer  
National Association of Pension Funds

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National Audit Office

Occupational Pensioners' Alliance

Occupational Pensions Defence Union

Office of Fair Trading

Pension Protection Fund

Pension Protection Fund Ombudsman

Pensions Advisory Service

Pensions Management Institute

Pensions Ombudsman

Pensions Research Accountants' Group

Scottish Executive

Society of Pension Consultants

The Administrative Justice and Tribunals Council

The Pensions Regulator

Trades Union Congress

Welsh Assembly

## Annex B – the draft Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012

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STATUTORY INSTRUMENTS

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**2012 No. [consultation draft]**

### **PENSIONS**

#### **The Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012**

*Made* - - - -

*Laid before Parliament*

*Coming into force* - - -

*1st April 2012*

The Secretary of State for Work and Pensions makes the following Regulations in exercise of the powers conferred by sections 175(1) to (3), 181(1) and 182(2) of the Pension Schemes Act 1993(1) and sections 117(1) and (3), 315(2) and 318(1) of the Pensions Act 2004(2).

[In accordance with section 185(1) of the Pension Schemes Act 1993(3) and section 317(1) of the Pensions Act 2004, the Secretary of State has consulted with such persons as the Secretary of State considers appropriate.]

[In accordance with section 117(4) of the Pensions Act 2004, the Secretary of State has consulted the Board of the Pension Protection Fund(4).]

#### **Citation and commencement**

1.—(1) These Regulations may be cited as the Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012.

(2) They come into force on 1st April 2012.

#### **Amendment of the Occupational and Personal Pension Schemes (General Levy) Regulations 2005**

2.—(1) The Occupational and Personal Pension Schemes (General Levy) Regulations 2005(5) are amended as follows.

(2) For regulation 6(2) (amount of the general levy: occupational pension schemes)(6), substitute—

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- (1) 1993 c.48. Section 175 was substituted by section 165 of the Pensions Act 1995 (c.26). Section 175(1) was amended by paragraph 26(2) of Schedule 1 and by Schedule 13 to the Pensions Act 2004 (c.35) and by S.I. 2010/22. Section 175(3) was amended by paragraph 26(3) of Schedule 1 to the Pensions Act 2004. Section 181(1) is cited for the meaning it gives to “prescribed” and “regulations”.
- (2) 2004 c.35. Section 318(1) is cited for the meaning it gives to “prescribed” and “regulations”.
- (3) Section 185(1) was amended by paragraph 46 of Schedule 3 and paragraph 80(a) of Schedule 5 to the Pensions Act 1995.
- (4) The Board of the Pension Protection Fund is established under section 107 of the Pensions Act 2004.
- (5) S.I. 2005/626.
- (6) Regulation 6(2) was substituted by S.I. 2008/661.

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“(2) This is the table—

<i>Number of members on the reference day</i>	<i>Amount of levy calculated by reference to number of members (M)</i>	<i>Minimum amount of levy</i>
2 to 11		£29
12 to 99	£2.88 multiplied by M	
100 to 999	£2.08 multiplied by M	£290
1,000 to 4,999	£1.62 multiplied by M	£2,080
5,000 to 9,999	£1.23 multiplied by M	£8,100
10,000 or more	£0.86 multiplied by M	£12,300.”.

(3) For regulation 7(2) (amount of the general levy: personal pension schemes)(7), substitute—

“(2) This is the table—

<i>Number of members on the reference day</i>	<i>Amount of levy calculated by reference to number of members (M)</i>	<i>Minimum amount of levy</i>
2 to 11		£12
12 to 99	£1.15 multiplied by M	
100 to 999	£0.81 multiplied by M	£120
1,000 to 4,999	£0.69 multiplied by M	£810
5,000 to 9,999	£0.46 multiplied by M	£3,450
10,000 or more	£0.35 multiplied by M	£4,600.”.

**Amendment of the Occupational Pension Schemes (Levies) Regulations 2005**

3. For regulation 6(2) of the Occupational Pension Schemes (Levies) Regulations 2005 (the amount payable)(8), substitute—

“(2) This is the table for the administration levy for the financial year ending with 31st March 2013 and for each financial year after that—

<i>Number of members on the reference day</i>	<i>Amount of levy calculated by reference to number of members (M)</i>	<i>Minimum amount of levy</i>
2 to 11		£31
12 to 99	£3.20 multiplied by M	
100 to 999	£2.31 multiplied by M	£320
1,000 to 4,999	£1.80 multiplied by M	£2,310
5,000 to 9,999	£1.36 multiplied by M	£9,000
10,000 or more	£0.95 multiplied by M	£13,600.”.

Signed by authority of the Secretary of State for Work and Pensions.

*Name*

(7) Regulation 7(2) was substituted by S.I. 2008/661.

(8) S.I. 2005/842. Regulation 6(2) was substituted by S.I. 2008/910.

# Consultation – The Occupational and Personal Pension Schemes (Levies – Amendment) Regulations 2012

Date

Minister of State,  
Department for Work and Pensions

## **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations amend the Occupational and Personal Pension Schemes (General Levy) Regulations 2005 (S.I. 2005/626) (“the General Levy Regulations”) and the Occupational Pension Schemes (Levies) Regulations 2005 (S.I. 2005/842) (“the Administration Levy Regulations”).

Regulation 2 substitutes regulations 6(2) and 7(2) of the General Levy Regulations. This specifies the new figures to be used in calculating the rate at which the general levy is payable. The new figures apply for each financial year starting with the one which begins on 1st April 2012.

The purpose of the general levy is to meet the expenditure mentioned in section 175(1) of the Pension Schemes Act 1993 (c.48). Specified occupational and personal pension schemes pay the general levy (see regulation 3 of the General Levy Regulations). The general levy is used to fund the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman.

Regulation 3 substitutes regulation 6(2) of the Administration Levy Regulations. This specifies the new figures to be used in calculating the rate at which the administration levy is payable. The new figures apply for each financial year starting with the one which begins on 1st April 2012.

The purpose of the administration levy is to meet the expenditure of the Secretary of State mentioned in section 117(1) of the Pensions Act 2004 (c.35). Eligible occupational pension schemes pay the administration levy (see regulation 4 of the Administration Levy Regulations). The administration levy is used to fund administration expenses of the Board of the Pension Protection Fund.

A full impact assessment has not been published for this instrument as it amends an existing statutory levy regime and it has only a negligible administration impact on the private sector and civil society organisations.