Department
for Work &
Pensions

The Occupational and Personal Pension Schemes (General Levy) Regulations review 2020

16 December 2020

Contents

Introduction

1. This consultation concerns proposals for changes to the structure and rates of the General Levy on occupational and personal pension schemes from April 2021, 2022 and 2023.

About this consultation

Who this consultation is aimed at

2. We would expect this consultation to be primarily of interest to those affected by the levy including occupational pension scheme trustees, sponsoring employers of pension schemes and personal pension providers. However, the Government welcomes views from all interested parties.

Purpose of the consultation

3. The purpose of this consultation is to seek views on options for change to the structure and rates of the General Levy from April 2021, 2022 and 2023.

Scope of the consultation

4. This consultation concerns the General Levy regulations which apply to England, Scotland and Wales. It is envisaged that Northern Ireland will make corresponding regulations.

Duration of the consultation

5. The consultation period begins at 10:00 am on 16 December 2020 and runs until 12 noon on 27 January 2021. Please ensure your response reaches us by midday on 27 January 2021 as any replies received after this may not be taken into account.

How to respond to this consultation

6. Please send your consultation responses to:

General Levy Consultation Team
Department for Work and Pensions
ALB Partnership Division
1st Floor
Caxton House
London
SW1H 9NA

Email: GeneralLevy.Consultation2020@dwp.gov.uk

Government response

7. We will aim to publish the Government response to the consultation on GOV.UK. Where consultation is linked to a statutory instrument, as in this instance, responses should be published before or at the same time as any related instrument is laid. The

report will summarise the responses and say what the Government intends to do as a consequence.

How we consult

Consultation principles

8. This consultation is being conducted in line with the revised Cabinet Office consultation principles published in March 2018. These principles give clear guidance to Government departments on conducting consultations.

Feedback on the consultation process

9. We value your feedback on how well we consult. If you have any comments about the consultation process (as opposed to comments about the issues which are the subject of the consultation), including if you feel that the consultation does not adhere to the values expressed in the consultation principles or that the process could be improved, please address them to:

DWP Consultation Coordinator
Legislative Strategy Team
4th Floor
Caxton House
Tothill Street
London
SW1H 9NA

Email: caxtonhouse.legislation@dwp.gov.uk

Data Protection and Confidentiality

10. For this consultation, we will publish all responses except for those where the respondent indicates that they are an individual acting in a private capacity (e.g. a member of the public). All responses from organisations and individuals responding in a professional capacity will be published. We will remove email addresses and telephone numbers from these responses but apart from this, we will publish them in full.

11. For more information about what we do with personal data, you can read **DWP's Personal Information Charter**.

Background

Structure of the levy

12. The General Levy on occupational and personal pension schemes (“the levy”) recovers the funding provided by the Department for Work and Pensions (DWP) in respect of the core activities[1] of The Pensions Regulator (TPR), the activities of The Pensions Ombudsman (TPO) and the pensions-related activities of the Money and Pensions Service (MaPS).

13. All three bodies receive grant-in-aid from DWP, which is reimbursed by levy income.

14. The levy is payable by the trustees of registrable occupational and personal pension schemes. The amount levied on individual schemes is calculated by reference to the number of scheme members.

15. The levy rates are set in regulations (the Occupational and Personal Pension Schemes (General Levy) Regulations 2005, S.I. 2005 No. 626), as amended, and the levy is collected annually by TPR on behalf of the Secretary of State for Work and Pensions.

16. The levy rates are reviewed annually by DWP. Each review considers, amongst other things, anticipated levy receipts; the agreed spending plans of the bodies listed in paragraph 12, normally over a forward period of three years; and any surplus or deficit that may have accumulated.

17. The following table shows the current levy rates for the 2020 levy year:

	Occupational Schemes		**Personal/Stakeholder**	
	Levy per member rate	**Minimum charge per scheme**	**Levy per member rate**	**Minimum charge per scheme**
2-11	N/A	£29	N/A	£12
12-99	£2.88	N/A	£1.15	N/A
100-999	£2.08	£290	£0.81	£120
1,000-4,999	£1.62	£2,080	£0.69	£810
5,000-9,999	£1.23	£8,100	£0.46	£3,450
10,000-499,999	£0.86	£12,300	£0.35	£4,600
500,000+	£0.65	£430,000	£0.26	£175,000

[1] Funding for the Automatic Enrolment compliance regime operated by TPR is not recovered by the levy.

18. The levy rates were last increased in 2008/2009. The rates were then reduced by 13% in 2012/13 and have remained at the same level for most pension schemes since then. A new, lower, levy rate for schemes with 500,000 members or more was introduced in 2017/18. Amendment regulations were laid in February 2020 that would have increased the levy rates by 10% from 1 April 2020 to begin to address a levy deficit that had accumulated. These regulations were subsequently revoked. The Government decided that the increase in the levy rates should not proceed, given the unprecedented circumstances following the COVID-19 pandemic.

19. When the Government consulted[2] on the amendment regulations detailed in the paragraph above, it made clear that further increases in the levy rates would follow a wider review of its structure. It added that the review would be informed by engagement with the industry. The Government regrets that, owing to unavoidable time pressures, engagement did not prove possible on this occasion.

20. The levy is expected to be operating with an accumulated deficit of £80m by 2021[3]. This reflects the levy rates not responding to movements in inflation or to growth in the levy-funded bodies due to:

    - significant changes in the pensions industry and in the regulatory landscape;
    - the Government's commitment to strengthening the regulatory framework and TPR's powers to better protect pension scheme members;
    - increased demand for pensions guidance and dispute resolution;
    - taking forward the development of the pensions dashboard.

    Further information about the developments noted above is in paragraph 22 et seq below.

21. In conducting this year's levy review, we have taken into account the current levy deficit, the strategies and corporate plans of the bodies covered by the levy, and the amount we expect to raise from eligible pension schemes over the ten years from April 2020 if the levy rates remain unchanged. We are aware that there are a number of external factors that may affect these projections over time such as the projected growth in Defined Contribution (DC) scheme membership and consolidation. We will therefore adjust any estimates as part of continuing yearly reviews. In a growing pensions market, led by the successful introduction of Automatic Enrolment, it is vital to ensure that the levy is sufficient to maintain the strengthened regulatory framework put in place in recent years.

Pensions and the regulatory landscape

22. There have been significant changes in the pensions industry and the regulatory landscape since 2017. The Government has taken steps to bolster the pension protection regime to ensure that confidence in pensions saving can be maintained and improved. This has included investing in stronger regulation, as well as providing

[2] https://www.gov.uk/government/consultations/the-occupational-and-personal-pension-schemes-general-levy-review-2019/the-occupational-and-personal-pension-schemes-general-levy-review-2019-public-consultation

[3] Source: DWP internal modelling. This is based on a number of assumptions around membership growth and therefore is subject to change.

access to more comprehensive guidance and complaints services for members of the public.

23. As a result of the developments above, the levy-funded pension bodies have seen continuing change and growth and, therefore, an increase in expenditure. The key areas of increased activity are as follows:

a) **TPR,** the largest funded body, continues to develop clear, quick and tough interventions, having undergone a programme to transform its regulatory culture and expand its regulatory reach and approaches. The number of members in schemes has grown. TPR's responsibilities have also grown as a result of the introduction of an authorisation and supervision regime for Master Trusts.

TPR has provided prompt and proportionate guidance on emerging issues related to COVID-19 and the ensuing economic impact and has provided targeted easements in respect of the payment of pension contributions where appropriate. For example, TPR has recognised that some schemes may be in financial difficulties and offers to liaise with those schemes to assess whether a payment plan can be put in place to help them. This assistance is alongside signposting to independent free debt services that feature on TPR's website. The body will continue to monitor the changing situation, and will take the necessary action to protect savers.

TPR continues to evolve its approach to new and emerging risks. It has published a Corporate Strategy for discussion, reinforcing its commitment to putting the saver at the heart of its work in the long-term. The strategy sets out TPR's understanding of different cohorts of savers, with an increasing focus on DC outcomes during the 15-year horizon of the strategy. The final version of the strategy will be published early next year.

Further information on the work undertaken by TPR is as follows:

- applying new regulatory initiatives to many more schemes to influence their behaviours and improve outcomes for savers. There is an increased focus on setting out TPR's expectations for what effective compliance looks like, as a first step, when talking to individual schemes. TPR's new supervision team maintains one-to-one relationships with schemes of strategic importance on which millions of savers rely;

- extending TPR's regulatory grip to far more schemes than in the past, engaging with schemes if they cause concern and carrying out full investigations into those who persistently flout their duties. TPR's increased breadth and volume of enforcement activity acts as a serious deterrent to those who consider doing wrong, and demonstrates the Government's resolve to protect the reputation of the pensions industry and safeguard millions of savers. TPR has taken a proportionate approach to enforcement activity against employers during the pandemic and will continue to monitor the situation closely;

- developing a robust interim regulatory regime for superfunds, ahead of a legislative solution being proposed by Government. TPR's interim regime sets out clearly its expectations for how DB consolidator superfunds and other new models must show they are well-governed, run by fit and proper people and are backed by adequate capital. It has published guidance for trustees and employers to help them determine whether a transfer into a superfund would be in their members' best interests as well as details of how TPR will assess superfunds;

- communications-led initiatives such as the Trustee toolkit and 21st Century Trustee programme have helped to set clearer expectations of good governance. Phase two of the 21st Century Trustee programme (known as the Future of Trusteeship) focuses on the delivery of trustee education, diversity and inclusion on trustee boards and improved decision making, and the impact of industry-developed competency standards and accreditation for professional trustees. It is supporting industry initiatives such as standards for professional trustees and guidance for sole professional pension trustees;

- leading Project Bloom - a multi-agency task-force set up to fight pension scams. TPR works with Project Bloom partners to coordinate and target efforts to combat pension scams and fraud through education, prevention and enforcement;

- climate change has a significant effect on scheme investments and sponsor covenants. TPR plans to publish a strategy in the first half of 2021 outlining how we will drive action by trustees in relation to the risks and opportunities from climate change in order to create better outcomes in later life for workplace savers. Later in the year it will report on how occupational pension schemes are adapting to climate change;

- embarking on an upgrade of its legacy IT systems to improve stability and reduce cyber risks.

b) **TPO** has undergone considerable transformation in recent years, including having its remit expanded to include an early resolution function and an increase in demand for its service. To support this, TPO is in the process of developing a more accessible, effective and streamlined customer journey by investing in core IT infrastructure, staffing and data processing. This initiative, together with its stronger stakeholder engagement programme, will enable TPO to deliver a quicker, more transparent customer journey as well as continue to work collaboratively with industry and other organisations to improve the pensions complaints process. As recommended by its tailored review[4], conducted in 2019, TPO is working with the DWP to introduce a new Board structure to strengthen its governance and support its existing Executive Team.

c) **MaPS** is succeeding in engaging savers, encouraging them to seek guidance on their options to make good choices. This has led to a considerable increase in demand for pensions guidance which has more than trebled since the introduction of Automatic Enrolment and pension freedoms. MaPS has created virtual appointments and online digital tools and has increased attendance at

[4] https://www.gov.uk/government/publications/the-pensions-ombudsman-tailored-review

outreach events. It has supported major employers going through change such as Carillion and British Steel.

The levy also provides for a proportion of the development costs of the MaPS Pensions Dashboard and development costs of the supporting architecture elements that will enable dashboards to work.

24. While the Government has recognised the need to invest in the levy-funded bodies to maintain and enhance the services they provide, it is committed to monitoring performance closely and providing an effective challenge function in order to drive significant improvements. DWP maintains a continuous dialogue with each body to ensure they are working to the highest standards that are achievable and that their services are delivered efficiently and effectively in order to provide value for money by:

- providing rigorous financial challenge in order to bear down on costs, both through DWP's summer and winter planning rounds and the Spending Review process operated by HM Treasury;

- satisfying itself that each body's board is operating robustly and the board of the Department is receiving regular updates and assurance on performance;

- conducting independent tailored reviews which are designed to give regular assurance and challenge, and to ensure that all arm's length bodies are providing good governance and are operating efficiently.

Funding position

25. The increasing span of activities carried out by TPR, TPO and MaPS positively support government objectives, pensions schemes and savers. However, a natural consequence of increased activity is additional pressure on the levy. Without an increase in the levy rates or a significant reduction in the activity of the levy-funded bodies, the amount by which the expected revenue from the levy falls short of forecast expenditure - the deficit – could be expected to continue to grow significantly. Such a situation would be untenable.

26. The Government has sought to balance the need to fund the pension bodies at a level sufficient to deliver their core objectives of member protection and robust regulation, whilst at the same time keeping to a minimum the financial impact of the levy on the pensions schemes that fund it. In doing so the Government was able to freeze the levy rates for eight years following the 2012/13 reduction, thereby providing a very significant period of stability in levy costs for schemes.

27. Schemes with 500,000 members or more also benefited from the reduction in their levy rate of 25% with effect from April 2017 referenced in paragraph 18. This reduction was intended to increase fairness and make the operation of very large pension schemes more economic whilst avoiding the imposition of an additional burden on smaller schemes.

28. The Government has protected schemes from increases in the levy for eight years, even though expenditure exceeded revenue throughout that period. At the same time, it has been, and remains, committed to improved member education, proactive regulation and strong protections for scheme member benefits. Action to start to bring costs and revenue back into balance is now inescapable and is an appropriate and reasonable response to the levy deficit.

Increasing the levy rates

29. Following Tailored Reviews of both TPR[5] and TPO, the Government is confident that these bodies are the right vehicles for ensuring that pension schemes are correctly regulated and that members and schemes are able to settle complaints and disputes effectively when necessary. In creating MaPS, the Government has ensured that consumers can access the information that they require to make the right decisions about their pensions.

30. Substantial increases in the levy rates will be necessary to bring levy income into balance with levy expenditure, as well as recover the accumulated deficit. The Government intends to pursue a broad aim of bringing the levy into balance by the middle of the decade and recovering the deficit in full by its end. This consultation covers levy rates for the years up to 2023/24. We will set levy rates for the rest of the decade at a later date but can signal now that the levy rates would need to continue to increase to bring the levy back into balance and recover the deficit within a decade.

31. It should be noted that the proposed increases are based on the current forecast expenditure by the levy-funded bodies and our current understanding of relevant regulatory changes. Any future changes to planned expenditure to reflect new policy decisions would need to be quantified and would inform future levy rates reviews. Such reviews will continue to be conducted on an annual basis in line with long-standing practice. Reviews will consider whether any future changes in the pensions landscape, and corresponding changes in the priorities of the supervisory regime, could make it necessary to alter the balance of charges across scheme types.

32. The Government recognises that some schemes liable to pay the levy are also liable to pay the Fraud Compensation Fund (FCF) Levy. A recent court ruling has clarified aspects of the legislation that underpins the FCF. As part of its response, the Government will consider the potential consequential impact on the FCF Levy, details of which it will announce as soon as is reasonably practicable.

Options

[5] https://www.gov.uk/government/publications/the-pensions-regulator-tailored-review

33. The next section sets out the three options we have considered to address the current deficit by increasing the levy rates for the next three years, starting from April 2021. At the same time, we have reviewed the structure of the levy itself. Two of the options that are set out below would involve changes to the structure to better reflect the current focus of the regulatory regime. We are keen to seek your views on the preferred option – Option 1 – and the two options that follow.

Option 1

Increase rates and introduce separate levy rates for Defined Benefit, Defined Contribution, Master Trust and Personal Pensions schemes

34. This option would allow for a more extensive realignment in the levy rates to recognise that the supervisory regime directs more operational effort towards some scheme types than others. It would result in four sets of levy rates: for DB schemes[6], DC schemes other than Master Trusts, Master Trusts and Personal Pensions schemes. Creation of this levy structure would allow it to reflect more fully than in Option 2 the differing levels of supervisory attention devoted by the regime as against scheme type and would provide scope for subsequent realignments, should those become necessary to reflect changes in the pensions landscape that may occur over time. At the same time, the collective approach that underpins the current levy system, together with the inherent simplicity and operability of a levy system based on the number of members in each scheme, would be preserved. The Government is attracted to this option.

35. The need to retain the important features of the current system set out above means that the Government is not presently attracted to more novel alternatives by which the levy might be reshaped. It notes that other levies, for example the Pension Protection Fund risk-based levy and the Financial Services Levy, have more complex processes for determining the amount of levy payable. This is appropriate as these levies raise much greater levels of revenue than the General Levy. The Government proposes to retain a relatively simple levy structure for the General Levy at this time but will keep its structure under review.

36. The Government is aware that pensions schemes have been operating in an environment of considerable uncertainty and unpredictability owing to the continuing impact of COVID-19. It therefore proposes only moderate increases in the levy for 2021/22, at 10% for DB and DC schemes other than Master Trusts, and 5% for Master Trusts and Personal Pensions schemes. Such increases would begin the process of bringing the levy into balance without imposing an unreasonable burden on pensions schemes during a particularly challenging period.

37. The Government is proposing higher increases in the levy rates for 2022/23 and 2023/24. It plans to bring forward amendment regulations covering the levy rates for these years in addition to those for 2021/22. The proposed levy rates for each of these years are tabulated in Annex 1. Bringing forward new levy rates for a three year period will provide schemes with a firm basis on which to plan for payment of the levy over a longer period than is usual. The Government will aim to set the levy rates for forward

[6] The rates for DB schemes would be applied to all such schemes, including schemes in the public sector. Public sector schemes account for approximately one quarter of total levy revenue.

periods of three years in future, which, as well as providing for more robust planning for payment of the levy by schemes, would also align with the corporate planning cycles operated by the levy-funded bodies. The Government will, however, continue to conduct annual reviews of the rates that will take account of the factors discussed in paragraphs 16, 21 and 31 above. It follows that if circumstances cause it to alter its plans for the levy rates during the three-year period starting from 2021/22, it will consult again.

38. Given the relative complexity of DB schemes, and the fact that the supervisory focus continues to be on such schemes, larger levy rate increases are proposed for DB schemes as against other scheme types. This strategy would also reflect the relative affordability for the DB and DC sector, the levy as a proportion of scheme assets and the impact on scheme members.

39. The effect on revenue of Option 1 is depicted in Annex 2. The impact of Option 1 is discussed in paragraph 46 et seq.

Option 2

Increase rates and introduce a separate, lower set of levy rates for Master Trusts

40. Master Trusts are subject to ongoing supervision, so it is right that they should continue to contribute to the levy. However, such schemes are subject to an additional authorisation process for which a fee is charged. A separate set of rates for Master Trusts would allow the levy rates for such schemes to be increased by a different percentage than for other occupational pensions schemes. This would recognise the existence of the authorisation regime. A second set of levy rates would be set for DB schemes and occupational DC schemes other than Master Trusts, and a third for personal pension schemes.

41. The Government is not attracted to this option, because it would not reflect the relative complexity of DB schemes, or the past and current focus of the supervisory regime on such schemes. It is however attracted to the creation of a new levy rate for Master Trusts, pitched at a lower level than the rates for other occupational scheme types, within the proposed restructuring of the levy discussed under Option 1 above.

42. Some Master Trusts have drawn attention to the number of deferred small pots that exist amongst their memberships and the issues that arise from this. It is the case that all scheme members receive protection from the supervisory regime and some small pots will inevitably grow over time. It is also relevant that action is underway to consider the position of small pots in the context of the cross-sector working group launched by DWP in September 2020. Action that could flow from this work, particularly in respect of consolidation, could have a bearing on the issues in relation to small pots and the levy that have been highlighted. Consequently, the Government believes that the creation of a new levy rate for Master Trusts, pitched at a lower level than the rates for other scheme types, is the most appropriate policy response at this time to the pressures faced by these schemes. As indicated above, it would preferable to achieve this outcome within the proposed framework set out under Option 1.

43. The effect on revenue of Option 2 is depicted in Annex 2. The impact of Option 2 is discussed in paragraph 46 et seq.

Option 3

Retain existing levy structure and increase rates

44. Leaving the existing levy structure in place would mean failing to act on the representations received by the Government following its 2019 General Levy consultation, namely that the structure should be made more equitable and cross-subsidies addressed. The Government is therefore not attracted to this option.

45. If the levy rates were not increased the gap between expenditure and levy receipts would continue to grow. As indicated in paragraph 20 above, the levy deficit is expected to reach £80m in 2021, and could be expected to grow by approximately £50m per year if action is delayed. Any delay would make the eventual increases necessary to correct the imbalance within a reasonable timescale greater, and so more difficult for schemes to accommodate. The need to begin the process of bringing the levy into balance is unavoidable and pressing, and so continuing the current freeze in the rates would not be feasible, even if the existing levy structure is retained.

Impact

46. As part of the selection of a preferred option, the Government will consider the impact on employers, pension schemes and members.

47. We estimate that if levy rates were to remain unchanged, there would be a deficit of around £230m at the end of 2023/24. Both Options 1 and 2 see substantial increases in levy revenue. Both options aim to bring levy income into balance with levy expenditure over the medium term, currently forecasted by 2025, and aim to recover the accumulated deficit by 2030. The options differ in the proportion of revenue collected from each sector.

48. The table below sets out our estimate of the additional aggregate impact of the increase in levy rates under Option 1 and 2. This includes impacts to both public and private sector schemes. The impacts are shown for the next 3 years (2021/22 to 2023/24).

49. The aggregate impact has been calculated by comparing each option to current levy rates.

Total additional levy revenue across all schemes shown by scheme type[7]

Option 1	Additional levy revenue (£millions)			
	2021/22	2022/23	2023/24	Total
Occupational Defined Benefit and Hybrid	2.5	21.4	30.2	**54.0**
Occupational Defined Contribution (excluding Master Trusts)	0.3	0.8	1.3	**2.3**
Authorised Master Trusts	0.6	0.9	1.3	**2.9**
Personal Pensions	0.4	0.5	0.7	**1.6**
Total	**3.8**	**23.6**	**33.4**	**60.7**

Option 2	Additional levy revenue (£millions)			
	2021/22	2022/23	2023/24	Total
Occupational Defined Benefit and Hybrid	2.5	16.3	30.2	**49.0**
Occupational Defined Contribution (excluding Master Trusts)	0.3	1.6	3.0	**4.9**
Authorised Master Trusts	0.6	0.9	1.3	**2.9**
Personal Pensions	0.4	0.5	0.7	**1.6**
Total	**3.8**	**19.4**	**35.2**	**58.4**

The Government is interested in understanding more about how pension schemes may absorb these costs or whether they may choose to pass on these costs to members of their scheme or to employers who enrol their employees into the scheme. Responses on this issue should be included when answering questions 4 to 7 in paragraph 51.

[7] Source: DWP internal analysis. Rounded to the nearest £0.1m. Note: Option 2 and 3 do not result in the same total revenue. This is due to the fact that different levy amounts are collected from DB and occupational DC schemes (excluding Master Trusts) under Options 2 and 3.

Consultation questions

50. With regard to the three options set out above:

Question 1
Which option do you prefer?

Question 2
In respect of your answer to Question 1, why do you support your preferred option?

Question 3

What is the impact on your scheme/business of raising the levy under Option 2?

Question 4

What is the impact on your scheme/business of raising the levy under Option 3?

Question 5

How will your scheme respond to a levy increase? (For example: would it be absorbed by scheme, passed on to members, or employers?)

Question 6

If you were to consider passing on costs to employers to absorb the levy increase, what is the size composition of employers using your scheme? (For example: are they mainly small, with less than 50 employees or larger employers?)

Forward look

51. The Government will aim to introduce changes to the levy rates for 2021/22 to 2023/24 following this consultation exercise. The Government will consult again if it subsequently proposes to change the rates for any of these years or for any of the years that follow.

Annex 1 – Proposed levy rates

Option 1

Occupational schemes: Defined Benefit and Hybrid

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£29		£32		£54		£64
12-99	£2.88	Not applicable	£3.17	Not applicable	£5.33	Not applicable	£6.34	Not applicable
100-999	£2.08	£290	£2.29	£310	£3.85	£530	£4.58	£630
1,000-4,999	£1.62	£2,080	£1.78	£2,290	£3.00	£3,850	£3.56	£4,580
5,000-9,999	£1.23	£8,100	£1.35	£8,900	£2.28	£15,000	£2.71	£17,800
10,000-499,999	£0.86	£12,300	£0.95	£13,500	£1.59	£22,800	£1.89	£27,100
500,000 or more	£0.65	£430,000	£0.72	£475,000	£1.20	£795,000	£1.43	£945,000

Occupational schemes: Defined Contribution

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£29		£32		£38		£44
12-99	£2.88	Not applicable	£3.17	Not applicable	£3.74	Not applicable	£4.32	Not applicable
100-999	£2.08	£290	£2.29	£310	£2.70	£370	£3.12	£430
1,000-4,999	£1.62	£2,080	£1.78	£2,290	£2.11	£2,700	£2.43	£3,120
5,000-9,999	£1.23	£8,100	£1.35	£8,900	£1.60	£10,550	£1.85	£12,150
10,000-499,999	£0.86	£12,300	£0.95	£13,500	£1.12	£16,000	£1.29	£18,500
500,000 or more	£0.65	£430,000	£0.72	£475,000	£0.85	£560,000	£0.98	£645,000

Occupational schemes: Master Trust

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£29		£31		£32		£32
12-99	£2.88	Not applicable	£3.02	Not applicable	£3.08	Not applicable	£3.14	Not applicable
100-999	£2.08	£290	£2.18	£300	£2.23	£300	£2.27	£310
1,000-4,999	£1.62	£2,080	£1.70	£2,180	£1.73	£2,230	£1.77	£2,270
5,000-9,999	£1.23	£8,100	£1.29	£8,500	£1.32	£8,650	£1.34	£8,850
10,000-499,999	£0.86	£12,300	£0.90	£12,900	£0.92	£13,200	£0.94	£13,400
500,000 or more	£0.65	£430,000	£0.68	£450,000	£0.70	£460,000	£0.71	£470,000

Personal Pension schemes

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£12		£13		£13		£14
12 to 99	£1.15	Not applicable	£1.21	Not applicable	£1.23	Not applicable	£1.25	Not applicable
100-999	£0.81	£120	£0.85	£120	£0.87	£120	£0.88	£120
1,000-4,999	£0.69	£810	£0.72	£850	£0.74	£870	£0.75	£880
5,000-9,999	£0.46	£3,450	£0.48	£3,600	£0.49	£3,700	£0.50	£3,750
10,000-499,999	£0.35	£4,600	£0.37	£4,800	£0.37	£4,900	£0.38	£5,000
500,000 or more	£0.26	£175,000	£0.27	£185,000	£0.28	£185,000	£0.28	£190,000

Option 2

Occupational schemes: Defined Benefit and Hybrid

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£29		£32		£48		£64
12-99	£2.88	Not applicable	£3.17	Not applicable	£4.75	Not applicable	£6.34	Not applicable
100-999	£2.08	£290	£2.29	£310	£3.43	£470	£4.58	£630
1,000-4,999	£1.62	£2,080	£1.78	£2,290	£2.67	£3,430	£3.56	£4,580
5,000-9,999	£1.23	£8,100	£1.35	£8,900	£2.03	£13,350	£2.71	£17,800
10,000-499,999	£0.86	£12,300	£0.95	£13,500	£1.42	£20,300	£1.89	£27,100
500,000 or more	£0.65	£430,000	£0.72	£475,000	£1.07	£710,000	£1.43	£945,000

Occupational schemes: Defined Contribution

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£29		£32		£48		£64
12-99	£2.88	Not applicable	£3.17	Not applicable	£4.75	Not applicable	£6.34	Not applicable
100-999	£2.08	£290	£2.29	£310	£3.43	£470	£4.58	£630
1,000-4,999	£1.62	£2,080	£1.78	£2,290	£2.67	£3,430	£3.56	£4,580
5,000-9,999	£1.23	£8,100	£1.35	£8,900	£2.03	£13,350	£2.71	£17,800
10,000-499,999	£0.86	£12,300	£0.95	£13,500	£1.42	£20,300	£1.89	£27,100
500,000 or more	£0.65	£430,000	£0.72	£475,000	£1.07	£710,000	£1.43	£945,000

Occupational schemes: Master Trust

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£29		£31		£32		£32
12-99	£2.88	Not applicable	£3.02	Not applicable	£3.08	Not applicable	£3.14	Not applicable
100-999	£2.08	£290	£2.18	£300	£2.23	£300	£2.27	£310
1,000-4,999	£1.62	£2,080	£1.70	£2,180	£1.73	£2,230	£1.77	£2,270
5,000-9,999	£1.23	£8,100	£1.29	£8,500	£1.32	£8,650	£1.34	£8,850
10,000-499,999	£0.86	£12,300	£0.90	£12,900	£0.92	£13,200	£0.94	£13,400
500,000 or more	£0.65	£430,000	£0.68	£450,000	£0.70	£460,000	£0.71	£470,000

Personal Pension schemes

Number of members	2020/21		2021/22		2022/23		2023/24	
	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme	Rate	Min. payment per scheme
2 to 11		£12		£13		£13		£14
12 to 99	£1.15	Not applicable	£1.21	Not applicable	£1.23	Not applicable	£1.25	Not applicable
100-999	£0.81	£120	£0.85	£120	£0.87	£120	£0.88	£120
1,000-4,999	£0.69	£810	£0.72	£850	£0.74	£870	£0.75	£880
5,000-9,999	£0.46	£3,450	£0.48	£3,600	£0.49	£3,700	£0.50	£3,750
10,000-499,999	£0.35	£4,600	£0.37	£4,800	£0.37	£4,900	£0.38	£5,000
500,000 or more	£0.26	£175,000	£0.27	£185,000	£0.28	£185,000	£0.28	£190,000

Annex 2 – Revenue collected by sector under Options 1 and 2

Chart 1 – Revenue forecast by sector under Option 1

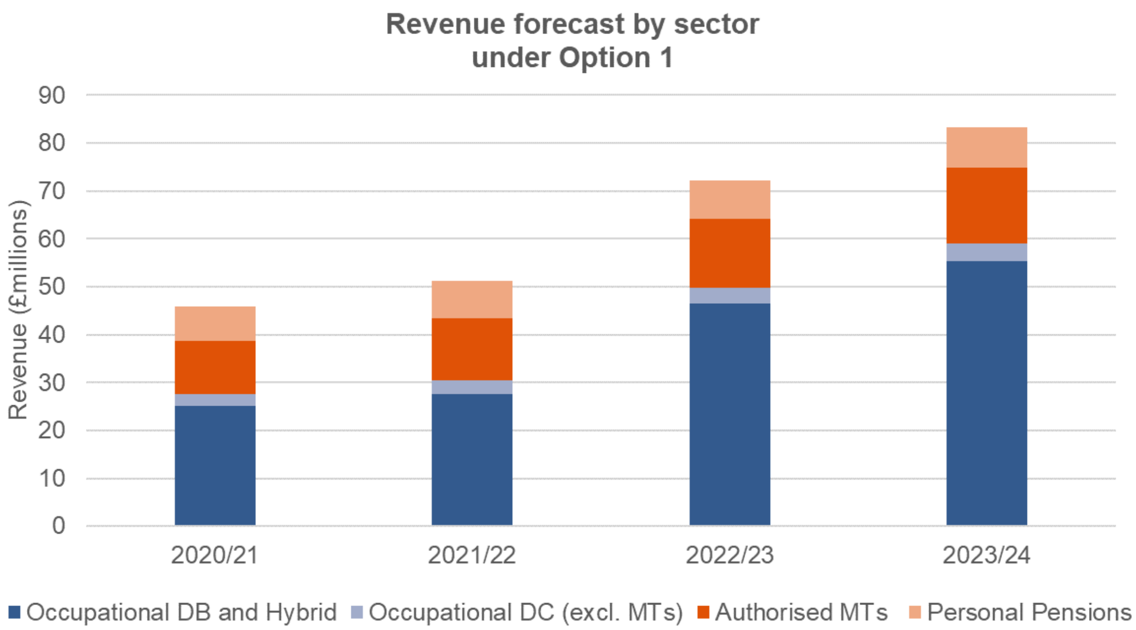
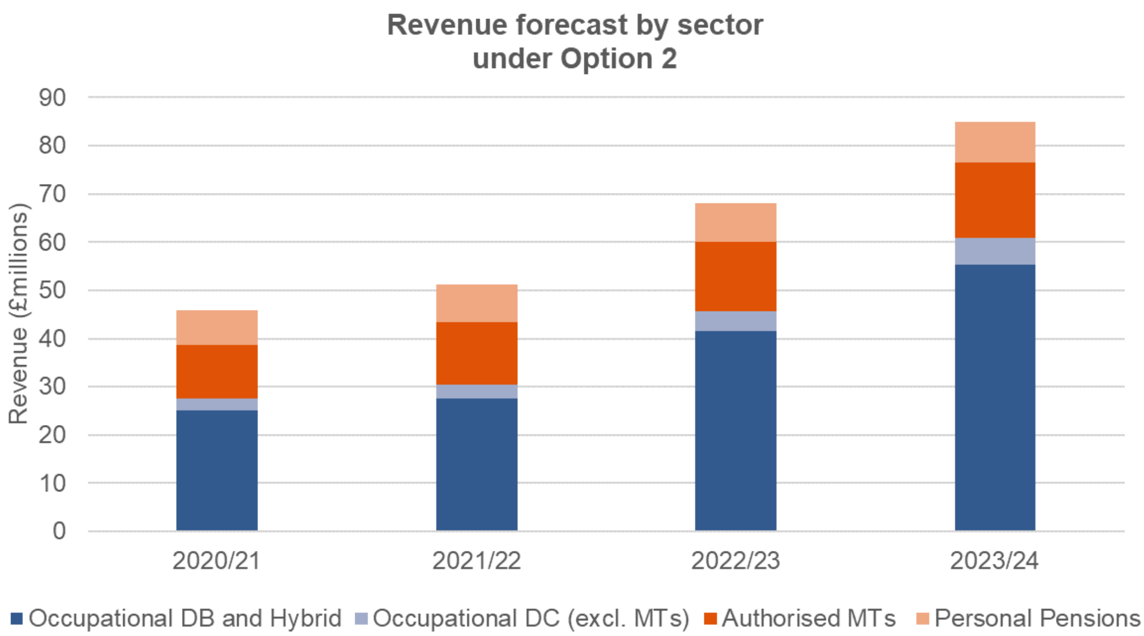


Chart 2 – Revenue forecast by sector under Option 2



Both Option 1 and 2 were developed with the aim of bringing levy income into balance with levy expenditure by 2025, and reaching full recovery of the accumulated deficit by 2030. The options differ in the approach taken to reach these targets but both collect a similar amount of total revenue by 2023/24.

These revenue projections are based on forecasts of scheme membership over the next 3 years, split by scheme size. These figures are then multiplied by the relevant levy rates to generate a figure for projected revenue in the counterfactual scenario, using current levy rates, and the proposed change scenario. It should be emphasised that any modelling is subject to related uncertainties and limitations, and is dependent on the underlying assumptions.

Forecast membership assumptions

Total membership is projected by forecasting both the average number of members and schemes, split by scheme size. These are then multiplied to generate total membership split by scheme size.

Our forecasts for average members and the number of schemes are based on the following key assumptions:

Type of pension	Average number of members	Number of schemes
Defined Benefit and Hybrid (DBH)	Number of members remains at current level.	Remains at current level.
Occupational Defined Contribution (DC), including Master Trust	Grows at the average growth rate for the previous 3 years[8]. For schemes with 500,000+ members, average number of members grow at the average growth rate for the previous 2 years[9] to better reflect recent trends.	Grows at the average growth rate for the previous 3 years. For schemes with more than 10,000 members, the number of schemes will remain at the current level.
Personal/Stakeholder DC	Grows at the average growth rate for the previous 3 years[10].	Grows at the average growth rate for the previous 3 years[11]. For schemes with more than 10,000 members, the number of schemes remain at the current level.

[8] This uses scheme return data from 2018, 2019 and 2020. This data may be lagged as depends on when the scheme year end is and when data is submitted to TPR.
[9] This is from the 2019 and 2020 scheme return data. This data may be lagged as depends on when the scheme year end is and when data is submitted to TPR.
[10] This uses scheme return data from 2018, 2019 and 2020. This data may be lagged as depends on when the scheme year end is and when data is submitted to TPR.
[11] This uses scheme return data from 2018, 2019 and 2020. This data may be lagged as depends on when the scheme year end is and when data is submitted to TPR.