



Department  
for Work &  
Pensions

# The Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017

Public consultation

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November 2016

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# Introduction

The consultation seeks views on the enclosed draft of the Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017, which would make changes to the rates of the General Levy on pensions schemes for the year 2017/18 onwards.

## About this consultation

### Who this consultation is aimed at

This consultation is primarily aimed at pension scheme trustees, managers and administrators. Comments are also welcomed from the wider public.

### Purpose of the consultation

This consultation seeks views on the proposed rates of the General Levy on occupational and personal pension schemes for 2017/18 onwards.

### Scope of consultation

This consultation applies to England, Wales and Scotland. It is anticipated that Northern Ireland will make corresponding regulations.

### Duration of the consultation

The consultation period begins on 24 November 2016 and runs until 18 January 2017. Please ensure your response reaches us by that date as any replies received after that date may not be taken into account.

## How to respond to this consultation

Please send your consultation response to:

Iain Fenwick

Department for Work and Pensions

1<sup>st</sup> Floor, Caxton House

6 – 12 Tothill Street

London

SW1H 9NA

Email: [private.pensionspublicconsultation@dpw.gsi.gov.uk](mailto:private.pensionspublicconsultation@dpw.gsi.gov.uk)

## Government response

We will aim to publish the government response to the consultation on the [GOV.UK](http://gov.uk) website. The [consultation principles](#) encourage Departments to publish a response within 12 weeks or provide an explanation why this isn't possible. Where consultation is linked to a statutory instrument, responses should be published before or at the same time as the instrument is laid.

The report will summarise the responses.

## How we consult

### Consultation principles

This consultation is being conducted in line with the revised [Cabinet Office consultation principles](#) published in January 2016. These principles give clear guidance to government departments on conducting consultations.

### Feedback on the consultation process

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  
2nd Floor  
Caxton House  
Tothill Street  
London  
SW1H 9NA

Email: [caxtonhouse.legislation@dwp.gsi.gov.uk](mailto:caxtonhouse.legislation@dwp.gsi.gov.uk)

### 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 the Central Freedom of Information Team:

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

The Central FoI team cannot advise on specific consultation exercises, only on Freedom of Information issues. Read more information about the [Freedom of Information Act](#).

# The Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017

## Background

1. The General Levy (“the levy”) on occupational and personal pension schemes recovers the core funding provided by the Department for Work and Pensions (DWP) for three public bodies delivering elements of the pensions protection regime. These bodies are the Pensions Regulator (“TPR”), the Pensions Advisory Service and the Pensions Ombudsman.
2. The levy rates are set in regulations (the Occupational and Personal Pension Schemes (General Levy) Regulations 2005) (S.I. 2005 No. 626). The levy is collected annually by TPR on behalf of the Secretary of State.
3. The levy rates are reviewed annually. Each review takes into account anticipated levy receipts; the agreed spending plans of the bodies listed above and any surplus or deficit that may have accumulated. A smoothing arrangement operates to avoid the need to alter the levy rates each year. This means that, rather than matching exactly the spending of the bodies listed above in a given year, the levy is more commonly in surplus or in deficit.
4. The levy rates were reduced by 13% for 2012/13 and have been held at the same level since then.
5. In conducting this year’s review of the Levy rates, we have taken into account the agreed spending plans of the bodies covered by the levy. We estimate that this will be approximately £44m in 2017/18.
6. We have also considered the amount we expect will be raised from eligible pension schemes in 2017/18 if the current levy rates remain unchanged. We estimate this figure to be approximately £43m in 2017/18.
7. We estimate that a levy surplus of approximately £13m will exist at the end of 2016/17. This surplus may erode over time if the spending of the bodies listed above begins to increase, but the process could take a considerable time. For this reason, the Government believes that it may be preferable to alter the levy rates from 2017/18 in order to take account of the surplus that has accumulated. We have therefore considered options for the levy rates. The options are discussed in the following section.

## Options considered

### Option 1 – no change

1. The Government has considered leaving the current levy rates unchanged. This would continue the freeze in the rates that has been in place since 2012/13. However, it would mean that a levy surplus would continue to exist for a number of years. The current levy rates are in the following tables:

Current General Levy rates – occupational pension schemes

Number of members of scheme	Levy rate per member	Minimum amount of levy
2 to 11	N/A	£29
12 to 99	£2.88	N/A
100 to 999	£2.08	£290
1,000 to 4,999	£1.62	£2,080
5,000 to 9,999	£1.23	£8,100
10,000 or more	£0.86	£12,300

Current General Levy rates – personal pension schemes

Number of members of scheme	Levy rate per member	Minimum amount of levy
2 to 11	N/A	£12
12 to 99	£1.15	N/A
100 to 999	£0.81	£120
1,000 to 4,999	£0.69	£810
5,000 to 9,999	£0.46	£3,450
10,000 or more	£0.35	£4,600

2. The Government believes that the levy rates should be reduced so that the surplus can be eroded over a shorter period. For this reason we are not attracted to this option.

### Option 2 – reduce the levy rates for all schemes in order to eliminate the surplus

3. Under this option, the levy rates would be reduced by 10% from 2017/18. The levy rates that would be payable under this option are in the following tables:

The Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017

10% reduction in General Levy rates – occupational pension schemes

<b>Number of members of scheme</b>	<b>Levy rate per member</b>	<b>Minimum amount of levy</b>
2 to 11	N/A	£26
12 to 99	£2.59	N/A
100 to 999	£1.87	£260
1,000 to 4,999	£1.46	£1,870
5,000 to 9,999	£1.13	£7,300
10,000 or more	£0.77	£11,300

10% reduction in General Levy rates – personal pension schemes

<b>Number of members of scheme</b>	<b>Levy rate per member</b>	<b>Minimum amount of levy</b>
2 to 11	N/A	£11
12 to 99	£1.03	N/A
100 to 999	£0.73	£110
1,000 to 4,999	£0.62	£730
5,000 to 9,999	£0.41	£3100
10,000 or more	£0.32	£4100

4. Based on current assumptions, this option could be expected to reduce the surplus to a negligible level by 2020. However, the Government has received representations from a group of very large pension schemes, who argue that their levy charges are unfairly distributed and unreasonably high. The number of members in these schemes is growing on account of Automatic Enrolment and any future consolidation of schemes could add to this effect.
5. The schemes that have made representations have also pointed out that they are currently serving a large number of scheme members with small pension pots, which, they argue, make their levy charges uneconomic.
6. The Government believes that the representations that have been made carry weight. An occupational pension scheme with 1m members currently pays a levy charge of £860,000 – a charge 70 times larger than is applied to a scheme with 10,000 members paying a charge of £12,300. Yet the larger scheme is most unlikely to receive 70 times the supervisory effort that is directed towards the smaller scheme by the pensions protection regime.

7. In the light of the above, the Government does not believe that it would be appropriate, on this occasion, to reduce the levy rates for all pension schemes. It is therefore unattracted to this option.

### **Option 3 – reduce the levy rates for very large schemes in order to eliminate the surplus whilst maintaining the levy rates freeze for smaller schemes**

8. The Government has considered how it could reduce the impact of the levy on very large schemes without imposing additional levy charges on smaller schemes. It has therefore considered an option under which a new levy rate would be created for schemes with 500,000 members or more, pitched at a level 25% lower than the current rate for schemes with 10,000 members or more. A reduction of 25% would broadly correspond to the average fall across the current levy rate bands. The levy rates for schemes with less than 500,000 members would remain frozen. The levy rates that would be payable under this option are in the following tables:

25% reduction in General Levy rates for very large occupational pension schemes

<b>Number of members of scheme</b>	<b>Levy rate per member</b>	<b>Minimum amount of levy</b>
2 to 11	N/A	£29
12 to 99	£2.88	N/A
100 to 999	£2.08	£290
1,000 to 4,999	£1.62	£2,080
5,000 to 9,999	£1.23	£8,100
10,000-499,999	£0.86	£12,300
500,000 or more	£0.65	£430,000

25% reduction in General Levy rates for very large personal pension schemes

<b>Number of members of scheme</b>	<b>Levy rate per member</b>	<b>Minimum amount of levy</b>
2 to 11	N/A	£12
12 to 99	£1.15	N/A
100 to 999	£0.81	£120
1,000 to 4,999	£0.69	£810
5,000 to 9,999	£0.46	£3,450
10,000-499,999	£0.35	£4,600
500,000 or more	£0.26	£175,000



9. On current assumptions, this option could be expected to reduce the surplus to a negligible level by 2020. The Government believes Option 3 would balance the need to increase fairness and make the operation of very large pension schemes more economic with the need to avoid imposing an additional burden on smaller schemes. The Government also believes that Option 3 would not limit any increase in scale in the market that may be driven by the consolidation of pension schemes. The Government is therefore attracted to this option.

### Questions

We welcome your comments on the proposed changes to the General Levy rates as set out under Option 3 and in the enclosed draft of the regulations.

1. Do you support the proposed approach?
2. Would you prefer the Government to take forward one of the other options noted in this consultation? If yes, which one and why?
3. Would you like to propose any alternative options to those noted in this consultation which would eliminate the levy surplus? If so, please provide details.

## **Commentary on the draft Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017**

1. The following summary explains the purpose of each of the provisions.

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

2. This is a general regulation which gives the title of the regulations and specifies the date on which the regulations are proposed to come into force.
3. It is proposed that the regulations will come into force on 1<sup>st</sup> April 2017.

### **Regulation 2 – Amendment of the 2005 Regulations with effect from 1<sup>st</sup> April 2017**

4. This regulation amends regulations 6(2) & 7(2) of the Occupational and Personal Pension Schemes (General Levy) Regulations 2005 (“the 2005 Regulations”) to provide for the amounts payable by eligible schemes, in respect of the General Levy, for the financial year 2017/18. The rate for schemes with 500,000 members or more is 25% less than the rates payable for schemes with 10,000-499,999 members. The rates for schemes with fewer than 500,000 members are not altered by these regulations.

## Overview of regulation 2

5. The proposed new rates would allow the agreed administration costs of the Pensions Regulator, the Pensions Ombudsman and the Pensions Advisory Service to be recovered by the General Levy. These costs are set out in the Corporate Plans of the bodies listed above, at:

<http://www.thepensionsregulator.gov.uk/docs/corporate-plan-2016-2019.pdf>

<https://www.pensions-ombudsman.org.uk/wp-content/uploads/2016-10-03-Corporate-Plan-final-TPO.pdf>

[http://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/Corporate\\_Plan\\_2016-2019.pdf](http://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/Corporate_Plan_2016-2019.pdf)

6. These amendments would apply to 2017/18 and subsequent years unless amended further. The General levy rates will continue be reviewed annually and regulations will be brought forward when it is considered that a change to the rates will be needed.

**Question 4.** Do you have any comments on the content of the attached draft regulations?

## Impact Assessment

7. The draft Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017 would amend the existing General Levy regime but impose negligible associated administrative costs on business and civil society organisations. A full Impact Assessment is not necessary for such legislation.

## Summary of consultation questions

We welcome your comments on the proposed changes to the General Levy as set out under Option 3 and in the enclosed draft of the regulations.

1. Do you support the proposed approach?
2. Would you prefer the Government to take forward one of the other options noted in this consultation? If yes, which one and why?
3. Would you like to propose any alternative options to those noted in this consultation which would eliminate the General Levy surplus that has accumulated? If so, please provide details.
4. Do you have any comments on the content of the draft regulations?

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S T A T U T O R Y   I N S T R U M E N T S

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**2017 No.**

**PENSIONS**

**The Occupational and Personal Pension Schemes (General Levy)  
(Amendment) Regulations 2017**

*Made* - - - - - \*\*\*  
*Laid before Parliament* \*\*\*  
*Coming into force* - - - \*\*\*

The Secretary of State makes the following Regulations in exercise of the powers conferred by section 175(1) and (3) of the Pension Schemes Act 1993(1).

In accordance with section 185(1) of that Act(2) the Secretary of State has consulted with such persons as the Secretary of State considers appropriate.

**1.Citation and commencement**

2. These Regulations may be cited as the Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017 and come into force on 1st April 2017.

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

4.—(1) The Occupational and Personal Pension Schemes (General Levy) Regulations 2005(3) are amended as follows.

For Regulation 6(2) (amount of the general levy: occupational pension schemes)(4), 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		£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 to 499,999	£0.86 multiplied by M	£12,300
500,000 or more	£0.65 multiplied by M	£430,000”.

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(1) 1993 c.48. Section 175 was substituted by section 165 of the Pensions Act 1995 (c. 26), and 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. See section 181 for the definitions of “prescribed” and “regulations”.  
(2) Section 185(1) was amended by paragraph 46 of Schedule 3, paragraph 80(a) of Schedule 5, and Part 1 of Schedule 7 to the Pensions Act 1995.  
(3) S.I. 2005/626.  
(4) Regulation 6(2) was substituted by S.I. 2008/661 and then by S.I. 2012/539.

# The Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017

For regulation 7(2) (amount of the general levy: personal pension schemes)(5), 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 to 499,999	£0.35 multiplied by M	£4,600
500,000 or more	£0.26 multiplied by M	£175,000 <sup>5</sup> .

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

Date \_\_\_\_\_  
Parliamentary Under Secretary of State  
Department for Work and Pensions  
*Name*

## EXPLANATORY NOTE

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

These Regulations amend the Occupational and Personal Pension Schemes (General Levy) Regulations 2005. They substitute regulations 6(2) and 7(2) to specify the new figures that are 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 2017.

The purpose of the general levy is to meet the expenditure mentioned in section 175 of the Pension Schemes Act 1993. Specified occupational and personal pension schemes pay the general levy to fund the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman.

The effect of the changes is to leave the general levy rates unchanged for schemes with fewer than 500,000 members. The rate for schemes with 500,000 members or more is reduced by 25% per member.

These Regulations reduce costs for business and civil society organisations overall. An impact assessment has not been published for these Regulations as they amend an existing statutory levy regime and the associated administrative costs are negligible.

<sup>(5)</sup> Regulation 7(2) was substituted by S.I. 2008/661 and then by S.I. 2012/539.