

**EXPLANATORY MEMORANDUM TO  
THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES (LEVIES -  
AMENDMENT) REGULATIONS 2012**

**2012 No. 539**

1. This explanatory memorandum has been prepared by the Department for Work and Pensions (“DWP”) and is laid before Parliament by Command of Her Majesty.

**2. Description**

These Regulations substitute new amounts to be used in calculating the amount payable in respect of the general levy for occupational and personal pension schemes. The general levy meets the running costs of the Pensions Regulator, the Pensions Advisory Service, and the Pensions Ombudsman. These Regulations also substitute new amounts to be used in calculating the amount payable in respect of the administration levy for occupational pension schemes. The administration levy meets the administration costs of the Board of the Pension Protection Fund.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

None.

**4. Legislative Background**

4.1 These Regulations amend the Occupational Pension Schemes (Levies) Regulations 2005 (S.I. 2005/842) [http://www.legislation.gov.uk/uksi/2005/842/pdfs/uksi\\_20050842\\_en.pdf](http://www.legislation.gov.uk/uksi/2005/842/pdfs/uksi_20050842_en.pdf) to specify the new amounts to be used in calculating the amount payable in respect of the administration levy for occupational pension schemes. They also amend the Occupational and Personal Pension Schemes (General Levy) Regulations (S.I. 2005/626) [http://www.legislation.gov.uk/uksi/2005/626/pdfs/uksi\\_20050626\\_en.pdf](http://www.legislation.gov.uk/uksi/2005/626/pdfs/uksi_20050626_en.pdf) to specify the new amounts to be used in calculating the amount payable in respect of the general levy for occupational and personal pension schemes.

4.2 The amendment to the Occupational Pension Schemes (Levies) Regulations 2005 was previously subject to the affirmative legislative procedure. The Pensions Act 2011 has changed this so the amendment is now subject to the negative legislative procedure.

**5. Territorial Extent and Application**

These Regulations apply to Great Britain. Corresponding provisions are being made for Northern Ireland.

**6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## 7. Policy Background

- *What is being done and why*

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

- 7.1 The general levy meets the running costs of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman.
- 7.2 The principle underlying payment of the general levy is that the cost of regulating occupational and personal pension schemes should be borne by the schemes themselves.
- 7.3 The general levy rates have remained unchanged since 2008/9. From 2012/13, the general levy rates are reduced by at least 12%. This will meet the forecast yearly running costs of the relevant bodies.
- 7.4 The general levy has been set at a rate that ensures the bodies funded by it have the necessary resources to carry out their forecast tasks.

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

- 7.5 The Pension Protection Fund (“the PPF”) administration levy meets the running costs of the PPF.
- 7.6 The PPF administration levy rates have remained unchanged since 2008/9. From 2012/13, the PPF administration levy rates are reduced by at least 25%. This is largely because legislative changes (the Pension Protection Fund (Prescribed Payments and Investment Costs – Amendment) Regulations 2011) [http://www.legislation.gov.uk/uksi/2011/671/pdfs/uksi\\_20110671\\_en.pdf](http://www.legislation.gov.uk/uksi/2011/671/pdfs/uksi_20110671_en.pdf) mean that since April 2011, certain costs have no longer been met by the PPF administration levy, but are now funded out of the main Protection Fund. (If the PPF was a pension scheme, the activities that give rise to these costs would be charged to the scheme rather than the sponsoring employer. Therefore it was considered appropriate that these costs are met by the main Protection Fund rather than the PPF administration levy.)
- 7.7 The PPF administration levy has been set at a rate that ensures the PPF has the necessary resources to carry out its forecast tasks.
- 7.8 The rates prescribed in these Regulations will apply to all future years unless amended further.

- *Consolidation*

- 7.9 There are no immediate plans to consolidate the Regulations amended by these Regulations. However DWP publishes the “Blue Volumes” which are online and can be accessed for free by members of the public. The Blue Volumes contain the legislation for which DWP is responsible. The legislation is presented in a consolidated form and is updated regularly. The weblink is

<http://www.dwp.gov.uk/publications/specialist-guides/law-volumes/the-law-relating-to-social-security/>

## **8. Consultation outcome**

The Secretary of State has consulted on a draft of these Regulations. The consultation period started on 7 November 2011 and closed on 30 January 2012. No substantive responses were received to the consultation.

## **9. Guidance**

The administration of the levies is undertaken by the Pensions Regulator. Information and guidance can be found at the following link:

<http://www.thepensionsregulator.gov.uk/exchange/levy.aspx>

## **10. Impact**

10.1 The Regulations reduce costs for business and civil society organisations overall by amending existing levy regimes; the administrative costs are negligible.

10.2 The impact on the public sector is negligible.

10.3 A full impact assessment has not been prepared for this instrument.

## **11. Regulating small business**

The impact of this legislation on small businesses is the same as for all businesses (as above).

## **12. Monitoring & review**

In line with DWP's overall stewardship approach to all non-departmental public bodies, DWP scrutinises and approves the annual business plans and operating budgets of the Pensions Regulator, the Pensions Ombudsman, the Pensions Advisory Service and the Pension Protection Fund. The chief executives of each of these bodies also have an accounting officer responsibility to DWP. Each body must submit annual reports and accounts which are scrutinised by the National Audit Office before the Secretary of State lays them before Parliament. DWP will continue to review the general levy rates and PPF administration levy rates on a yearly basis.

## **13. Contact**

Maria Meyer at the Department for Work and Pensions (Tel: 020 7449 7683 or e-mail: [pensionsregulator.dwpconsultation@dwp.gsi.gov.uk](mailto:pensionsregulator.dwpconsultation@dwp.gsi.gov.uk)) can answer any queries regarding this instrument.