

Draft Order laid before Parliament under section 316(2)(f) of the Pensions Act 2004, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2007 No.

PENSIONS

The Occupational Pension Schemes (Levy Ceiling) Order 2007

Made - - - - 2007

Coming into force in accordance with article 1(2)

This Order is made in exercise of the powers conferred by sections 178(1) and 315(5) of the Pensions Act 2004⁽¹⁾.

In accordance with section 178(5) of that Act the Secretary of State has reviewed the general level of earnings obtaining in Great Britain during the period of 12 months ending with 31st July 2006⁽²⁾ and it appears to him that the general level of earnings has increased by 3.8 per cent during that period⁽³⁾.

A draft of this instrument has been laid before Parliament in accordance with section 316(2)(f) of that Act and approved by a resolution of each House of Parliament.

Accordingly the Secretary of State for Work and Pensions makes the following Order:

Citation and commencement

1.—(1) This Order may be cited as the Occupational Pension Schemes (Levy Ceiling) Order 2007.

(2) This Order shall come into force—

- (a) for the purposes of this article and article 2, on 31st March 2007; and
- (b) for the purposes of article 3 on, 1st April 2007.

The levy ceiling

2. For the purposes of section 177 of the Pensions Act 2004 (amounts to be raised by the pension protection levies), the levy ceiling for the financial year beginning on 1st April 2007 is £804,450,000.

(1) 2004 c.35. See also S.I. 2006/742 which provides for the levy ceiling for the financial year beginning on 1st April 2006.

(2) See regulation 3 of S.I. 2006/2692 which provides that the review period is the period of 12 months ending with 31st July 2006.

(3) See S.I. 2006/3105.

Revocation of the Occupational Pension Schemes (Levy Ceiling) Order 2006

3. The Occupational Pension Schemes (Levy Ceiling) Order 2006(4) is revoked.

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

2007

Minister of State,
Department for Work and Pensions

EXPLANATORY NOTE

(This note is not part of the Order)

This Order specifies, for the purposes of section 177 of the Pensions Act 2004 (c.35) (“the Act”), the levy ceiling for the financial year beginning on 1st April 2007.

Section 175 of the Act provides that the Board of the Pension Protection Fund (“the Board”) must impose pension protection levies for each financial year falling after the initial period (as defined by section 174 of the Act). Section 177 of the Act provides for the amount to be raised by the pension protection levies. By virtue of section 177(2) of the Act the amount of the levies for a financial year must not exceed the levy ceiling for that financial year.

The Occupational Pension Schemes (Levy Ceiling) Order 2006 (S.I. 2006/742) (“the 2006/2007 Order”) specifies that the levy ceiling for the financial year beginning on 1st April 2006 is £775,000,000. Section 178(3)(a) of the Act provides that the levy ceiling must increase in line with any increase in the general level of earnings obtaining in Great Britain. The Occupational Pension Schemes (Levy Ceiling - Earnings Percentage Increase) Order 2006 (S.I. 2006/3105) specifies that the increase in the general level of earnings for the period of 12 months ending with 31st July 2006 is 3.8 per cent. Accordingly, this Order specifies that the levy ceiling for the financial year beginning on 1st April 2007 is £804,450,000.

However, section 177(4) of the Act provides that for the first financial year after the transitional period (the transitional period being the period of 12 months beginning on 1st April 2006) regulations may modify section 177(2) of the Act so that the reference to “the levy ceiling for the financial year” is read as a reference to such lower amount as is prescribed. Regulation 2 of the Pension Protection Fund (Levy Ceiling) Regulations 2006 (S.I. 2006/2692) provides that for the financial year beginning on 1st April 2007, the first financial year after the transitional period, that reference shall be read as if it were a reference to the lower amount of “£718,750,000”.

Therefore for the financial year beginning on 1st April 2007 the Board will impose levies not exceeding £718,750,000.

Article 3 revokes the 2006/2007 Order.

A Regulatory Impact Assessment of the impact on business, charities or the voluntary sector of the provisions relating to the pension protection levies ceiling was carried out in April 2006 at the time the first ceiling was set, and a copy placed in the libraries of both Houses of Parliament. Copies may be obtained from the Department for Work and Pensions, Better Regulation Unit, 4th floor, Adelphi, 1-11 John Adam Street, London WC2N 6HT.