

**EXPLANATORY MEMORANDUM TO**  
**THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES (GENERAL LEVY)**  
**(AMENDMENT) REGULATIONS 2020**

**2020 No. 195**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Department for Work and Pensions (DWP) and is laid before Parliament by Command of Her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

**2. Purpose of the instrument**

- 2.1 These Regulations give effect to new rates that will be used to calculate the General Levy payable by occupational pension schemes and personal pension schemes.

**3. Matters of special interest to Parliament**

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

- 3.1 As this instrument is subject to the negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

*Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*

- 3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

**4. Extent and Territorial Application**

- 4.1 The territorial extent of this instrument is Great Britain.
- 4.2 The territorial application of this instrument is Great Britain.
- 4.3 Corresponding provisions are being made in Northern Ireland.

**5. European Convention on Human Rights**

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

**6. Legislative Context**

- 6.1 These Regulations amend the Occupational and Personal Pension Schemes (General Levy) Regulations 2005 (S.I. 2005/626) (“the 2005 Regulations”) which prescribe the rates of the General Levy.
- 6.2 Regulation 2(2) and (3) substitutes regulations 6(2) and 7(2) of the 2005 Regulations to specify the new figures to be used in calculating the rates at which the general levy is payable for occupational pension schemes and personal pension schemes. The new

figures apply for each financial year starting with the one which begins on 1st April 2020.

- 6.3 Regulation 3 revokes the Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2017 which implemented the previous increase.

## **7. Policy background**

### *What is being done and why?*

- 7.1 The Pensions Regulator (TPR) was established by the Pensions Act 2004 (<http://www.legislation.gov.uk/ukpga/2004/35/contents>) and protects members of work-based pension schemes. The Pensions Ombudsman was established by the Social Security Act 1990 (<http://www.legislation.gov.uk/ukpga/1990/27/contents>); his functions, which are to determine complaints and disputes about the way pension schemes are run, are now specified by the Pension Schemes Act 1993 (<http://www.legislation.gov.uk/ukpga/1993/48/contents/enacted>). The Money and Pensions Service (MaPS) helps people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime. (<http://www.legislation.gov.uk/ukpga/2018/10/contents/enacted>) and (<https://www.legislation.gov.uk/uksi/2019/383/regulation/2/made>).
- 7.2 The General Levy recovers the core running costs of TPR and TPO. For MaPS, it covers the running costs of the general pensions guidance and elements of the pensions dashboard. The levy rates were last increased in 2008/09. 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.
- 7.3 The General Levy rates have not been increased in line with movements in inflation but are reviewed annually to ensure that an appropriate amount is being raised by this levy to meet the costs that are being incurred. The most recent review found that the levy is in deficit. Levy rates have not kept up with inflation and there has been growth in the levy-funded bodies due to significant changes in the pensions industry and regulatory landscape. A change to the General Levy rates is needed to begin to recover the accruing deficit and meet forecasted expenditure of the bodies noted in paragraph 7.1.
- 7.4 These Regulations help achieve this policy intent by introducing new interim higher levy rates for pension schemes, whilst the Government considers whether a different levy structure is needed.

## **8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union**

- 8.1 This instrument does not relate to withdrawal from the European Union or trigger the statement requirements under the European Union (Withdrawal) Act.

## **9. Consolidation**

- 9.1 Informal consolidated text of instruments is available to the public free of charge via the National Archives website.

## **10. Consultation outcome**

- 10.1 The consultation period lasted 6 weeks and ran from 18 October 2019 to 29 November 2019 (<https://www.gov.uk/government/consultations/the-occupational-and-personal-pension-schemes-general-levy-review-2019>).
- 10.2 The purpose of the consultation was to raise awareness of DWP's proposal to raise the rates of the General Levy from April 2020, and to seek views on options for change. The consultation was primarily of interest to those affected by the levy including occupational pension scheme trustees, personal pension providers and sponsoring employers of pension schemes.
- 10.3 A consultation period lasting 6 weeks was considered appropriate, as the primary audience for the consultation exercise was felt to be sufficiently expert not to need a longer period in which to respond.
- 10.4 23 formal consultation responses were received.
- 10.5 The responses to the consultation strongly welcomed a full structural review of the levy during 2020 with further engagement between Government and industry, as proposed under Option 1, the Government's preferred option.
- 10.6 The 10% interim increase in April 2020, also proposed under Option 1, was viewed as potentially tenable by about half the respondents. However, most of the remaining either supported a lower increase, or one deferred until after a more detailed review of the impact on industry and the levy structure had taken place.
- 10.7 Having considered the responses, the Government has decided to pursue Option 1 and increase levy rates by 10%, for schemes with 12 members or more, from 1 April 2020. This is in order that mitigating action commences against the growing deficit as soon as possible. The Government will also be engaging with industry regarding the structure in 2020.
- 10.8 A Government response to the consultation was published on 4 March 2020.

## **11. Guidance**

- 11.1 The administration of this levy is undertaken by TPR. Information and guidance can be found at the following link: (<https://www.thepensionsregulator.gov.uk/en/trustees/submit-reports-payments-and-requests-to-us/levy>) which will be updated to reflect the new levy rates from 1 April 2020.

## **12. Impact**

- 12.1 A Regulatory Impact Assessment has not been published for this instrument because this levy measure and its impact is excluded from the definition of a regulatory provision in the Small Business, Enterprise and Employment Act 2015. Therefore, it does not need to be reported on or verified under the Business Impact Target reporting requirements. Any increases in the levy, therefore do not count towards the Equivalent Annual Net Direct Cost to Business (EANDCB). (<http://www.legislation.gov.uk/ukpga/2015/26/contents/enacted>). However, the estimated impacts of the increased levy payments are set out below.
- 12.2 The estimated cost to private sector schemes in 2020/21 of the levy changes is approximately £4.9m. If levy rates were to remain at this level from 2021 onwards, the estimated cost over the ten-year period to end of 2029/30 would be £51.5m.

12.3 The estimated cost to public sector schemes in 2020/21 is approximately £1.3m. If levy rates were to remain at this level from 2021 onwards, the estimated cost to public sector schemes over the ten-year period is estimated to be £12.6m.

### **13. Regulating small business**

13.1 As above, this instrument is not a regulatory provision.

13.2 The estimated cost of the increased levy to private sector schemes may cover some small and micro business where they operate a pension scheme. However, assessing the impact of the regulations on this group is difficult, as it is not necessarily the case that small and micro pension schemes correspond to small and micro businesses. For example, many large firms may run Executive Pension Plans with only a few members. Similarly, small employers may enter their staff in larger master trust schemes. As there is currently no robust evidence to link pension scheme size to employer size, it is difficult to accurately assess the impact on small and micro businesses.

### **14. Monitoring & review**

14.1 In line with the DWP's overall approach to stewardship of its arm's length bodies, DWP scrutinises and approves the corporate and business plans and operating budgets of TPR, TPO and MaPS. These bodies 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 on an annual basis.

### **15. Contact**

15.1 Ali Humberstone at the Department for Work and Pensions can be contacted using the email address, [generallevy.consultation@dwp.gsi.gov.uk](mailto:generallevy.consultation@dwp.gsi.gov.uk), with any queries regarding the instrument.

15.2 Jamey Johnson, Deputy Director for Private Pensions and Arm's Length Bodies Partnership, at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.

15.3 Minister for Pensions and Financial Inclusion at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.