

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

**2020 No. 355**

**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 revoke the Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2020 (S.I. 2020/195)<sup>1</sup> (“the 2020 Regulations”) which were intended to provide for an increase in the General Levy paid by occupational and personal pension schemes from 1<sup>st</sup> April 2020. This means that following 1<sup>st</sup> April 2020 the Occupational and Personal Pension Schemes (General Levy) Regulations 2005 (S. I. 2005/626) (“the 2005 Regulations”) as amended will remain in force as they were in force immediately before that date.

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

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

- 3.1 This instrument is subject to the negative resolution procedure. It is a convention that an instrument should not be laid before Parliament less than 21 days before it comes into force. The convention that there should be a 21-day period between regulations being laid and coming in force cannot be observed on this occasion as the 2020 Regulations need to be urgently revoked in light of the Covid-19 pandemic. If the revocation were to be delayed in order to comply with the 21-day rule, the increase in the General Levy would take effect from 1<sup>st</sup> April 2020. This could create additional cash flow pressures for businesses in light of the economic uncertainties posed by the pandemic.

*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, other than the information in paragraph 3.1.

**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.

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<sup>1</sup> <http://www.legislation.gov.uk/ukSI/2020/195/contents/made>

## **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 revoke the 2020 Regulations.

6.2 Consequently, the rates of General Levy prescribed in the 2005 Regulations as amended will continue to have effect.<sup>2</sup>

## **7. Policy background**

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

7.1 The General Levy recovers part of the core running costs of The Pensions Regulator (TPR) and the Money and Pensions Service (MaPS). It recovers the full running costs of The Pensions Ombudsman (TPO).

7.2 The most recent review of the General Levy found that the levy is in deficit. Following a Public Consultation,<sup>3</sup> the Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2020 (S.I. 2020/195) were due to come into force on 1<sup>st</sup> April 2020. The Regulations would have increased the rates of the levy, to recover the accruing deficit and meet forecasted expenditure of the bodies noted in paragraph 7.1.

7.3 However, the Covid-19 pandemic has created significant uncertainty around the full financial and economic impact of the pandemic on businesses. Therefore, these Regulations revoke the 2020 Regulations to minimise the uncertainties facing the pensions industry.

7.4 DWP will reassess the rate of the General Levy in the future.

## **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 A Public Consultation of the increase in the General Levy took place in 2019. The consultation period lasted 6 weeks and ran from 18 October to 29 November (<https://www.gov.uk/government/consultations/the-occupational-and-personal-pension-schemes-general-levy-review-2019>). It has not been possible to conduct a public consultation in relation to these revocation regulations as they are being made urgently in response to the pandemic.

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<sup>2</sup> <http://www.legislation.gov.uk/ukxi/2017/203/contents/made>

<sup>3</sup> <https://www.gov.uk/government/consultations/the-occupational-and-personal-pension-schemes-general-levy-review-2019/theoccupational-and-personal-pension-schemes-general-levy-review-2019-public-consultation>

- 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 The Government, which issued its response on 4 March 2020,<sup>4</sup> decided to pursue Option 1 and increase levy rates by 10%, for schemes with 12 members or more, from 1<sup>st</sup> April 2020.
- 10.8 However, in light of the uncertainties created by the Covid-19 pandemic, these Regulations have been introduced to ensure these increases do not take effect.

## **11. Guidance**

- 11.1 Guidance is not required because the Regulations revoke levy increases which would have taken effect from 1<sup>st</sup> April 2020. A note will be issued on Gov.UK to explain why these Regulations revoke the 2020 Regulations.

## **12. Impact**

- 12.1 There is no significant impact on business, charities or voluntary bodies.
- 12.2 There is no significant impact on the public sector.
- 12.3 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.

## **13. Regulating small business**

- 13.1 The legislation applies to activities that are undertaken by small businesses.

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<sup>4</sup><https://www.gov.uk/government/consultations/the-occupational-and-personal-pension-schemes-general-levy-review2019/outcome/government-response-the-occupational-and-personal-pension-schemes-general-levy-amendment-regulations-2020>

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

- 14.1 The rate of the general levy is reviewed annually. Following the Consultation, the Government will look to restructure the levy in the longer-term.<sup>5</sup>

#### **15. Contact**

- 15.1 Ali Humberstone at the Department for Work and Pensions can be contacted using the email address, [generallevy.consultation@dw.p.gsi.gov.uk](mailto:generallevy.consultation@dw.p.gsi.gov.uk), with any queries regarding the instrument.
- 15.2 Alison Fryatt, Head of Pensions Bodies, 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.

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<sup>5</sup> Paragraph 36 of the Government Response, <https://www.gov.uk/government/consultations/the-occupational-and-personal-pension-schemes-general-levy-review-2019/outcome/government-response-the-occupational-and-personal-pension-schemes-general-levy-amendment-regulations-2020>