

# FYI<sup>®</sup> Alert

## For Your Information<sup>®</sup>

### Revised rates for the general levy

The DWP has confirmed the rates of the general levy on occupational and personal pension schemes for 2020/21.

As had been expected, the rates of the levy will be increased by 10% from April 2020. Further increases are also likely in the coming years.

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#### Update – 27 March 2020

**Given the unprecedented circumstances following the coronavirus (COVID-19) outbreak, an order has been laid before Parliament to revoke the regulations providing for an increase in the general levy from 1 April 2020. The levy rates will, therefore, not be increasing as previously intended.**

**The DWP will now focus on reviewing the structure of the levy and will be engaging with industry over the course of the next few months.**

### What is the general levy?

The general levy recovers some or all of the core funding of the activities of the Pensions Regulator, the Money & Pensions Service and the Pensions Ombudsman. It is payable by occupational and personal pension schemes that are included on the register of pension schemes maintained by the Regulator. (This covers all UK tax-registered pension schemes with more than one member.)

The general levy is collected each year by the Regulator on the DWP's behalf. The amount payable is based on the number of members in the scheme, but subject to a minimum charge. (The levy year is aligned with the financial year, running from 1 April to 31 March.)

The current levy rates are as follows:

Number of members in scheme	Levy rates per member		Minimum amount of general levy	
	Occupational pension schemes	Personal pension schemes	Occupational pension schemes	Personal pension schemes
2 to 11	N/A	N/A	£29	£12
12 to 99	£2.88	£1.15	N/A	N/A
100 to 999	£2.08	£0.81	£290	£120
1,000 to 4,999	£1.62	£0.69	£2,080	£810
5,000 to 9,999	£1.23	£0.46	£8,100	£3,450
10,000 to 499,999	£0.86	£0.35	£12,300	£4,600
500,000 or more	£0.65	£0.26	£430,000	£175,000

## Reviewing the levy

The levy rates are reviewed annually by the DWP, and there has not been an increase in the levy rates since 2008, with an across the board decrease in 2012, and the largest schemes seeing a further fall in their levy rates in 2017.

In 2013, the general levy was in surplus by around £24m. Funding has worsened since then and has now moved into deficit. Late last year, there was a deficit of more than £16m, and this is forecast to increase to over £50m in 2020.

This is due to several of factors, including increased demand for pensions guidance and dispute resolution, and the increased powers the Regulator is receiving to better protect members' benefits.

Last year, the DWP consulted on options for increasing the levy. Four options were proposed, but the DWP made it very clear that it favoured a holding increase of 10% of current rates from April 2020, with further increases from April 2021 informed by a wider review of the levy.

The DWP also separately proposed an increase for pension schemes with less than 12 members as these rates had remained unchanged for 20 years.

## The general levy from 2020/21

Number of members in scheme	Levy rates per member		Minimum amount of general levy	
	Occupational pension schemes	Personal pension schemes	Occupational pension schemes	Personal pension schemes
2 to 11	N/A	N/A	£75	£30
12 to 99	£3.17	£1.27	£75	£30

Number of members in scheme	Levy rates per member		Minimum amount of general levy	
	Occupational pension schemes	Personal pension schemes	Occupational pension schemes	Personal pension schemes
100 to 999	£2.29	£0.89	£310	£130
1,000 to 4,999	£1.78	£0.76	£2,290	£890
5,000 to 9,999	£1.35	£0.51	£8,900	£3,800
10,000 to 499,999	£0.95	£0.39	£13,500	£5,100
500,000 or more	£0.72	£0.29	£475,000	£195,000

The DWP has confirmed its intention to increase levy rates by 10% from this April, with a further increase for small schemes with between two and 11 members.

A structural review will be undertaken over the summer to inform a further consultation on increasing the levy from April 2021, and subsequent years.

## Comment

The fact the general levy is in deficit isn't in dispute, but the DWP reviews the general levy every year, and the dwindling surplus of the levy must have been apparent long before now. The DWP is certainly open to accusations of not acting quickly enough in relation to general levy funding.

There has been no change to the levy to accommodate the increased scope (and presumably increased costs) of the Pensions Regulator, for example, with the authorisation and supervision regime for Master Trusts. (The Regulator's costs are only likely to increase further as a result of the plans to increase its powers contained in the current Pension Schemes Bill.)

While the decision to increase the levy by 10% from April 2020, and the expectation of further increases in coming years, is not unexpected, the DWP has left it very late to confirm its position with the industry. It is not the fault of pension scheme trustees or providers that the levy is increasing, and the responses to the consultation were not overwhelmingly supportive of the DWP's preferred proposal.

It is to be hoped that the structural review of the levy and the inevitable future increases that follow take the views of the industry into account more than this April's increase has.

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