ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE:
PENSIONS (GENERAL LEVY) RULES CONSULTATION

ACA critical of General Levy option 3 and bemoans lack of transparency on emerging deficit.

2 November 2023: Responding to the DWP *Occupational and Personal Pension Schemes (General Levy) Regulations review 2023*, the Association of Consulting Actuaries (ACA), says it favours option 2 of those put forward, whilst bemoaning the lack of transparency on how the Levy deficit has emerged and slamming the 'exceptionally harsh' nature of option 3.

ACA Pension Schemes Committee Chair, Peter Williams, commented that:

"In the previous consultation, the expectation was that the accumulated deficit would be recovered by 2030. DWP now say that continuation without change, under option 1, is expected to result in an accumulated deficit of over £200m by 2030/31.

"We are disappointed that DWP have not published any evidence of the current deficit, the variances that have arisen since the general levy was fixed for the three years commencing 1 April 2021, and how the deficit is expected to develop over the current remediation period if no action is taken. We think that DWP owes it to levy payers to be much more transparent about these matters."

ACA adds that because DWP are seeking to recoup a material accumulated deficit, it owes it to levy payers to set out what the general levy should look like once that deficit has been recovered and the planned level of increases going forward for inflationary and other unavoidable elements.

Turning to the options, ACA says on the basis of the information provided, action needs to be taken and Option 1 is not viable. ACA cannot support Option 3 for the reasons set out below and recommends DWP should proceed with Option 2, of the three options put forward. This would entail 6.5% annual increases to current levies to eliminate the deficit by 2030/31.

Peter Williams added:

"Of the three options set out, we support Option 2, simply because we think that you cannot proceed with Option 3, as this applies an exceptionally harsh £10,000 "additional premium" to each scheme with memberships of under 10,000.

"The general levy is raised under powers set out in section 175 of the Pension Schemes Act 1993. This explicitly states that the levy's purpose is to meet the expenditure of the Pensions Ombudsman, the Pensions Regulator and the pensions guidance functions of the Money and Pensions Service. We are not lawyers, but it seems to us that the additional premium is being raised, not for any of these purposes, but to advance the cause of consolidation, which is a DWP policy matter.

"Consolidation, which we support in principle, should be for Parliament to decide, such as through the implementation of the Value For Money proposals for DC occupational schemes on which the Government set outs its intentions in July 2023. No doubt, as this and as other consolidation initiatives proceed, there will be some small schemes that will have good reasons not to consolidate."

Responses to the consultation are due in by 13 November 2023.

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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