ASSOCIATION OF CONSULTING ACTUARIES

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25 January 2021

GeneralLevy.Consultation2020@dwp.gov.uk

General Levy Consultation Team
Department for Work and Pensions
ALB Partnership Division
1st Floor
Caxton House
London
SW1H 9NA

Dear Sirs

Occupational and Personal Pension Schemes (General Levy) Regulations review 2020

I am writing on behalf of the Association of Consulting Actuaries in response to the above-named consultation issued by the DWP.

In our November 2019 response to your previous consultation, we noted the importance of addressing whether any increase in costs was justified in a more comprehensive subsequent consultation. In our view, there should be an opportunity for industry scrutiny of whether the regulatory activities paid for by the general levy represent adequate value for money. In paragraph 24 of the current consultation you note that ongoing monitoring is carried out by the DWP in order to provide value for money. We would argue that levy payers deserve some role in this process, to oversee whether regulatory activities represent value for money.

We have only commented on two of the questions raised, as the other questions appeared to be aimed at individual schemes or product providers. Our comments on these two questions are set out in the Appendix.

We hope that you find the contents of this letter of assistance. We would be happy to discuss them further if that is helpful. In that event, please contact me on 01372 733763 or at peter.williams@aon.com.

Yours faithfully

Peter Williams
Chairman, Pension Schemes Committee
On behalf of the Association of Consulting Actuaries Limited

APPENDIX

Occupational and Personal Pension Schemes (General Levy) Regulations review 2020

1. Which option do you prefer?

We agree that action needs to be taken and so levies will need to increase. We are not able to express a firm preference because you have not supplied any financial evidence of the costs incurred in the past or expected to be incurred in the future by the Pensions Regulator, Pensions Ombudsman and MaPs divided by the four proposed scheme categories.

Whilst our feeling is that DB and hybrid schemes should be asked to pay a significant share of the additional levy to be raised it is not clear to us that over the next three years it should be either 89% of the total under option 1 or 84% under option 2. However, leaving aside who should pay to clear the deficit, we do agree that per member costs of the regulatory bodies are likely to be higher for occupational DB and hybrid schemes than they are for occupational DC schemes and so in principle, of the proposed options, the categorisation adopted in option 1 seems preferable.

2. In respect of your answer to Question 1, why do you support your preferred option?

We do not have a preferred option and given the lack of information provided in the consultation are not able to put forward an alternative.

It would be helpful to have increased transparency over how the actual costs are split between the various categories, providing supporting evidence for the proposed splits.

It would also be helpful to have some transparency on the breakdown of costs between increased ongoing costs and repairing the deficit between income and expenditure for past years.

Consideration should also be given to appropriate treatment of the collective money purchase schemes set out in the Pension Schemes Bill.

Given all the above factors, and that time is pressing, we think that you should only put through the 2021/22 increase (on which there is no difference between options 1 and 2) and consult once more, this time with financial evidence, on increases for future years.

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