Department for Work & Pensions

The Occupational and Personal Pension Schemes (General Levy) review 2019

Response from
The Pensions Management Institute

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ACHIEVING PENSIONS EXCELLENCE

Response from the Pensions Management Institute to DWP's consultation 'the Occupational and Personal Pension Schemes (General Levy) review 2019'

Introduction

PMI is the professional body which supports and develops those who work in the pensions industry. PMI offers a range of qualifications designed to meet the requirements of those who manage workplace pension schemes or who provide professional services to them. Our members (currently some 6,000) include pensions managers, lawyers, actuaries, consultants, administrators and others. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response. Due to the wide range of professional disciplines represented, our members represent a cross-section of the pensions industry as a whole.

PMI is focused on supporting its members to enable them to perform their jobs to the highest professional standards, and thereby benefit members of retirement benefit arrangements for which they are responsible.

Question 1: Which option do you prefer?

Out of the options presented the first option is clearly the better option for schemes in the short term while DWP reviews the levy structure and operation.

However, we believe that there should be no, or only a CPI, increase in the levy until DWP has undertaken a review of the levy structure, including the significant increases in expenditure related to its arms length bodies.

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

As noted above, we don't think the levy should be increased until there has been a review of expenditure and the levy structure itself. Ad hoc increases in the levy without such a review are unjustified and could lead to increased unfairness in how the burden of the levy payments fall. We would argue that the DWP should consult on, and agree, a set of principles regarding the financing of the levy and then develop a formula that best meets those principles.

Question 3: Would you like to propose any alternative option(s) to those set out in this consultation which would eliminate the levy deficit? If so, please provide details.

As per our answer to Q2, the DWP should agree a set of principles for levy-financing. Such principles could encompass:

- Predictability and sustainability of levy revenue
- A closer relationship between the costs of regulation and payment of the levy. For example, while the levy will inevitably have a degree of cross subsidy between different types of schemes, this should be limited.
- The levy should work with and not against government pensions and savings policy, nor create irrational or perverse commercial incentives.
- The levy, and expenditure it finances, should be subject to regular review.

Question 4: Do you agree/disagree that we should increase the fixed levy contribution for small schemes with 2 - 11 members? Please give your reasons.

This should be considered as part of a fundamental levy review.

Question 5: What is the impact to your scheme of raising the levy? How will your scheme respond to a levy increase? (For example: would it be absorbed by scheme, passed on to members, or employers?)

This question is not applicable, as the PMI is a representative organisation. However, we would imagine that schemes would respond in a variety of different ways to any increase.

Question 6: If you were to consider passing on costs to employers to absorb the levy increase, what is the size composition of employers using your scheme? (For example: are they mainly small, with less than 50 employees or larger employers?)

N/A