PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

Chris Collins
Chief Policy Adviser
Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon, Surrey
CR0 2NA

24th November 2020

Dear Mr Collins,

Re: The PLSA's response to the 2021/22 Pension Protection Levy Consultation

We welcome the opportunity to respond to the proposals set out in the PPF's Levy Consultation 2021/22.

We are the Pensions and Lifetime Savings Association (PLSA); we bring together the pensions industry and other parties to raise standards, share best practice, and support our members. We represent over 1,300 pension schemes with 20 million members and £1 trillion in assets, across master trusts and defined benefit, defined contribution, and local government schemes. Our members also include some 400 businesses which provide essential services and advice to UK pensions providers. Our mission is to help everyone to achieve a better income in retirement. We work to get more people and money into retirement savings, to get more value out of those savings, and to build the confidence and understanding of savers.

Overall, the PLSA supports the proposals put forward to ease the burden on smaller schemes and to mitigate the risks from Covid-19. We appreciate the proposals to make the invoicing system more streamlined and the measures to ensure security for users of the system.

PLSA liaised closely with our membership about the PPF's proposals set out in the 2021/22 levy consultation. There are mixed views on the PPF's approach to set the Levy Rules for 2021/2022 for only one year as this provides a certain degree of uncertainty for future changes to the levy. However, with regards to business planning for next year, most of our members believe that the PPF's approach to set the Levy Rules for 2021/22 was helpful.

For ease of reference, the additional key areas addressed in the consultation response are as follows:

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Small scheme adjustments

The PPF's intention to introduce an adjustment to the levy calculation to reduce the levy for small schemes, based on the smoothed liabilities, is broadly welcomed by the PLSA. We appreciate actions taken to alleviate the cost burden of the levy for smaller schemes during these difficult economic times. In addition, the proposals to taper away the reduction factor to avoid a cliff edge at £20 million, so that a full levy is paid at £50 million liabilities, is welcomed, as this tapering effect helps to avoid arbitrary boundaries.

These are on balance reasonable measures, especially given that small schemes are disproportionately impacted by the levy – as their levies are more often based on a higher proportion of their scheme liabilities.

Reducing the cap

PLSA believes that the PPF's proposal to halve the rate from 0.0050 (0.5%) of unstressed liabilities to 0.0025 (0.25%) is beneficial and we would on balance would support this move. However, it will be important to keep short-term measures to combat challenges from the pandemic under regular review, to ensure that over time there will not be a shift of levy allocation from genuinely risky schemes onto other schemes that are less risky.

Support with payments

The PLSA believes strongly that the easement measures for Covid-19 should be extended to the 2021/22 levy year. This would give some added security for schemes while the financial implications are still yet to unfold. In addition to this, the proposals to introduce an electronic levy invoicing system is helpful in ensuring security, and PLSA are supportive of this step. PLSA has previously highlighted the need for payment flexibility for levy invoicing, so we are pleased to see these measures continuing. We endorse the easement measures for Covid-19 being extended into the 2021/22 levy year.

DB and 'end game' solutions

For the time being, circumstances have not changed since the PPF Levy consultation in 2019 on this question on how to factor in commercial consolidators into levy calculations; no Superfunds have yet to be cleared by The Pensions Regulator and no transactions are under way. As such, with the information available, the current levy rules for commercial consolidators are still suitable.

However, the PPF current guidance on those rules is from the 2019/20 Policy Statement from December 2018, which predates TPR's June 2020 interim regulatory regime for consolidators. It is important that PPF reviews how it can better align the PPF rules with the TPR framework in the guidance alongside the final PPF rules.

As the "DB end game solutions" market continues to grow, it will become increasingly important that the levy rules ensure that Superfunds or other atypical consolidation structures, are charged levies which are appropriate for their risk to avoid any cross subsidies either to or from non-commercial occupational pension schemes.

Please contact us at any point if you would like to discuss any part of the PLSA's submitted consultation response.

Yours sincerely,

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