Consultation on Draft Regulations (Amendments to Levies)

A DWP document

A response by

The National Association of Pension Funds
January 2008

Introduction

1. The NAPF is the leading voice of workplace pensions in the UK, with over 1300 members, between them providing pensions to over 10 million working people. NAPF Member schemes hold assets of some £800bn.

2. The NAPF welcomes the opportunity to respond to the consultation by DWP. We set out our separate views below on each of the three sets of draft regulations included in the consultation paper

The Occupational Pension Schemes (Levies) (Amendment) Regulations 2008

3. The increase in the PPF Administration Levy rates are acknowledged to be up to 20% and a number of reasons are cited. Although pension funds will be disappointed at inaccurate assessment of costs at the initial stages of establishing PPF procedures, the NAPF acknowledges that the true cost of running a new organisation can never be predicted exactly. However, we must question the thinking behind anticipated levy income for 2008/2009 including 12% to recoup the 2007/2008 deficit, and setting the same rates for future years when, we hope, there will be no deficit to clear. We would like to see this apparent contingency measure explained a little more clearly.

4. The NAPF supports the move to transfer the cost of PPF compensation record-keeping from the PPF Administration Levy to the Pension Protection Fund itself. We believe, however, that an indication of the amount being removed from the PPF administration costs by this move would be appreciated by levy payers. We think that as much transparency as possible will help make the significant increase in this levy more acceptable than it otherwise might be.

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The Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2008

5. The NAPF is fully supportive of the important roles carried out by The Pensions Regulator, The Pensions Advisory Service and the Pensions Ombudsman, all of whom have their running costs funded by the General Levy. And again, we understand that initial cost estimates always ran the risk of being inaccurate. But we are concerned that pension funds should be asked to meet a rise in levy rates of some 35% without a little more explanation of the causes of the increase.

6. The deficit disclosed stands at over 58% of the annual running costs of the three organisations – and while it is appreciated that this will be cleared over three years rather than one, we believe that levy payers will obtain some comfort from an explanation as to why such a large deficit has built up. In addition, we believe they would welcome an account of how it is proposed to avoid such a deficit developing in the future.

The Pension Protection Fund (Payments to meet Risk-based Administration Costs) Regulations 2008

7. See our comments in paragraph 4.

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