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Mr Iain Fenwick
Department for Work and Pensions
1st Floor Caxton House
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Dear Mr Fenwick,

THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES (GENERAL LEVY) (AMENDMENT) REGULATIONS 2017: PLSA RESPONSE

This is a welcome consultation. The Association is pleased that the Government has recognised the issues with the current structure of the levy and is considering altering its structure.

In short, the Association favours option three. To recap, this is the proposed reduction in levy rates for very large schemes from £0.86 to £0.65, combined with a freeze in the rates for remaining schemes. Currently, large schemes and by extension the members of large schemes pay disproportionately more for regulation than others. Option three will alter this situation and remove the forecast £13m surplus over the medium term. We would favour revisiting this issue in the medium term as the shape of DC and DB provision in the UK alters.

TREATING MEMBERS OF LARGE SCHEMES FAIRLY

The master trust sector has grown dramatically over the last five years. We now have a handful of extremely large schemes serving a huge proportion of the automatic enrolment market. The total membership of NEST now exceeds four million members, with the memberships of both The People's Pension and NOW Pensions also numbering in the low millions. These schemes typically have large memberships and comparatively small levels of assets under management. As such, they are meeting disproportionately large costs under the current levy structure from a smaller charge base than many "smaller" schemes. Given that many of the master trusts serve low to moderate earners, it has seemed to us that those least well placed to bear the costs of the levy have been asked to make the largest commitments. The Association believes, therefore, that altering the structure of the levy in order to alter this imbalance is desirable and favours option three as a result.

ONE AREA OF CONCERN

Enabling consolidation is important to the Association. We think that there are considerable benefits to scale, including improvements in value for money, investment returns and scheme governance. The approach taken in option three removes a potential barrier to consolidation but does not disadvantage smaller schemes relative to their current position.

The government's approach of removing barriers to consolidation is therefore welcome. We would be concerned, though, if this approach tripped over into encouraging consolidation absent a conversation about how this could best be managed.

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