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10 November 2023

Dear Sir / Madam

## **The Occupational and Personal Pension Schemes (General Levy) Regulations Review 2023**

The Association of Professional Pension Trustees (APPT) acts as the representative body for trustees of occupational pension schemes who fall within the Pension Regulator's description of professional trustee as set out in its August 2017 policy document.

The APPT acts as the collective voice of the profession and we estimate that our members work as trustees on over 1,500 defined benefit (DB) schemes. Our members also sit on a large number of trustee boards for defined contribution (DC) schemes including DC master trusts. Our members each typically work on multiple appointments and in total are responsible for managing schemes with assets of over £1,200bn.

Our answers to the questions in the consultation document are set out below.

### **Question 1: Which option do you prefer?**

Based on the options presented, we prefer option 2.

We also believe that option 3 could be viable if it is amended to recognise the governance efficiencies and other benefits for those schemes that use an accredited

professional pension trustee. The consultation makes it clear that the rise in the general levy is required to meet the cost of raising governance standards (particularly for smaller schemes). The Pensions Regulator has previously stated that governance standards for schemes with a professional trustee are higher. Further, The Pensions Regulator, DWP and HMT have all been supportive of the accreditation of professional trustees. From the APPT's perspective, we believe that all professional trustees should be accredited so scheme members and sponsors can be assured that the governance standards of their scheme are of a high quality. Therefore, by reducing or removing the £10,000 flat charge under option 3 for those schemes with an accredited professional trustee, you can achieve the following:

- Encourage smaller schemes to appoint an accredited professional pension trustee which in turn will lead to higher governance standards for the scheme,
- Encourage a wider group of professional pension trustees to become accredited helping to raise the standards of the professional trustees working with pension schemes,
- Provide greater oversight of the work professional pension trustees undertake in respect of these schemes.

Whilst not fully endorsing accreditation, the above change to option 3 would lead to higher standards of governance for smaller schemes and would provide a nudge to professional pension trustees to become accredited.

**Question 2: In respect of your answer to Q1, why do you support your preferred option?**

Option 2 allows for costs to be recovered over time.

Based on the information provided, option 1 is untenable as insufficient funds are collected to meet the oversight and regulatory costs.

Option 3 overly burdens small schemes. However, option 3 could be amended to support higher governance standards for smaller pension schemes. Please see answer to question 1 for further details.

**Question 3: What is the impact on your company/scheme of raising the levy under option 2?**

Overall, the impact is relatively low and is proportionate to the size of the scheme. We would expect most companies / scheme to be able to absorb this annual increase and plan ahead to meet their future levy payments.

**Question 4: What is the impact on your company/scheme of raising the levy under option 3?**

The additional premium rate payment of £10,000 is disproportionately large for smaller schemes. We would expect this payment to be typically met by the company and so, in some rare cases, this premium could have an adverse effect on the company's plans.

We do not consider that this premium payment in isolation will encourage schemes to consolidate into larger arrangements.

**Question 5: How will your scheme respond to a levy increase and/or premium?**

In most cases, we expect that the levy increase and/or premium will be paid for by the company. In some cases, this increase will be paid for by members.

**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?**

We consider that all sizes of employers will be asked to meet the levy increase (there is not likely to be a discernible difference between small/medium/large employers).

Your sincerely

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On behalf of the APPT Council

Association of Professional Pension Trustees

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