



## FINANCIAL REPORTING COUNCIL (FRC) PENSION LEVY 2008/09

### FACT SHEET

#### **Why have I received an invoice from the FRC?**

The Financial Reporting Council (FRC) is the UK's independent regulator for corporate reporting and governance. We operate on the basis of statutory powers with the support of the Government and other stakeholders.

We collect an annual levy from pension schemes as part of the arrangements agreed by HM Treasury for funding the FRC's responsibilities for actuarial standards and regulation.

The levy applies to all schemes with 1,000 or more members and is charged at the rate of £2.90 per 100 members. It is calculated on the basis of the latest information on the total membership for each scheme provided to the Pensions Regulator in scheme returns. It applies to occupational and personal pension schemes and public sector schemes.

**This note is intended to answer the main questions you may have in relation to the levy.**

Information on the FRC's role in relation to actuarial standards and regulation is available on our website at [www.frc.org.uk/about/actuarialregulation.cfm](http://www.frc.org.uk/about/actuarialregulation.cfm).

Our website also gives details of our governance and accountability, our statutory powers and Strategic Framework, and our Plan & Budget 2008/09. Our Plan for 2008/09 includes our continuing programme of work to reform actuarial technical standards, including developing a new standard on information to be included in actuarial reports, and to follow up the FRC review of the effectiveness of the monitoring and scrutiny of actuarial work.

Our detailed funding arrangements for 2008/09 are set out in our paper "2008/09 Levies" which is available on our website at: [www.frc.org.uk/about/funding.cfm](http://www.frc.org.uk/about/funding.cfm)

#### **What is the role of the FRC in relation to actuarial standards and regulation?**

HM Treasury asked the FRC to take on responsibility for setting actuarial standards and overseeing the regulation of the Actuarial Profession following the Morris Review of the Actuarial Profession, published in March 2005.

We work closely with the Pensions Regulator and the FSA to ensure that our standards provide, where appropriate, the necessary basis for actuaries advising pension funds and insurance companies to provide advice in a form which enables those entities to comply with the Pensions Regulator's guidance, DWP Regulations and FSA rules.

## **How has the FRC pension levy been calculated?**

For 2008/09, we intend to raise a total of £1.1m from the approximately 2,000 schemes which are subject to the FRC pension levy.

In order to raise this amount the levy has been set at a rate of £2.90 per 100 members for schemes with 1,000 or more members. We have excluded smaller schemes from the levy on the grounds that the costs of collection would be excessive in relation to the amount of the levy that would be collected from those schemes.

Scheme membership for individual schemes has been calculated on the basis of the latest scheme returns provided to the Pensions Regulator.

In relation to an occupational pension scheme, a scheme member is any person who:

- is in pensionable service under the scheme (an active member)
- has rights due to their past pensionable service under the scheme (a deferred member)
- is receiving benefits under the scheme (a pensioner member)
- has rights due to transfer credits under the scheme
- has pension credit rights under the scheme.

In relation to a personal pension scheme, a scheme member includes a member who has pension credit rights under the scheme.

Scheme membership for either purpose does not include dependants of members or members whose only entitlements are benefits payable on their death.

## **What benefits does the FRC's work provide for pension schemes?**

The FRC sets standards for the actuarial information used by trustees, corporate sponsors and scheme members in making decisions. Our aim is to improve the quality and usefulness of this information.

We also oversee the activities of the Actuarial Profession in regulating its members – covering education and training, continuing professional development, ethical and conduct standards, compliance and discipline; and we have extended our independent disciplinary arrangements to cover public interest cases involving actuaries.

Our Strategic Framework sets out the outcomes we are promoting in relation to confidence in corporate reporting and governance, including actuarial standards and regulation. Two outcomes are particularly relevant to pension schemes:

- Users of actuarial information can place a high degree of reliance on its relevance, transparency of assumptions, completeness and comprehensibility
- Clients and employers of professionally qualified accountants and actuaries and of accountancy and actuarial firms can rely on them to act with integrity and competence, having regard to the public interest.

We believe that our work to promote these outcomes will benefit of all those who rely on actuarial advice, directly or indirectly. For example, in 2008/09 we are consulting on a set of indicators which can be used to assess the quality of actuarial work, and options for improving the effectiveness of the monitoring and scrutiny of actuarial work.

It is important that those involved with and affected by pension schemes understand the information they are given and can use this as a reliable basis for taking decisions. The FRC designs its standards with the specific intention of ensuring that the information they lead to is useful to decision-makers, and in doing so we seek the views of users, including the pension and insurance sectors, as well as practitioners and other regulators.

In addition to our standard-setting role, we oversee the activities of the Actuarial Profession in regulating its members, and we have extended our independent disciplinary arrangements to cover public interest cases involving actuaries.

### **Who contributes to the FRC's costs?**

Following consultation in the context of the Morris Review - and further consultation by the FRC - it was agreed by HM Treasury that the costs the FRC incurs in relation to its responsibilities for actuarial standards and regulation should be met by the main beneficiaries of the new arrangements: pension schemes, life and general insurance companies, and the Actuarial Profession.

This is in line with the way that the Pensions Regulator and FSA are funded. The actuarial standards for which we are responsible are relevant to users of actuarial advice - in particular, administrators, trustees and managers of pension funds and directors of insurance companies - as well as to those providing such advice.

The arrangements for funding our actuarial responsibilities are designed to ensure that pension schemes, insurance companies and the Actuarial Profession contribute a reasonable share of the costs we incur, and that the arrangements for collecting the contributions are as straightforward and cost-effective as possible.

In 2008/09, the funding requirement for our actuarial responsibilities is £2.4m. This is being met through:

- A contribution from the Actuarial Profession equivalent to 10% of the total costs incurred in relation to actuarial standards and regulation - £0.2m in 2008/09.
- A contribution from the pension sector through a levy on the "pension levy group" equivalent to 45% of the total costs - £1.1m in 2008/09. The pension levy group comprises pension schemes identified on the basis of scheme membership information provided to the Pensions Regulator in scheme returns.
- A contribution from the insurance sector through a levy on the "insurance levy group" equivalent to 45% of the total costs - £1.1m in 2008/09. The insurance levy group comprises life and general insurance companies which

are required to pay the relevant FSA regulatory fees (FSA fee blocks A3 and A4). The levy is being collected by the FSA alongside its own fees.

We believe that these arrangements are proportionate and cost-effective. They provide, at a modest cost, benefits for members of occupational and personal pension schemes, including public sector pension schemes, and insurance policy-holders, by maintaining an independent framework for setting actuarial standards and the regulation of the Actuarial Profession.

### **What is the FRC's authority for collecting the levy?**

The Pensions Act 2004 (Disclosure of Restricted Information) (Amendment of Specified Persons) Order 2006, which came into force on 7 December 2006, provides the necessary statutory authority for the Pensions Regulator to provide the FRC with the information we need to calculate the amount of the levy in relation to individual schemes.

Section 17 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, as amended by section 1275 of the Companies Act 2006, provides a power for the Secretary of State to make regulations enabling the FRC to recover its costs through a levy. Included within the scope of this power are the administrators of public sector pension schemes within the meaning of Section 1 of the Pension Schemes Act 1993 and trustees or managers of occupational and personal pension schemes within the meaning of that Section.

Our responsibilities are funded on the basis of an understanding with the pension and insurance sectors, and the Actuarial Profession, with reserve statutory powers. Should a voluntary approach prove unsustainable, the statutory powers may be invoked to secure payment of the levy and any outstanding contributions in relation to 2008/09 - although the FRC's clear preference is to avoid the need for this.

### **What should I do if I have any further questions?**

If you have a question about the calculation of the levy in relation to a specific scheme or the method of payment, please contact the Levy Collection Team on 01522 836860 or e-mail [frc@mouchel-lincoln.com](mailto:frc@mouchel-lincoln.com).

If you have a question about any other matter in relation to the levy, please e-mail your question to David Andrews at the FRC on [planning@frc.org.uk](mailto:planning@frc.org.uk) - [contact number 020 7492 2382](tel:02074922382).

**Financial Reporting Council**  
**July 2008**