



FINANCIAL REPORTING COUNCIL

The UK's Independent Accounting, Auditing & Actuarial Standards Regulator

PENSIONS LEVY 2009/10

FACT SHEET

The Financial Reporting Council is the UK's independent regulator responsible for promoting confidence in corporate reporting and governance.

The FRC has a range of statutory powers under UK Company Law. The FRC sets, monitors and enforces compliance with accounting, auditing and actuarial standards. Details of the FRC's work are available on our website at www.frc.org.uk.

This fact sheet provides an overview of the background and basis for the Pensions Levy, the functions of the FRC and the benefits derived from the FRC by pension schemes.

Background to the Pensions Levy

- 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 being pension schemes, life and general insurance companies, and the Actuarial Profession.
- 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.
- 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.
- A levy is collected from publicly listed companies, AIM and PLUS listed companies, large private entities, pension schemes, insurance companies and public sector organisations based on the financial accounts that they prepare.

Basis for the Pensions Levy

- 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 *Pensions Act 2004 (Disclosure of Restricted Information) (Amendment of Specified Persons) Order 2006* enables the Pensions Regulator to provide the FRC with the information needed to calculate the amount of the levy for individual schemes.
- Section 17 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, as amended by Part 44 of the Companies Act 2006, confers a power on the Secretary of State to make regulations enabling the FRC to recover its costs through a levy. Thus far, this power has not been exercised.
- The FRC's responsibilities are funded through non-statutory arrangements on the basis of an understanding with the groups subject to the levy. However, should a voluntary approach prove unsustainable, the FRC will formally request that the statutory power be invoked.
- 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 are included in the levy's remit.

Calculation

The levy currently applies to all schemes with 1,000 or more members at the rate of £3.00 per 100 members. We use the latest information on the total membership for each scheme provided to the Pensions Regulator in scheme returns. The levy applies to occupational and personal pension schemes and public sector schemes.

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.

The Benefits of the FRC's Work for Pension Schemes and Insurance Companies

The FRC's work includes:

- Setting standards for the actuarial information used by trustees, corporate sponsors, scheme members, and insurance companies, in making decisions
- Seeking the views of users including the pension and insurance sectors and other regulators in designing its standards with the specific intention of ensuring the information that they lead to is useful to decision-makers
- Overseeing the activities of the Actuarial Profession in regulating its members – covering education and training, continuing professional development, ethical and conduct standards, compliance and discipline

- Conducting independent disciplinary arrangements which 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 and insurance companies:

- 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.

It is important that those involved with and affected by pension schemes understand the financial 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 financial 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 and other regulators.

Further Details

Our website also gives details of our governance and accountability, our statutory powers and Strategic Framework, and our Plan & Budget 2009/10.

Further 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.

Contact Us

If you have a question about the **method of payment**, please contact the Levy Collection Team on frc@mouchel-lincoln.com (telephone 01522 836860)

If you have **any other query** in relation to the levy, please e-mail your question to David Andrews at the FRC on planning@frc.org.uk (telephone 020 7492 2382).

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