By email: CaxtonHouse.DWPGeneralLevy2026@dwp.gov.uk

Date: 8 September 2026

Dear General Levy Consultation Team

USS response: *The Occupational and Personal Pension Schemes (General Levy) Regulations review 2026*

We welcome the opportunity to respond to this consultation.

You will see that we offer general views on the proposals rather than addressing the specific questions set out in the paper. This is because the questions posed are inherently about implementing the proposed phased option. However, we strongly believe that DWP should not be proposing even higher annual increases across the three-year period than the 6.5% already imposed without first undertaking a broader review of the General Levy and providing greater information regarding, and justification for, levy spending by organisational body and by theme. We are disappointed that, despite the scope of the recent review outlined in paragraph 15 of the consultation, there has not been suitable consideration of the appropriateness of increasing the General Levy or transparency over the spending plans of levy-funded bodies. These proposed increases come at a time when pension schemes are already facing significant additional regulatory overheads and costs driven by the government's pensions agenda. In a trust-based scheme these are costs that are all ultimately borne by members and employers. Further thoughts are set out below.

About USS

Universities Superannuation Scheme (USS) was established in 1974 as the principal pension scheme for universities and Higher Education institutions in the UK. We work with around 320 employers to help build a secure financial future for almost 599,000 members and their families. We are one of the largest pension schemes in the UK, with total assets of around £84bn (at 31 March 2026).

USS and the General Levy

The General Levy is a hypothecated tax paid by certain pension schemes. For USS, given our size as outlined above, the General Levy is a material amount: £570,000 was payable in 2026, which compares to total Master Trust levy revenue of £24m, and overall total General Levy revenue of £98m, collected in 2025/26.

Our view on the justification for the consultation on General levy increases

While of course we recognise that appropriate and robustly funded regulation from the levy-funded bodies is required, we are disappointed by the proposals which are being consulted on with little notice, no significant justification and incomplete supporting information. The Impact Assessment for the Pension Schemes Bill 2026 anticipated that regulatory costs could be expected to fall in a number

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of areas, and that some increased costs would be an impact on government. A number of other costs such as superfund regulation were not expected to be borne by the generality of schemes. This consultation now indicates that these costs will be material drivers of expected higher regulatory costs and hence higher levies. The consultation does not adequately address the impact of proposing significant General Levy increases over a three-year period at the same time as schemes are already being required to respond to multiple pension reforms which themselves may add implementation and ongoing costs for schemes. As an aside we would note that DWP's administrative budget is expected to be reduced materially in real-terms by 2029-30; the proposed real-terms increases in the General Levy are clearly misaligned with this. We are therefore surprised that consideration has not also been given to making cost savings for levy-funded entities.

We are also disappointed about the lack of transparency around the actual regulatory costs the General Levy will be used to fund. While spending outturn and some indication of future costs are publicly available for individual levy-funded bodies, it would be helpful to have these collated in the consultation to enable respondents to better understand the justification for proposed General Levy increases over the three-year period and their allocation across those different bodies. This consultation has been published alongside one on the Value for Money Framework yet does not seek to demonstrate the value for money of the regulatory system along thematic lines, nor justify current and future regulatory costs or commit to any review or reduction of these. Instead, the consultation focuses on how to collect higher levies without any cost savings proposed. This is deeply disappointing. Given the nature and scale of the proposals we would have expected to see much more granular business plans from levy-funded bodies, perhaps indicating year by year budgets, breaking down the split in cost between different types of scheme regulation and the costs from any additional responsibilities clearly indicated.

The lack of a clear plan for a structural review of the General Levy creates uncertainty resulting in practical difficulties for budgeting and financial planning. These increased levies will directly impact on USS's administration costs and will further increase General Levy costs by c£95,000 for USS over the three-year period for which the Trustee plans its detailed budgets (which was already c£149,000 higher than previously as a result of the planned 6.5% annual increase). By way of comparison, this c£244,000 additional cost is broadly equivalent to the Trustee's total annual budget for member education, guidance and advice services.

Our response

As a result, our primary response to the consultation is to encourage DWP to undertake a full review of the General Levy at the earliest possible opportunity, rather than implement significant further levy increases for 2027-30 now and undertaking a wider review "over the coming years". This would support the development of a future long-term General Levy structure reflecting the anticipated developments in pension schemes over the next generation whilst both appropriately supporting the required regulatory regime and ensuring and evidencing fairness, stability, transparency and proportionality for Levy-payers.

Conducting a wider review of the General Levy now would also allow consideration of the potential inter-generational and other fairness issues that now arise, as well as the general appropriateness of the levy design in today's and tomorrow's pensions landscape. While increased costs of future regulation is given as part of the rationale for increased levies, recovery of the 'levy debt' also appears to be a significant driver. This arose in relation to regulation in the late 2010s and early 2020s. For this to be recovered into the late 2030s from a different cohort of savers feels uncomfortable. Many of those who will have 'benefited' from lower levies are likely to have exited the pensions regulatory environment through buy-out, annuitisation and/or taking their pension savings as cash by that time. They will therefore not be subject to the higher levies.

In summary, we would encourage DWP to propose increases only for 2027/28 and undertake a broader and much needed review of the General Levy and regulatory costs as a matter of urgency, with transparency and with an agenda to drive evidence-based outcomes which provide stability and predictability.

Yours sincerely

Carol Young
Group Chief Executive