



Impact Assessment (Bill Final)

Title of measure		Extending and enhancing the Pensions Regulator's Information Gathering Powers
Lead Department/Agency		DWP
Planned coming into force /implementation date		TBC
Origin (Domestic/EU/Regulator)		Domestic
Policy lead		Caroline Blackett
Lead analyst		Eleanor King
Departmental Assessment		Self-certified
Total Net Present Social Value (over 10year period): £-7.8 m	Equivalent Annual Net Direct Cost to Business (EANDCB in 2016/17 prices)(over 10 year period): £0.9 m	Business Impact Status: Non-Qualifying Regulatory Provision

Summary - Intervention and impacts

Policy Background – Issue – Rationale for Intervention – Intended Effects

To help protect pension scheme members, one of The Pensions Regulator's (TPR) functions is to investigate potential breaches of pension legislation. To do this, it has a range of information gathering powers including inspecting premises and the records held there, interviewing individuals and issuing formal written requests for information, and it can impose civil penalties or instigate criminal proceedings for non-compliance. However, the powers vary depending on the particular function TPR is undertaking or the type of pension scheme it is investigating, and are not comprehensive. The fact that TPR has the power to undertake inspections only in some circumstances, interviews in others, or issue civil penalties in different specified circumstances can hinder investigations and cause confusion among those being regulated.

The policy objectives are:

- to give TPR a harmonised, coherent set of information gathering powers which cover all of its functions. This will enable it to conduct investigations more quickly and efficiently, in line with its aim of being a quicker, tougher regulator. There will be less confusion about (and less inclination to challenge) the scope of the powers among those being investigated.
- to extend civil penalties and allow TPR to impose penalties for a wider range of low level breaches, where a criminal prosecution would be disproportionate.

Ultimately, the intended effect is to protect pension schemes and their members.

As the current powers are in primary legislation, they can only be amended by further legislation.

Brief description of viable policy options considered (including alternatives to regulation)

The policy options considered were:

1. Do nothing: TPR would continue to face problems in undertaking its investigations, and lose the opportunity to do things in a more efficient way. Such a position is at odds with TPR's aim of being a faster, more efficient regulator, for which there is strong cross-party political backing.
2. Non-legislative options: not possible as the objectives can only be achieved through amending primary legislation.
3. Amend primary legislation (preferred option): will provide TPR with the wider powers needed to carry out its investigations more efficiently and in a shorter time scale; and will provide for civil penalties to be imposed rather than a criminal prosecution for low level breaches.

Preferred option: Summary of assessment of impact on business and other main affected groups

Businesses

There are already information gathering powers in the baseline. The proposed changes here are simply an extension and enhancement of these current powers. There are no changes to what information businesses need to be able to provide to TPR, the changes proposed relate to how the information is gathered by TPR. As such, we expect the costs incurred to businesses to be minimal and occur primarily at the familiarisation stage.

Businesses are also expected to benefit from these proposed changes. Some businesses sponsor multiple (and of different type) occupational pension schemes. In some cases, TPR have different information gathering powers across the different type of pensions. Enhancement and alignment may add some clarity and potentially reduce legal and consultation costs.

The Pensions Regulator (TPR)

There will be both costs and savings to TPR because of the proposed changes. Overall, we expect the net effect on TPR to be broadly cost neutral.

Members

Members will not incur any costs; they are only expected to benefit from this measure. Where TPR can obtain relevant information in a more timely and accurate manner they are likely to be able to take more effective and efficient action. This is expected to help increase the security of members' benefits.

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Date: 14/03/2019

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Date: 18/03/2019

Better Regulation Unit signoff: Prabhavati Mistry

Date: 14/03/2019

Additional detail – policy, analysis, and impacts

1. Rationale for intervention.

The Pensions Regulator (TPR) has different powers for different types of pension or functions, and this can be confusing for the individuals and companies being regulated. It also means that sometimes TPR does not have suitable powers to investigate in an efficient manner and is obliged to utilise alternative methods to obtain the information required. It also means that targets of investigations can challenge whether TPR has the power to investigate in the way that it wishes.

Currently TPR can require a person to attend an interview only to answer questions about information already provided in response to a written notice issued under section 72 of the Pensions Act 2004 and then only in connection with Automatic Enrolment (AE) duties or Master Trusts. It cannot require a person to attend an interview before a formal section 72 notice has been issued; and it cannot insist on an interview with anyone who has provided information under section 72 regarding other areas, e.g. occupational schemes including Defined Benefit (DB) or Defined Contribution (DC) pension schemes. These restrictions have resulted in TPR often needing to issue a series of notices under section 72 in order to gain further information to take forward its investigation – in one case, over 100 – whereas the ability to interview the individual may have meant progress was much quicker.

Additionally, TPR has inspection powers allowing it to enter a range of premises to seek records or talk to people present during the inspection. However, the inspection power is limited to premises where pension scheme records are kept in connection with investigation into a range of requirements under specified pension legislation or where employers' records are kept in relation to investigations

concerning AE. This means that there are a range of situations where it is not clear whether TPR can enter the premises. This loophole has been exploited by the targets of some investigations.

Not complying with these information-gathering powers is a criminal offence. However, criminal proceedings are time consuming for TPR to prepare and can be disproportionate for minor breaches. The fixed and escalating civil penalties, which TPR can already impose for non-compliance with Automatic Enrolment and Master Trust provisions, would be a suitable alternative.

2. Policy objective.

The policy objective is to harmonise and extend TPR's powers so that:

- It can interview a person it believes has relevant information in connection with any of its functions – that is, any of the provisions which it regulates – without the need for a written request for information to have already been issued under section 72;
- It can enter a wider range of premises where relevant records or information are held, for the purposes of an inspection.
- Additionally, to give TPR the ability to issue civil penalties for non-compliance with section 72 notices, interview or inspections where this might be more appropriate than a criminal prosecution.

3. Evidence behind the rationale for intervention

The Department undertook a comprehensive review - including industry consultation and working closely with TPR - of the condition of DB pensions, and published a white paper 'Protecting defined benefit pensions'¹ in March 2018. The paper concluded that 'although most employers want to do the right thing, we need to guard against the small minority of employers who may be content to put it at risk'.

As set out in the white paper, TPR have provided a rationale and evidence supporting the proposal to extend and enhance its information gathering powers. Investigations can take months if the only way that TPR can obtain information is through a series of written requests. For example, over the course of one high profile investigation, TPR issued a total of 123 separate section 72 notices over 18 months. Our view is that 'it is possible that this timeframe could be reduced significantly through a combination of early use of an interview power and an inspection power'².

Regarding the introduction of a civil sanction, in addition to the currently available binary choice of no sanction or criminal prosecution - based on experience of having both civil and criminal sanctions available in the AE sector - TPR advises that cases without court involvement will take, on average, around half the time than cases where court is involved.³ This suggests that a more proportionate approach, where relevant, could be beneficial to both TPR and the regulated businesses.

4. Baseline Scenario;

This impact assessment examines the impact of the extension and enhancement of TPR's current information gathering powers. There are already established information gathering powers in the baseline scenario. Currently TPR can require a person to attend an interview only to answer questions about information already provided in response to a written notice issued under section 72 of the Pensions Act 2004 and then only in connection with Automatic Enrolment (AE) duties or Master Trusts. As such, in the baseline scenario all employers and schemes used for AE and those in Master Trusts will be familiar with the requirements of an interview after a section 72 notice has been issued. These powers are not in places for employers/schemes that are not used for these purposes. Likewise, TPR have the power to inspect employers/anyone related to a scheme in relation to their AE duties. TPR

¹ Protecting Defined Benefit Pension Schemes (White Paper- March 2018): [Link](#)

² White Paper: [link](#), page 52.

³ White Paper: [link](#), page 52.

can also visit premises where pension scheme records are held or pension scheme members are employed in connection with occupational pensions including DB and DC.

5. Scope – numbers potentially affected

The proposed changes are designed for and will be applicable to schemes and employers that TPR regulate. They will therefore be applicable for occupational pension schemes and those used for automatic enrolment. As explained in the baseline scenario, there are certain areas of pensions in which they already exist. All schemes and their associated employers will be subject to the proposed changes. However, only a small subset are likely to be affected as the majority comply with the requirements and will not be affected in any way (as discussed in more detail in the Department’s white paper).

5.1 Scheme and Employer Volumes

Table 1: Scheme Volumes

Type of Scheme	Scheme Volumes
Occupational DC	30,590 ⁴
Occupational DB	5,524 ⁵
Occupational DC schemes used for AE	950 ⁶
Master Trusts	74 ⁷

Table 2: Employer Volumes

Type of Employer	Employer Volumes
Occupational DC (AE)	598,145 ⁸
Occupational Hybrids (AE)	2,344 ⁹
DB sponsoring employers	14,000 ¹⁰
DC (Non-AE employers)	80,000 ¹¹
AE employers	1,448,774 ¹²

5.2 Power to require attendance for an interview

As discussed in the baseline scenario above, TPR currently have the power to require attendance for an interview in connection with Automatic Employer duty- after a Section 72 notice has been issued. This power will be extended to give TPR the power to interview people it believes hold relevant information without having to issue a Section 72 notice, in connection with all types of occupational pension schemes, not just those for AE and Master Trusts.

5.2.1 AE Employer Duty/Schemes used for AE

TPR already has the power to interview people in connection with information provided in response to a section 72 notice regarding employer duties and schemes used for AE. There are 950 DC schemes used for AE¹³, the majority of the schemes used for AE are DC schemes¹⁴. From April 2017 to March 2018 TPR issued 249 Section 72 notices regarding AE¹⁵. These notices are likely to have gone to the employer as an AE investigation tends to relate to an employer not fulfilling their duties rather than relating to anything the scheme has done. All eligible employers have to comply with their AE duties as

⁴ DC Trust 2018-19 [Link](#) – Occupational DC schemes with more than 2 members excluding hybrids.

⁵ The Purple Book 2018 page 10 [Link](#)

⁶ DC Trust 2018-19 [Link](#)

⁷ DC Trust 2018-19 [Link](#)

⁸ Automatic enrolment commentary and analysis April 2017-March 2018, [Link](#) page 22.

⁹ Automatic enrolment commentary and analysis April 2017-March 2018, [Link](#) page 22.

¹⁰ Protecting Defined Benefit Pension Schemes (White Paper)- March 2018. [Link](#)

¹¹ TPR estimate of the number of Non-AE DC Occupational employers.

¹² AE Declaration of compliance February 2019- [Link](#)

¹³ DC Trust Stats- 2018-19 [Link](#)

¹⁴ Automatic enrolment Commentary Analysis 2018: [Link](#)

¹⁵ Automatic enrolment Commentary Analysis 2018: [Link](#), page 6.

of February 2018¹⁶. As at the end of January 2019, over 1.4m businesses have declared compliance with their AE duties since 2012¹⁷.

There is no information on the number of these notices that have led to an interview, it is reasonable to assume that not all of these section 72 notices led to an interview. For our estimates we use this as a proxy for the number of interviews TPR may request in future for schemes used for AE and in relation to AE employer duty.

5.2.2 Occupational Schemes and Employers (Non-AE).

DB Schemes/DB employers

TPR have provisionally assessed that the use of this power is likely to be considered in every future avoidance case. In particular, in relation to undertaking initial discussions with trustees and receiving factual accounts directly from professional advisors¹⁸. The table below shows the current open avoidance cases as at 31 December 2017. The total number of open avoidance cases were 29 (putting it into context – this is approximately 0.15% of the 14,000 DB sponsoring employers and 5,524 DB schemes) – see more detail in table 1 below. This indicates that the power is only likely to be used for a very small subset of the DB landscape.

Table 3: Current open avoidance cases (contribution notice and financial support directions) as at 31 December 2017¹⁹.

Case Stage	Number of Cases
Pre- Investigation	12
Investigation	10 (5 are contribution notice case with approx.12 separate targets)
Warning Notice	1 (contribution notice case with 9 separate targets)
DP or Upper Tribunal	2 (1 is a contribution notice case- BHS – with 2 separate targets)
Other action/closing	4 (1 x no action, 1 x clearance provided, 2 x settled)
Total	29 (7 identified contribution notice cases)

Secondary source: DB white paper, p. 49.

The figures in table 1 above are point-in-time figures. However, anti-avoidance cases tend to last several months and even years in some cases. Having consulted TPR we believe the figures give a good proxy for annual average caseload.

DC schemes/DC employers

In the absence of better information on how many will be invited for an interview. We assume the likelihood would be the same as in automatic enrolment. Accounting for the difference in the numbers of DC scheme and employers, and AE employers we assume it's approximately 122²⁰ pa.

5.3 An inspection power

TPR already have wide-ranging inspection powers:

- They can visit premises where pension scheme records are held or pension scheme members are employed in connection with DB and DC pensions
- They can visit premises where employer records are kept or employees work in connection with AE.

¹⁶ For more information on AE [link](#)- Page 3.

¹⁷ AE Declaration of Compliance Monthly Report February 2019- [Link](#)

¹⁸ White paper, page 51.

¹⁹ Source: TPR management information.

²⁰ = Number of DC trust schemes (30,590) + TPR estimate of 80,000 DC trust employers + 598.145 AE DC trust employers

*0.000171869= 121.81 (Rounded to 122).

TPR cannot currently visit in connection with DB or DC pensions, any premises where employer/company records but not pension scheme records are held unless pension scheme members happen to be employed at those premises. Generally, these gaps in TPR's current inspection powers applies to DB schemes, however the enhanced powers will also cover some other functions including DC.

DB Schemes/Employers

TPR provisionally estimate, based on their casework and operational experience that they would be likely to use this power in around a quarter of cases at early stages of an investigation, and its exercise is likely to be linked to early engagement meetings²¹.

As the above table shows, there were 29 open avoidance cases as at 31 December 2017. Having consulted TPR we believe the figures give a good proxy for annual average caseload. Assuming that the power would be used in a quarter of those cases would give us an approximate estimate of 7 cases per annum (that would have involved the use of inspection power had it been a power at the time of investigation).

DC Schemes/Employers

As discussed above, the gaps in the current information gathering powers that TPR have mainly relate to DB. This is largely a result of the number of active members contributing into a DB scheme compared to DC. There are 10.4m DB members with 1.3m actively contributing to their DB pension scheme²² (a proportion of 12.5%). However, in DC there are an estimate 16.7m members with 9.2m being active members (a proportion of 55%)²³.

It is difficult to predict with any certainty how many times TPR will use these powers in the case of DC schemes. On the one hand, the gaps in TPR's current inspection powers apply to DB schemes. However, there are more DC schemes and employers than DB schemes. We arbitrarily assume that the number of cases where the extension of these powers will be used in DC will be similar to DB - 7 cases per annum.

5.4 Extending the fixed and escalating penalties to cover breaches of the information gathering powers.

There is already a criminal offence in place for breaches of the information gathering powers. Anyone who TPR requests information from through information gathering powers, outlined above, could be in scope for this- if they were to breach the information gathering powers. It is reasonable to assume that, given the lower costs of a pursuing a civil penalty in comparison to a criminal sanction, TPR will be more likely to pursue civil cases than currently go through criminal proceedings. As such, numbers are likely to be higher than the current number of criminal offences.

6. Costs and Benefits to Businesses

The changes will not alter the existing requirements of how schemes should be run, and what information schemes and/or their sponsoring businesses have to provide to TPR. The changes will only affect those that are under investigation; and of these, only a subset that do not give TPR the information they need without these additional information gathering powers being used.

6.1 Familiarisation Costs

As discussed above these powers are already present in the baseline for a number of employers and schemes. There is no change to the how the scheme is run and what information schemes and/or their sponsoring businesses have to provide to TPR, the proposed change here relates only to the method

²¹ Protecting defined benefits pensions (White Paper, March 2018)- [Link](#)

²² The Purple Book 2018: [Link](#)

²³ DC Trust Stats- 2018-19 [Link](#)

in which TPR can ask for this information. Schemes and employers, which currently comply and cooperate, will not be expected to spend long familiarising with the proposed changes here, if at all. As mentioned above, there are a number of areas where the powers currently do or do not exist and therefore there is expected to be differing levels of familiarisation for different types of schemes/employers.

6.1.1 Familiarisation AE employers and Master Trusts

TPR currently have the power to require attendance for an interview in connection with Automatic Employer duty- after a Section 72 notice has been issued. TPR can also inspect premises where employer records are kept or employees work in connection with AE. The key change here for employers with a scheme used for AE is that there can be an interview without a Section 72 notice being issued. In the consultation response it was highlighted that 'it is the intention that prior written notice, along the lines of the notice currently issues to obtain information under section 72 of the Pensions Act 2004, will be issued by TPR'. Therefore, we assume the cost of familiarising with these changes for AE employers to be negligible. Also, TPR has these powers in relation to Master Trust schemes as well- therefore we assume the cost of familiarising with these changes for Master Trust schemes to be negligible.

6.1.2 Familiarisation occupational DB and DC AE employers

As AE employers, these are already aware of the process of an interview and inspection. However, as a result of these changes it could mean that they are interviewed/inspected for reasons not directly related to AE- where TPR would have only had the right to issue a section 72 notice requesting information previously. Therefore, we assume that these employers will only need to familiarise for a short time rather than the full familiarisation of other employers.

There is no split available within the declaration of compliance statistics as to whether the employers are private or public sector. The vast majority of employers that continue to use DB schemes are in the public sector, we therefore expect that the number of private sector employers that use an occupational DB scheme for AE to be relatively lower than the 11,704²⁴ employers that declared compliance using a DB scheme. For this purpose, we cautiously assume that all private sector employers with an occupational DB scheme will have to go through the full familiarisation process rather than the shorter process described below.

- 598,145 DC employers and 2,244 Hybrid employers
- One employee from each business takes 15 minutes to read through the change and then transpose.
- Hourly wage of a professional is £25.40²⁵.
- Familiarisation cost of £3.8 million.

6.1.3 Familiarisation occupational DB and DC non-AE employers

Employers sponsoring schemes that are not used for automatic enrolment will need to fully familiarise with the proposed changes. There may be different levels of familiarisation for these employers, this will depend on whether TPR currently has the right to inspect their premise. However, this number is difficult to accurately estimate- so for this purpose we assume all of these employers go through full familiarisation with the legislation.

- 14,000 DB employers and 80,000²⁶ DC non-AE employers.

²⁴ Automatic enrolment commentary and analysis April 2017-March 2018, [Link](#) page 22.

²⁵ The median hourly wage for a professional is £20.00 in the Annual Survey of Hours and Earnings 2017 revised. Table 2.5. This is uplifted by 27% for overheads from the previous version of the Green Book- no updated figure was available.

²⁶ TPR estimate for non-AE employers

- One employee from each business takes 1 hour to familiarise (assumption based on the familiarity with existing legislation and short amendments). It is assumed there will be 30 minutes of reading and then 30 minutes to transpose and inform others.
- Hourly wage of a professional is £25.40²⁷.
- Familiarisation cost of £2.4 million.

6.1.4 Familiarisation occupational DB and DC (excluding Master Trusts)

All occupational DB and DC schemes will be required to familiarise with the changes, except for Master Trusts where the provisions to interview, after issuing a section 72 notice, and inspect are already in place. There may be different levels of familiarisation for these employers, this will depend on whether TPR currently has the right to inspect their premise. However, this number is difficult to accurately estimate- so for this purpose we assume all of these schemes will go through full familiarisation with the proposed changes to legislation.

- 5,524 DB schemes (average of 3.2²⁸ trustees per scheme) and 30,516²⁹ occupational DC schemes excluding Master Trusts (average of 2.5³⁰ trustees per scheme).
- All trustees will need to familiarise. It takes 1 hour to familiarise (assumption based on the familiarity with existing legislation and short amendments). It is assumed there will be 30 minutes of reading and then 30 minutes to transpose and inform others.
- Hourly wage of a trustee is £28.50³¹.
- Familiarisation cost of £2.7 million.

6.1.5 Total Familiarisation Costs

The total familiarisation costs incurred to businesses are £8.9 million.

6.2 Ongoing / other costs

At its face value (gross terms), participating in and preparing for an interview results in a cost. For example, in the form of an opportunity cost (time spent in the interview when could be completing other business/scheme related duties) or advice sought when preparing for an interview. A similar argument applies to inspection of premises. However, this is just a different form of gathering the same information that schemes/businesses are obliged to provide in the baseline. There is likely to be an increase in the number of interviews and inspections, but this is instead of issuing multiple section 72 notices to request the same information from the employer/scheme. Therefore, when compared against the baseline we assess the additional cost to be either zero or negligible.

6.2.1 Ongoing/other costs – sensitivity analysis

For the purposes of sensitivity testing (worst case/high cost scenario), we arbitrarily assume that no similar information gathering exists in the baseline. Based on the ‘Scope’ section above, assume that there would be 414 instances³² where the new information gathering powers are used, per year on average. Also, assuming that:

- Preparation for the interview / inspection takes 1 day (8 hours)
- One interview or premise inspection takes 4 hours,
- That an affected individual’s time is worth £28.50 per hour (in line with the hourly wage assumption per trustee above),
- It would involve 3 individuals, per case;
- This would result in a total cost to business per year of £0.43 million³³.

²⁷ The median hourly wage for a professional is £20.00 in the Annual Survey of Hours and Earnings 2017 revised. Table 2.5. This is uplifted by 27% for overheads from the previous version of the Green Book- no updated figure was available.

²⁸ Trustee Landscape Quantitative Research 2015. Figure 3.2.3 Number of trustees by benefit type, page 14. [Link](#)

²⁹ = 30,590-74 Master Trusts

³⁰ Trustee Landscape Quantitative Research 2015. Figure 3.2.3 Number of trustees by benefit type, page 14. [Link](#)

³¹ The median hourly wage of a corporate manager or direction is £22.44 in the Annual Survey of Hours and Earnings 2017 revised. This is uplifted by 27% for overheads from the previous version on the Green Book- no updated figure was available.

³² Interview – 29 DB, 249 AE, and 122 other DC; and inspection – 7.25 DB, and 7.25 all DC.

³³ = 414 x (8+4) x 28.4988 x 3 = 425,064

We assess there to be no cost to business arising from the introduction of a civil sanction and for the extension of the fixed and escalating penalties to cover breaches of information gather provisions - on the basis that we do not treat a fine as a cost given that it is a result of wrongdoing³⁴. In addition, the most severe type of sanction – criminal sanction – already exists in the baseline; and so we do not anticipate additional legal costs as a result of introducing a less severe/more proportionate sanction.

6.3 Total Costs to business

In our central scenario we assume that the costs incurred to businesses will be at the familiarisation stage only. The costs of this would be £8.9 million in the first year and would be a one-off cost. Over the ten-year period of appraisal, the EANDCB of this measure is £0.9 million in 2016 prices, with a 2017 present value.

As discussed above, we have conducted sensitivity analysis around our assumption that there will be no ongoing costs to business. Using the scope section, we have estimated that this ongoing cost to business could total £0.43 million per year. In this scenario, the Equivalent Annual Net Direct Cost to Business (EANDCB) would be approximately £1.3 million in 2016 prices, with a 2017 present value.

6.3 Benefits to Business

We anticipate there to be some benefits to business. These would be case specific and depend on the number of Section 72 notices that would have been issued in the baseline compared to the length of time involved in an interview/inspection. As this is case specific, we believe that quantifying these benefits would be disproportionate. However, we give a qualitative assessment:

- Where TPR can obtain relevant information in a more timely and accurate manner they are likely to be able to take more effective and efficient action. This is expected to at least in some cases; result in a benefit to sponsoring businesses by reducing uncertainty during the investigation period³⁵. Businesses may also benefit from a reduction in the period of time they are under investigation.
- Some businesses are sponsoring multiple (and of different type) occupational pension schemes. For example, a business may have a closed DB scheme and scheme for AE. Currently, in some cases TPR have different information gathering powers across different types of pensions. This may be confusing for some of those businesses, and hence this enhancement and alignment of information gathering powers may add some clarity and possibly reduce legal and consultation costs.

7. Costs and Benefits to Members

Costs

There will be no costs to members as there is no need for them to familiarise with the changes or implement them.

Benefits

As set out in the white paper – where TPR can obtain relevant information in a more timely and accurate manner they are likely to be able to take more effective and efficient action. This is expected to help increase the security of members' benefits.

8. Costs and Benefits to the Government (Including TPR and PPF)

We anticipate there to be both costs and savings to TPR resulting from the changes. On one hand, TPR's staff will need to familiarise with the changes; and staff/time will be needed to carry out the activities. On the other hand, they already have to gather the same information in the baseline; the extended and enhanced information gathering powers will make it easier to do that – i.e. efficiency

³⁴ For more information on this, please see the IA on Sanctions and Fines.

³⁵ Same lines as White paper- [link](#), page 51.

savings. For example, giving TPR the power to interview will mean they will not have to go to the scheme on multiple occasions asking for information. In addition, aligning TPR’s information gathering powers in DB with those in DC and AE is expected to increase flexibility, optimise operations, and as such generate savings for TPR. We anticipate the net effect to TPR be broadly cost neutral.

It is also important to note that TPR is funded by the General levy placed on the pension schemes. Levy is excluded from business costs for the purposes of the Equivalent Annual Net Direct Cost to Business (EANDCB) or Business Impact Target (BIT).

9. Small and Micro Business Assessment (SaMBA)

There are some impacts on businesses in the familiarisation stage. These costs will be incurred by all schemes and employers that TPR regulate. Small and micro businesses that have occupational DC or DB schemes may experience an increase in costs. The familiarisation costs are higher for those employers not used for automatic enrolment and schemes excluding master trusts.

There is information in the Annual Survey of Hours and Earnings (ASHE) data set on the size of DB and DC employers with active members presented below- this also includes those who have been automatically enrolled into the scheme. This will only include those who are actively contributing to a DB/DC pension so will exclude members who are in schemes closed for future accrual or deferred members. However, it helps to provide an indication of the size of employers. The table below shows the proportion of private sector and not for profit active DB and DC members by employer size.

Table 5: Proportion of active DB and DC members by employer size³⁶.

Size of employer	Proportion of active DC Members	Proportion of active DB members
0	0%	0%
1-9	7%	2%
10-49	16%	10%
50-99	6%	4%
100-499	13%	14%
500-999	6%	9%
1000+	51%	61%
All	100%	100%

This provides an indication of the size of the affected employers- it suggests 23% of DC active members and 12% of DB active members work in small and micro businesses.

There may be an impact on small and micro businesses that sponsor pension schemes- especially at the familiarisation stage. However, familiarising is expected to be reasonably straightforward- therefore we do not expect there to be a disproportionate impact on small and micro businesses. In addition, currently TPR have a number of information gathering powers and can request information from schemes and/or their employers through a Section 72 notice, regardless of their size. The proposed changes here are simply changing the method in which TPR can request this same information- either through an interview or through an inspection.

10. Monitoring and Evaluation

We will work with TPR and the industry in order to understand and review post implementation.

³⁶ Source: DWP estimates derived from ONS ASHE GB. Figures rounded to the nearest 1%.

Annex A: Estimated direct costs to businesses

Familiarisation Costs

Familiarisation-Central Scenario	Description	How many?	Cost ³⁷	Assumptions	Rationale
AE employers and Master Trusts	Have to familiarise with the fact that they can now be interviewed without a Section 72 notice being issued first.	1,448,774	Assessed to be negligible.	-	The only difference is that can interview without first issuing a section 72 notice. Consultation response indicates that there will still be a notice issued similar to Section 72.
Occupational DC & Hybrid AE employers	Familiarise with the fact they can be interviewed/inspected for reasons not necessarily relating to AE	600,489	3,810,000	Hourly wage of a professional is £25.40. One employee spends 15 minutes familiarising.	Already familiar with the process of inspection and interview power- just familiarising that could happen for different reasons to before.
Occupational DB employers	Familiarise with the full changes.	14,000	360,000	Hourly wage of a professional is £25.40. One employee required to familiarise- takes 1 hour to familiarise with the changes.	This is an extension of existing provisions and penalties to other areas of pensions so assumed the content will already have some familiarity. Assumed 30 minutes reading time and then 30 minutes to transpose.
Occupational DC Non-AE employers		80,000	2,030,000		
Occupational DB schemes	Familiarise with the full changes.	5,524	500,000	Hourly wage of a trustee is £28.50. All trustees have to familiarise- takes 1 hour to familiarise with the changes. There are on average 3.2 trustees of DB schemes and 2.5 trustees of DC schemes.	This is an extension of existing provisions and penalties to other areas of pensions so assumed the content will already have some familiarity. Assumed 30 minutes reading time and then 30 minutes to transpose.
Occupational DC schemes (excluding Master Trusts)		30,516	2,170,000		
Total			8,880,000		

³⁷ All figures are rounded to the nearest 10,000.

Ongoing Cost- Sensitivity Analysis.

Ongoing Cost-Sensitivity Analysis	Description	How many?	Cost	Assumptions	Rationale
Cost of complying with the requirements.	The cost of preparing for an interview/inspection.	414	430,000	Preparation for interview/inspection takes 8 hours. Taking part in the interview/inspection takes 4 hours. Hourly wage of individuals involved assumed to be in line with trustee hourly wage of £28.50. Three individuals involved.	There is existing information gathering powers in the baseline. Although, there is a cost incurred in terms of preparing for the interview/inspection- it is instead of having to reply to section 72 notices in the baseline. As such, we believe the ongoing cost as a result of the changes to be negligible.