



ASSOCIATION OF CONSULTING ACTUARIES

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PRESS RELEASE

ACA STRESSES IMPORTANCE OF SIMPLIFICATION AS STEPPING STONE TO SUCCESSFUL DB CONSOLIDATION

1 February 2019: In a response today to the DWP consultation on DB Consolidation the Association of Consulting Actuaries (ACA) welcomes the Government's proposals to support the development DB consolidators (or 'superfunds'). However, as set out in our recent paper with Royal London, *'Benefit Simplification - is it time for the pensions pound?'*¹, we believe that a stepping stone to achieving successful consolidation is through simplifying the manifestly complex DB environment, with significantly lower ongoing costs supporting improved benefit security for members.

Commenting on the response, **ACA Chair, Jenny Condron** added:

"Greater facilitation of benefit simplification in DB schemes could provide a significant improvement to member understanding and be a major catalyst for greater consolidation – whether that be in superfunds or other existing forms of pension scheme consolidation.

"In terms of superfunds, it is right that there is appropriate regulation and protection for members, but this needs to be balanced with appropriate pricing and accessibility for schemes whose members could benefit from transferring to a superfund. In particular, the proposed superfund gateway is intended to remove the superfund option for those schemes that could fully buy out in the foreseeable future – the gateway should be set at a level where schemes which can benefit from the superfund option are not unnecessarily excluded."

The ACA submissions adds that the authorisation regime (including the financial sustainability and adequacy requirements) also needs to reflect the pension scheme trust model and be set at a level sufficiently less onerous than that of insurance companies in order to support a viable superfund market that could materially improve member outcomes for those schemes that cannot afford to insure fully now or in the foreseeable future. Regulation also needs to consider the very different position of the superfund corporate entity (as opposed to the trustee body) and ensure that this body is also appropriately regulated.

The submission notes that there needs to be clear delineation between superfunds, insurance companies and ongoing DB pension schemes. Regulations made for one of the three should not be carried over to the others, as we expect each sector to have its own needs and capabilities and to serve specific sections of the market. In particular it would not be appropriate for funding rules

¹ <https://aca.org.uk/simplifying-pension-benefits-is-it-time-for-the-pensions-pound/>

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Registered Office: 10 St James Road · Wokingham · RG40 4RT

Registered in England No. 10184138

Registered under the Data Protection Act ZA114526

applicable to superfunds to become a de-facto standard for DB scheme funding, where the reliance on ongoing employer covenant should allow for much greater freedom where appropriate. The ACA says it would welcome further commentary on the expected investment strategies of superfunds, and how it is proposed that these are regulated.

The ACA's full response to the DB consolidation consultation is [here](#)

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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