



ASSOCIATION OF CONSULTING ACTUARIES

Association of Consulting Actuaries Limited · First Floor (129) · 40 Gracechurch Street · London · EC3V 0BT
Tel: +44 (0)20 3102 6761 · Email: acahelp@aca.org.uk · Web: www.aca.org.uk

PRESS RELEASE

CHAIR SAYS ACA HAS FOUND STRONG SUPPORT FROM SPONSORS AND TRUSTEES FOR A 'MODEL SCHEME' TO SIMPLIFY DB BENEFITS ALONGSIDE GMP CONVERSION

10 May 2019: Speaking at their Annual Chair's Dinner, attended by leading figures from the worlds of pensions, financial services and officialdom, Jenny Condron, Chair of the Association of Consulting Actuaries (ACA) noted that it was the common purpose of those attending that members of the pension arrangements they oversee receive the pension promise that have been made to them. There had been critical events which had resulted in change for good – a focus on strong scheme governance for DB and DC, and on DB funding and improving benefit security. However, she wondered whether members' needs to better understand the pension benefits they have accrued had been given sufficient attention in the tidal wave of initiatives in recent years that had all too often placed further complexity and cost on scheme sponsors and trustees.

ACA Chair, Jenny Condron, added:

"Advancing pension benefit simplicity is one of the priorities I set myself as ACA Chair. A year ago, I sat between Sir Steve Webb and Ruston Smith at this dinner and we discussed at length the impact that simplification could have for both DB and DC members. After several months' work, and with great input from Faith Dickson on behalf of the APL, the ACA produced a [joint paper](#) with the Royal London on simplifying DB benefits. With the catalyst of GMP equalisation and conversion, the industry has the opportunity to achieve material simplification of the DB pension promises made and upon which still so many depend for their retirement security.

"And as a reminder, we believe DB pensions could have up to 12 tranches simply down to layer upon layer of legislative change. It is no wonder that pensions administration is creaking under the pressure of schemes' unscalable complexity, with the potential for slow delivery and incomprehensible paperwork issued to members at the point they most need clear guidance from the industry.

"We need to be bold in helping others in the sector understand the impact that GMP conversion could have on the delivery of simpler DB pensions. It's an enormous challenge. And it won't be a quick one. But with resulting lower ongoing costs, improved benefit security and clarity for members on the pensions they can expect, we must try.

"Rather than every scheme developing their own version of simplified benefits, the ACA has proposed a 'model scheme' that could be adopted industry wide. We are working with scheme sponsors, chairs of trustees and professional trustees to encourage its adoption. And we are seeing

a lot of support for this. We look forward to the further HMRC and DWP guidance, as well as legislation when Parliamentary timetables permit, to help us make progress.

“The second area of focus I set for myself a year ago was in relation to pensions taxation. In recent weeks, there has been much coverage of the repercussions of pension tax thresholds within the NHS. The impact is, of course, industry-wide – not just on the high earners, but on those who are long serving, those who receive a late career promotion, or who simply have doggedly done what they believed to be the right thing in planning and saving for their retirement.

“Not only do we not have a level playing field for DB and DC accrual. We are operating in an environment where few of us can simply explain how the pensions tax system will impact any individual, now or at retirement. Everyone expects to pay tax to support valued public services, but it is essential that the system is transparent for it to be considered fair, and change is long overdue. We stand ready to assist Government in simplifying the regime.

“A third priority area is in relation to benefit security. The ACA is grateful for the support of tPR in presenting at our meetings across the UK and helping to inform our actuaries, and so all pension stakeholders, on its thinking. In turn, we are delighted to play a part in inputting to the development of a new funding code.

“In discussions with our clients, most already recognise the need to focus on the end game. The potential for discussions on long term objectives to be crystallised into a more detailed business plan, with regular measurement of progress against agreed targets, is to be welcomed. What is as yet less clear, is how such goals will intertwine with technical provisions. Collectively we must ensure that the new code makes a material difference to benefit security. It must resonate with schemes large and small.

“Above all, we cannot burden schemes with more valuation costs – lengthier negotiations, more difficult documentation to be agreed – when the true goal is that the cash available should be going towards improving benefit security not on adviser fees.

“There is an underlying theme to each of the points I have made – simplicity. It takes enormous effort to achieve, much like writing Churchill’s ‘short letter’. However, unless we strive for this, we risk undermining still further consumer confidence that as an industry we are focussed on achieving better member outcomes, rather than our own job protection.

“Speak to anyone about pensions – they are always too complicated, too expensive, too far away. It is our collective responsibility to make sure that members understand the promises they have – and have not - been made. They need to know how they will be taxed as they build up and bring their benefits into payment, and believe that, as an industry, we will help ensure there is adequate security to provide those pensions long after we ourselves have retired. After all, isn’t that what we expect for our own pension?”

Contacts for further information:

Jenny Condrón, ACA Chair at jenny.condron@merceroak.com - 01483 777053

David Robertson, ACA Secretariat at david.robertson@aca.org.uk – 020 3102 6761

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.

Disclaimer

This document is intended to provide general information and guidance only. It does not constitute legal or business advice and should not be relied upon as such. Responding to or acting upon information or guidance in this document does not constitute or imply any client /advisor relationship between the Association of Consulting Actuaries and/or the Association of Consulting Actuaries Limited and any party, nor does the Association accept any liability to any person or organisation relating to the use of such information or guidance.

Association of Consulting Actuaries Limited · First Floor (129) · 40 Gracechurch Street · London · EC3V 0BT

Tel: +44 (0)20 3102 6761 · Email: acahelp@aca.org.uk · Web: www.aca.org.uk

[Privacy Statement](#)