ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

ACA SAYS NEW REGIME WILL BE OF INTEREST TO PENSION SCHEMES THAT CANNOT AFFORD BUY-OUT SOON

18 June 2020: The Association of Consulting Actuaries (ACA) has welcomed The Pensions Regulator's announcement of an interim regime, paving the way for commercial consolidators for defined benefit pension schemes. The greater clarity and certainty on new commercial consolidation options will be of particular interest to schemes that can't afford to buy-out in the near future and where the security of members' pensions has been put at risk because of the recent COVID19 business downturn.

Commenting on the TPR announcement issued today, ACA Chair, Patrick Bloomfield, said:

"TPR's interim regime opens the door for a viable market in commercial consolidation for defined benefit pension schemes. This is an important and positive step forward. It has the potential to be good for scheme members and good for the businesses that support them.

"It is particularly welcome that TPR has chosen to issue this now, as businesses grapple with COVID19. Recent unprecedented events have caused many previously sound businesses to face a worrying outlook. It is timely that TPR is making commercial consolidators a genuine option to consider, especially for businesses considering deals that could involve the Pension Protection Fund.

"TPR's guidance is thorough and well thought through. It helps the industry make valuable progress, whilst we wait for the legislation needed for a full commercial consolidator accreditation regime. There are some aspects where TPR has erred on the cautious side. In particular, that consolidators won't be allowed to extract profits in the first 3 years unless schemes are wound-up and with various controls around investment strategy. This will constrain the initial business models which consolidators are able to use.

"Whilst the ACA expects commercial consolidation to become a popular option in time, we don't expect a rush of deals to be signed straight away. We support TPR's intention to scrutinise each deal individually, checking that it is in the interests of pension scheme members.

"The ACA shares some concerns that have been voiced about commercial consolidation. It should not be allowed to undermine the security of members' pensions, nor should it create a cheap option for schemes that can afford to reach full insurance. We are pleased to see TPR has put in safeguards against this.

"Finally, we applaud TPR for continuing to highlight the importance of climate risk in how commercial consolidators are run and help set the standard for climate risk policy in the pensions industry." added Patrick Bloomfield.

The ACA has previously called for widescale pension simplification to be a pillar in government policy to achieve better, clearer outcomes for members and reduce the burden of DB pension schemes. Sadly, benefit simplification doesn't feature in TPR's commercial consolidation guidance. We hope that this will change in time, so that opportunities like consolidation and GMP equalisation can also capture reductions in running costs and improvements in member understanding.

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NOTE FOR EDITORS

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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