ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE:
COMMENT ON AUTUMN STATEMENT

ACA welcomes further progress on Mansion House reforms but cautions on "pot for life" proposals.

22 November 2023: Responding to announcements in the Autumn Statement, the Association of Consulting Actuaries (ACA), has expressed support for schemes being given encouragement to invest more in productive assets.

ACA Chair, Steven Taylor, commented that:

"We look forward to seeing the consultative paper that is promised over Winter and to working with the Government as Mansion House pensions proposals continue to be fleshed out. In general, we support greater flexibility on the use of DB surplus, subject to appropriate member protections, and view that the reduction announced today in the rate of authorised surplus repayment charge from 35% to 25% is a sensible stopgap measure. However, it is unlikely in itself to drive changed investment behaviours for defined benefit scheme trustees and sponsors.

"The use of the PPF as a public consolidator of smaller schemes that are unattractive to commercial consolidators has some appeal, not least as commercial models have recently enjoyed some initial success. However, safeguards will need to be put in place to prevent market distortions and concentration risks and to ensure that the different endgame approaches each have space to flourish. The overall financial model of the PPF approach also remains unclear in relation to the role of the taxpayer and current levy payers, and this will need to be resolved as further details emerge.

"On the planned consultation on DC reforms aimed at giving members the ability to nominate a scheme of their choice for the employer to pay into, we are concerned that whilst this will have some consumer appeal, it will lead to a significant administrative and risk burden for employers, lower engagement levels from sponsors and potential fragmentation of the system with worse outcomes for low-income savers. It also seems potentially inconsistent with a desire to have larger schemes with the scale to invest in productive finance. We look forward to understanding and contributing to the Government's proposals but encourage the government to prioritise first getting existing initiatives, in particular Pensions Dashboards, up and running before considering introducing further complexity into the system.

"On LTA we are disappointed that HMRC are pressing ahead with abolition from 6 April 2024, though note that HMRC will take powers to correct transitional legislation. The Policy paper states that there will be a new type of lump sum to replace the lifetime allowance excess lump sum. We hope that this will address our concerns about DB freedom but we will need to see the draft legislation."

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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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