



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA says the Funding Code Regulations need to better gel with the Code's greater flexibility in order to give schemes and sponsors the certainty they need

23 March 2023 – In our [response](#) to the TPR's DB Funding Code consultations, the Association of Consulting Actuaries (ACA) says our most significant concern with the proposed Code of Practice is the disconnect between the relatively prescriptive wording used in the draft DWP Regulations and the greater degree of flexibility signalled in TPR's document.

Steven Taylor, ACA Chair, commented:

"ACA strongly supports the principles set out in the draft Code. However, trustees and sponsors need to be certain that following the approaches outlined in the draft Code will ensure compliance with the legislation and so our preference is for the final regulations to be refined to more closely illustrate the flexibilities envisaged by TPR.

"We have a strong preference for use of a less volatile measure of significant maturity, to help schemes plan ahead with certainty on when they must reach low dependency and would support a fixed basis for the calculation of duration. In addition, as set out in our response to the draft regulations, we would prefer schemes to be able to set a relevant date within a wider range of the projected date of significant maturity."

The ACA response comments that for schemes which are 'genuinely open' and therefore not moving at pace towards significant maturity, the requirements impose a significant amount of additional work, and potentially cost, for limited (if any) benefit. We reiterate the call we made in our response to the draft DWP regulations, for a carve-out for such schemes. In a recent ACA survey we conducted, two-thirds of respondents who indicated the issue was applicable, thought the proposed new regime would have a negative impact on schemes open to future accrual.

The ACA also notes that the proposals in the Code potentially increase the prospect of 'trapped surplus' under some scheme rules.

Steven Taylor, added: *"It would be perverse to require ever higher employer contributions which lead to trapped surpluses, which may then not be refundable. The funding regime must be sufficiently flexible to consider of the likelihood of and sensible mitigation for 'trapped surplus' risks when agreeing journey plans, low dependency asset allocations, employer contributions and use of contingent assets."*

“Further implementation delays to the new funding regulations and Code would also be unhelpful. Trustees and sponsors now need a period of certainty to be able to plan their schemes’ journeys with confidence.

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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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