



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA sends paper to Chancellor and Pensions Minister with key points to unlock DB pensions surplus

25 February 2025: In a paper [Unlocking DB pensions surplus](#) sent to the Chancellor and Pensions Minister at the end of last week, the Association of Consulting Actuaries (ACA) welcomes Government initiatives to increase flexibility for DB schemes in surplus and sets out essential elements for how this could be incorporated within a sound risk management approach to safeguarding the health of DB schemes and members' benefits.

Launching the paper produced by an ACA working group, ACA Chair, Stewart Hastie said:

"Our members are deeply involved in advising the pension scheme trustees who will need to make decisions on the use of DB surplus, and they will need to be satisfied that the new arrangements promised by Government provide adequate security to their members.

"To aid officials in considering the detail of the legislation needed, we propose seven key areas in our paper that any framework of legislation and supporting guidance should satisfy in what can be a very complex area."

Key points in the ACA paper are:

- A recognition of the importance to Government and employers of unlocking growth and productive finance,
- A call for 'principle based' legislation plus regulatory guidance,
- Key protection is to keep trustees at the heart of agreeing surplus release but with an ability to agree an override to current scheme rules' and clarity around fiduciary duties,
- Consistency with scheme specific funding regime and superfund regime,
- Available to all UK DB schemes but with an expectation that reforms will be designed primarily to target medium and large schemes,
- Supporting pension schemes to adopt appropriate asset strategies that mean very low likelihood of members' benefits not being paid – but still supporting modest returns whilst controlling risk – DB schemes investment and risk management strategies are in a very different place to the approaches and associated volatility, of 10-15 years ago,
- Favour gradual release of surplus over time to minimise regret risk and as part of sound risk management. The ACA paper suggests the concept of 'surplus recovery plan' as a symmetry to 'deficit recovery plans' recognising the main purpose of funding valuations is effectively a prudent budgeting exercise,

- New flexibilities should include allowing surplus to be more easily used to fund pension contributions for sponsor's current and future workers and to pay lump sum benefits to DB scheme members (rather than necessarily in the form of increases to lifetime pensions)

Stewart Hastie added:

"It is essential that trustees have a formal role in assessing and agreeing any rule changes, and in determining any actual refund of surplus to the employer. This has the benefit that the trustees can flexibly assess the situation taking account of scheme and sponsor specific circumstances.

"If guidance were to set out the acceptable funding level under specific circumstances - for example, expressed as low dependency plus a margin or a percentage of buy-out cover - then trustees will be able to gauge the level of margin appropriate to their scheme's circumstances taking into account additional security provided to the scheme and the status of the employer and level of investment and funding risk, without needing legislation to specify every eventuality."

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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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