ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

ACA Evidence to Public Bill Committee on Pension Schemes Bill

28 August 2025: Responding to the evidence call by the Public Bill Committee on the Pension Schemes Bill, the Association of Consulting Actuaries (ACA) as representatives of actuaries advising both trustees and employers, has said it supports the inclusion of the 'Powers to pay surplus to employer', which include provisions for appropriate additional safeguards to be set out in regulations.

Summarising the ACA's evidence, Stewart Hastie, ACA Chair, said:

"We set out our comments on appropriate safeguards in our response to the 'Options for DB Schemes' consultation in April 2024. Our preference is for a two-tier approach enabling surplus refunds through a simple process where funding is very high whilst also allowing employers with strong enough covenants to take surplus refunds at lower levels of funding. So, for example, if funding is above, say, the actuary's estimate of solvency, then no further conditions would apply. If funding is above the low dependency target but below solvency, then the covenant and/or other contingent assets would need to be considered strong enough to support this difference."

The ACA evidence calls for flexibility to make one-off payments to members without adverse tax consequences. In combination with the surplus refund measures in the Pension Schemes Bill, these changes will likely make investing for surplus by DB schemes more attractive, with a view to sharing surplus between members and employers and may also encourage greater investment in growth assets, or schemes holding on to growth assets for rather longer than currently planned.

Stewart Hastie added: *"We would support further flexibility on the use of surplus – in particular, subject to suitable safeguards, permitting surpluses in defined benefit schemes to be transferred to other trusts (including Master Trusts) without incurring a tax charge, in order to fund future pension accrual for employees. This would help to ensure that all employers, regardless of size, can use their DB surplus to fund current employee pension accrual in a straightforward way and without a possible tax penalty. It would also help to drive consolidation and scale in Master Trusts.*

The ACA evidence expresses some specific concerns on the Defined Contribution provisions, as outlined in the full response, and on a more general point about the timing of new requirements for trustees to select 'default pension benefit solutions' and the roll-out of anticipated legislation to enable decumulation-only Collective Money Purchase schemes (or 'D-CDC' schemes) to be established. In the ACA's view, trustees should be able to select their default pension benefit solutions from a menu of options which include D-CDC schemes.

Echoing many other industry bodies, whilst we recognise that the mandation debate is a sensitive one we believe that the ability to mandate asset allocation is not in the best interests of schemes, their members or employers and should therefore be removed from the Bill. If there are attractive UK investments, schemes will invest in them. If there are not, mandating that is likely to require schemes to select less attractive investments. A better focus for government would therefore be to find incentives to encourage development of assets into which UK schemes want to invest.

The proposed mandation power overreaches into fiduciary duties, blurring responsibility for asset allocation. We believe that the adoption of the Mansion House Accord reflects broad support by the industry and forcing a segment of the market risks inefficiencies (for example, bidding up prices if a significant amount of capital is required to be invested in a limited number of opportunities with a fixed timeline).

The ACA evidence also comments that the powers given in the Bill for greater Government intervention in how and where LGPS assets are invested could lead to potential conflicts with a scheme manager's fiduciary duties, increasing the likelihood of sub-optimal future funding outcomes. Given this, we would expect more detail around when or how these powers are to be used to avoid any future Governments taking actions which could be to the detriment of scheme managers having sufficient funds to pay members' benefits.

The ACA's full evidence can be found **HERE**

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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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