

ACA Pension trends survey report

Pensions: key reforms still needed to avoid crisis



PRESS RELEASE

ACA survey report sees crisis ahead with stalled key pension reforms

31 March 2022: The [final report](#) of the Association of Consulting Actuaries' 2021 Pension trends survey highlights a 'Top 10' list of key findings (see below) many of which underpin the ACA's call for action on stalled pension reforms that the report says are brewing a crisis ahead. The survey includes responses from 212 employers of all sizes sponsoring over 400 pension schemes.

Launching the survey report, ACA Chair, Patrick Bloomfield says:

"Our survey found British business is rightly worried that we're not saving enough and supports increasing auto-enrolment minimum contributions. Doing so would address inequities in today's pension landscape, which hit women, minority groups and the poorest hardest. Extending this to make pensions more flexible and better integrated with later-life social care would help everyone.

"The Government's inaction in this policy area is particularly concerning. We are seeing millions of workers in DC schemes 'sleep walking' towards levels of income in retirement in the years ahead that will fall far short of the incomes of millions of current pensioners who have benefitted from defined benefit arrangements. Without a plan for increasing saving levels, the younger generation of taxpayers of tomorrow will face enormous bills to support the elderly in retirement, dwarfing the extra funds recently allocated to social care.

"The ludicrous complexity of pensions tax is also preventing Britons from saving. It is time for a root and branch review, to get us saving for our futures. Again, no action has been taken.

"Businesses and savers want flexibility with digital access through dashboards - where progress is again worryingly slow and increasingly unlikely to meet the stated launch timetable."

"Our survey found it's not all doom and gloom. There remains strong business support for pensions becoming central to tackling climate risk, with savers demanding action and schemes beginning to grasp the nettle. And there's an increasing appetite beyond Royal Mail for Collective Defined Contribution as a new way of saving, provided the regulatory regime is proportionate and is extended widely to more employers in a timely way."

‘Top 10’ Key findings of ACA survey

Pension contributions

1. employers support minimum AE contribution of **12%** of total earnings, of which **6%** is paid by employees (this view is more strongly held by employers with more than 500 employees) – see page 13 of survey report.
2. However, **84%** of employers thought the introduction of the new NHS/Social Care tax made it unlikely AE contributions would be increased during this Parliament – see page 14.

Auto-enrolment leavers

3. Number of employers seeing AE cessation rates materially increase doubled from **1 in 10** to **1 in 5** as a result of the Covid pandemic – see page 15.

Flexible savings options

4. **67%** (up from 47% a year ago) say they would consider paying an employer contribution into a more flexible savings vehicle that could be used for retirement savings and other purposes, such as house purchase, with due safeguards – see page 17.

Pension taxation

5. **89%** say the current structure is too complicated and needs simplification, even if some people are worse off as a result – see page 18.

Climate risk

6. Despite present regulations only applying to Schemes with more than £5bn in assets, **33%** of all schemes have already set or are in the process of setting climate targets. Half of these have included an emissions-based target, **70%** of which are for ‘net zero’ – see page 21.

2021 Pension Schemes Act

Regulatory overload

7. As a result of additional regulatory requirements **76%** of employers say they expect more trustees will consider resigning due to the scale of the new responsibilities they are expected to take on. And **7%** of schemes moved to sole trusteeship governance over the last 2 years, also evidencing the negative impact of the growing regulatory burden (amongst other drivers) - see pages 15/21/22.

Pensions dashboards

8. **51%** of scheme trustees/governing bodies say they have taken action to clean up pensions data in preparation for pension dashboards. The same narrow majority support dashboards being launched with just basic details – see page 22.

TPR’s DB Funding Code Consultation

9. Employers strongly support ‘**Seven Key Elements**’ of DB Funding Code – see page 22.

Collective Defined Contribution schemes (CDC)

10. **58%** of employers now say they support the CDC option being made available (up 6 points on a year ago) and **54%** support its extension to allow industry-wide and multi-employer CDC schemes (up 8 points on a year ago – see page 23).

The ACA survey report includes (see pages 6-10) **key public policy recommendations** to help meet the challenges that are jeopardising the future for millions of savers:

- 1. Refresh auto-enrolment, including widening coverage and increasing minimum AE contributions**
- 2. Urgent need for increased flexibility in the way people save for retirement, extending pension freedoms to younger savers to promote both resilience and intergenerational fairness**
- 3. Income targets and more advice and guidance needed during the accumulation phase**
- 4. Action is needed on the overdue intergenerational commitment to a better social care regime**
- 5. Urgent need for significant simplification of the pension tax regime, with clear policy goals and extensive consultation to minimise unintended consequences**
- 6. Balancing costs between current workers' and previous workers' pensions**
- 7. Tackling climate risk through the way savings are invested.**

Copies of the [ACA Survey 'Pensions: Key reforms still needed to avoid crisis'](#) including a statistical appendix are available free of charge on the ACA's public website at www.aca.org.uk (Menu: Publications/Research and Surveys).

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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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