ASSOCIATION OF CONSULTING ACTUARIES

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PRESS RELEASE

ACA SURVEY FINDINGS SUPPORT FOR KEY MEASURES TO BE INCLUDED IN PENSIONS BILL

7 October 2019: The Association of Consulting Actuaries (ACA) welcomes the Government's commitment to its pension reform agenda[1] and reiterates its call today for five key measures to be included in an upcoming *Pensions Bill*, which is now set to be included in The Queen's Speech, should this go ahead as planned on 14 October. The ACA notes that headline results published today from the *ACA 2019 Pension trends survey* shows employer support for most of the ACA key policy priorities, some of which go beyond current expectations of the contents of the Bill, as outlined by the Secretary of State for Work & Pensions[1] and Pensions Minister, Guy Opperman.

The **five key policy measures called for by the ACA** are:

- ✓ **Giving the Pensions Regulator easier and quicker access to its powers and enabling progress with a new Defined Benefit Scheme Funding Code**
- ✓ **Implementation of rules to allow for the launch of Pension Dashboard(s)**
- ✓ **Implementation on a planned basis of increases in minimum AE contributions and proposals announced in the 2017 AE Review by DWP**
- ✓ **Implementation of a Collective Defined Contribution (CDC) pension scheme regime**
- ✓ **Implementation of legal changes allowing defined benefits to be simplified (with no loss to the recipients).**

Commenting on the policy calls, **Jenny Condron, ACA Chair** said:

"It seems increasingly likely a Pensions Bill will not progress through Parliament until after a General Election and whatever is currently well-progressed in a draft Bill may then be the subject of a re-think. While we believe it may be unwise to rush out a Bill in mid or late October if we are to see an election in late November, it would also be wrong for many of these well-developed draft policies to fall by the wayside."

"We note the Work & Pensions Secretary of State's speech at the Conservative conference saying business owners who 'plunder pension pots' could face jail, but as featured in our 2018 Pension trends survey[2] over 70% of respondents believe extra powers in the Bill for TPR should be proportionate and only be targeted on unscrupulous employers rather than necessarily adding further regulatory constraints on all employers and/or trustees."

The headline results of the *ACA 2019 Pension trends survey*[3] found employers were generally supportive of the ACA's recommendations for the Bill's eventual contents:

- **DB funding**: **78%** of employers support a new DB scheme funding code providing a more straightforward fast-track route to demonstrating compliance plus an alternative bespoke approach.

- **Pension Dashboard(s)**: **76%** support schemes being required to provide data to the pension dashboard(s).

- **Minimum AE pension contributions and AE rules**: The survey found employers were sympathetic to **AE total minimum contributions increasing to 10% of total earnings** (subject to a cap) by 2021 and with AE extended to those aged 18 or over, albeit smaller employers in the main remain opposed to moving beyond current AE contribution requirements.

- **Collective Defined Contribution schemes**: **48%** of employers support CDC schemes being an option for employers, with only **13%** opposing such a move (the others being 'unsure').

- **DB scheme consolidation**: the survey found a good deal of employer uncertainty over the merits of DB scheme consolidation, but **55%** said consolidation decisions were more likely if schemes were able to make legal changes allowing benefits to be simplified on the way into a consolidation vehicle.

- **Simplification:** in general, taking advantage of the GMP equalisation project to drive genuine simplification of DB pensions would bring numerous benefits, as highlighted in the paper produced jointly by the ACA and Sir Steve Webb *Time for the Pensions Pound*. These include greater understanding by members; lower administration costs; and ease of communication on dashboards, in addition to the potential consolidation or insurance of benefits.

The full results of the *ACA 2019 Pension trends survey* are to be published in a number of short reports over the next 2 to 3 months. The next report will feature the survey's findings on Defined Benefit Scheme costs and GMP equalisation issues.

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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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[1] Speech by Thérèse Coffey, Secretary of State for Work & Pensions at the Conservative Conference, 30 September 2019.
[2] See *ACA 2018 Pension trends survey*, page 15.
[3] The *ACA 2019 Pension trends survey* was conducted in the summer of this year and attracted 308 responses from employers of all sizes, running over 510 different schemes.