



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

SURVEY FINDS SUPPORT FOR MORE TARGETED TPR POWERS AND GREATER FLEXIBILITY FOR DEFINED BENEFIT SCHEMES IN PENSIONS BILL

25 October 2018: In the third in a series of reports summarising the results of the *ACA's 2018 Pension trends survey*, the Association of Consulting Actuaries (ACA) has found a substantial majority of employers feel the Pensions Regulator (tPR) needs more powers to help protect defined benefit (DB) schemes, although a similar majority feel these powers should be targeted on unscrupulous employers as a priority rather than toughening the funding code of practice for all.

Concerns remain over how a tougher approach to defined benefit scheme funding will conflict with the tPR's supporting 'sustainable growth' objective. With a majority of employers reporting the funding of their DB scheme is impacting on business performance, the vast majority favour a legal change in the upcoming 2019 Pensions Bill that would permit private sector defined benefit schemes, when their sponsors are in serious financial difficulties, to pay lower increases than may currently be required by scheme rules.

Key findings in the report

The ACA survey, which was conducted over the summer and received responses from 349 employers of all sizes, found:

- Around **70%** of employers say the Pensions Regulator needs more powers to help protect defined benefit schemes, but **72%** feel those powers should be targeted on unscrupulous employers as a priority rather than toughening the funding code of practice for all.
- **66%** say a tougher approach to funding would increase conflict with the Pensions Regulator's 'sustainable growth' objective, with **62%** saying more specific guidance would undermine scheme specific funding.
- **55%** of employers feel the cost of their DB scheme is adversely impacting on their business performance, with **84%** calling for a legal change in the upcoming Pensions Bill to permit DB schemes to pay lower annual increases in pensions where those provided for under scheme rules will severely and adversely affect the employer.
- **61%** of employers say schemes should be required by legislation to provide data to the Pensions Dashboard, with just **19%** favouring more than one dashboard.

The survey also found that the incidence of members' transfer requests from defined benefit schemes was 6 points down on last year's figure (41% of schemes have experienced 5% or more members seeking a transfer request this year), but with completed transfers remaining at a similar level to last year (18% of schemes experiencing 5% or more employees completing a transfer).

ACA Chair, Jenny Condron, commented:

“The Pensions and Financial Inclusion Minister, Guy Opperman, made it clear last week that next year’s Pensions Bill – if it gets the go ahead from business managers – is likely to be the last for some time to come. Our survey findings stress that it’s important that the Bill is proportionate to the problem and that, yet again, we do not have a raft of complex legislation and additional regulation that adversely impacts on the funding and administration of thousands of well-run schemes, rather than focusing on the few errant ones that hit the headlines. It’s not yet clear that message has got through to Government.

“Our survey found employers seem happy to see rogue directors or trustees pursued much more vigorously than has been the case to date, but they are far from convinced that a radical re-writing of the scheme funding code for defined benefit schemes is justified. Targeted action would seem to be the priority not an ‘en masse’ change.

“On scheme flexibility, employers are clearly disappointed that the recent DB White Paper seemed to rule out the ability of more schemes to move to lower annual increases in pensions in circumstances where the sponsoring employer is in serious financial difficulties. This seems to be a sensible reform and one the Government has widely followed itself across public sector schemes. It seems totally unreasonable that private sector employers continue to be discriminated against and we trust the Government will think-again on this sensible reform”, said Jenny Condron.

Further reports on the Pension trends survey’s findings are due to be published over the next two months.

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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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