



PRESS RELEASE

ACA SAYS SURVEY FINDS 'MISSED OPPORTUNITY' TO BOOST PENSION CONTRIBUTIONS IN PENSIONS BILL...BUT SUPPORT FOR KEY MEASURES

16 October 2019: In the first of a series of reports outlining the findings of the ACA's *2019 Pension trends survey*, the Association of Consulting Actuaries (ACA) has found support for a Pensions Bill that includes pension dashboard requirements, a CDC regime and the principles behind a new Funding Code for defined benefit schemes, but the survey findings suggest an 'opportunity has been lost' to build on the success of automatic enrolment (AE).

Key findings in the report

The ACA survey¹, which was conducted over the summer and received responses from 308 employers of all sizes, found employers were prepared to support measures that go beyond the Bill's contents, including:

- **85%** say automatic enrolment into pension schemes should be extended to those aged 18 or over, with **82%** supporting contributions from the first £ of earnings, as opposed to only on earnings above £6,136pa as at present. This means many lower paid or part-time workers are presently saving total contributions of close to 4% of earnings rather than 8%.
- With the exception of smaller employers, upwards of a half support minimum automatic enrolment contributions being increased to a minimum total contribution of 10% of total earnings split evenly between employers and employees, subject to a cap, from April 2021.

However, the survey findings also revealed support for measures included in the Bill:

- **76%** of employers say all pension schemes should be required by legislation to provide data to the pension dashboard(s).
- **78%** of employers support a new Funding Code for defined benefit schemes that provides a more straightforward fast-track route to demonstrate compliance, with schemes also able to choose a more bespoke approach.
- Over **70%** support the Code including how development of a suitable long-term objective (LTO) by trustees; clearer guidance to stronger employers on funding deficits in a shorter period; how closed schemes should reduce reliance on covenant and how trustees could demonstrate whether risk in their investment strategy can be supported.
- **48%** support the introduction of a Collective Defined Contribution (CDC) pension scheme regime, with just **13%** disagreeing.

➤ Perhaps reflecting the apparent omission of the measure from the Bill, **just 30% currently support initiatives to transfer DB scheme liabilities to a consolidator at less than full buy-out by way of a premium**, but with **55% saying consolidation was more likely if legal changes are made to allow benefits to be simplified on the way into a consolidation vehicle** – another action left out of the Bill.

ACA Chair, Jenny Condron, commented:

“Our findings suggest employers are supportive of a number of the key measures in the Pensions Bill, which was announced on Monday as part of The Queen’s Speech. Many of these measures have been well signposted by the Government and enjoy a degree of cross-party support, which is welcome in an environment where political differences have generally been heightened. This bodes well even if an election halts immediate progress with a Bill.

“However, our survey findings indicate that the Government could have been bolder, probably with cross-party support, if it had added into the Bill measures to build on the success to date of pension auto-enrolment. With evidence that fewer employees have ceased making pension contributions than was expected as minimum contributions were increased in 2018 and 2019, the Bill should have included ‘next steps’ to build on those contribution levels, which are still far too low to deliver the levels of income future retirees will need. Whilst smaller employers might need some help from Government in supporting higher pension contributions, it would be wrong to halt the progress made, when much still remains to be done to increase pension savings above present levels. The AE next step additions envisaged would not require major amendments to the Bill and could be added during its passage through Parliament.”

Further reports on the 2019 Pension trends survey’s findings are due to be published over the next two months and a final report in December.

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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 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.