STEVEN TAYLOR, ACA CHAIR'S SPEECH AT APPG ON PENSIONS ANNUAL LUNCH
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"Now, when I was last lucky enough to be here, I, along with several others, gave oral evidence to the Select Committee's LDI Inquiry. During that session, we hopefully shed some light on what defined benefit schemes have historically tried to achieve with LDI and also on the steps trustees had already taken in response to the crisis. Since then, our Association has also supported the regulatory announcements that have recently emerged and we also look forward to hearing the Select Committee's full recommendations in due course.

"And on wider pension policy, we've also been really pleased to see many of the measure announced by the Minister earlier this year aimed at closing the pensions inequality gap, for example around collective defined contribution (or CDC) schemes, which ACA has vocally supported. And we look forward to perhaps hearing more on these topics from the Minister shortly.

“More recently, we also provided written evidence to the Select Committee’s wider inquiry into defined benefit schemes. This included a number of key questions - including whether open schemes (which continue to accept new members and allow the build-up of new benefits) - are now able to thrive.

“Now, on this point we’re a little less optimistic. Whilst we support the re-jigged Funding Code, we do think that open schemes will continue to risk being forced down an unnecessarily cautious funding approach, which could result in yet more schemes choosing to close. And we have responded to TPR, DWP and Select Committee’s recent consultations with suggestions in this area.

“But if the past year has been focussed on the legacy of DB schemes, what positive themes can we draw out for the 12 months to come. Well (and I will touch wood), I think we are beginning to make real progress in the battle for good quality pensions for the next generation.

“As an example of this, I was struck recently when I was asked by a journalist, why the ACA was so keen on CDC schemes? –aren’t they a bit complicated, he asked?

“And I think the answer goes something like this:

“In the past, employers used to be happy to pay 20% or more of salaries into defined benefit schemes which employees liked and also helped companies attract and retain the best staff.

“But… when faced by a near endless ending battle against deficits and increasingly onerous regulation, most companies closed their schemes for current employees and instead now on average pay below 10% of salaries into replacement Defined Contribution schemes – which most here would agree is not enough to give current savers an adequate retirement income.

"With CDC schemes, employers don't risk deficit payments, and can again feel comfortable providing good quality pensions to attract staff – perhaps paying close to the 20% contributions of old.

"Oh, said the journalist, when can I join?

"But this is only one of many actions, that as an industry, aided by Government, we need to take in coming years so the current generation of savers can experience the kind of retirements that today's largely DB focussed retirees are actually experiencing.

Here, pensions dashboards may help to stir action (…and if like me you've managed to accumulate 5 separate DC pots that can't come soon enough…) but dashboards need to be delivered with care and simplicity for the user so they can hit the ground running.

“And on the ‘pure’ defined contribution side, we’ve long called for a plan for a gradual increase in Auto enrolment minimum contributions. Whilst we recognise that current economic circumstances make that very difficult, we believe a firmer ambition from Government would be welcome to further guard against poor outcomes further down the road.”