



ASSOCIATION OF CONSULTING ACTUARIES

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## **PRESS RELEASE**

### **BRITISH STEEL PENSION SCHEME CONSULTATION**

#### **ACA SAYS RUSHED CHANGES MAY HAVE UNFORESEEN CONSEQUENCES BUT WIDER EXPLORATION OF VIABLE WAYS TO HELP DB SPONSORS AND MEMBERS WOULD BE WELCOMED**

**23 June 2016:** The Association of Consulting Actuaries (ACA) in its response to the DWP consultation on the British Steel Pension Scheme has expressed its concern that the consultation is driven primarily by politics rather than pensions. As a result, the need to respond to the crisis within the steel industry may lead to rushed changes to well-established pension legislation with the potential for adverse and as yet unforeseen consequences. However, echoing the calls from the Chairman of the Work & Pensions Select Committee, the ACA does feel that there should be further exploration as to whether it would be appropriate to provide for a mechanism for the estimated 600 to 1,000 DB schemes, whose employers have such a weak covenant they are unlikely to be able to deliver on their promises, in order that there is a viable alternative to the trustees demanding cash and forcing an insolvency with the scheme ending up in the PPF.

Commenting on the ACA response, **ACA Chairman, Bob Scott** said:

“Our initial reaction is for any solution to be found within the current legislative framework. In particular, we suggest that consideration is given to setting up a new scheme with lesser benefits, transfer to which is with member consent and facilitated through a regulatory apportionment arrangement under which those that don’t transfer go into the Pension Protection Fund.

“Looking beyond the British Steel situation, we support moves to find an alternative to insolvency and PPF entry for the 600-1,000 DB schemes whose employers have such a weak covenant they are unlikely to be able to deliver on their promises. This might continue to be the regulated apportionment arrangement, but we suggest this should be critically re-evaluated given concerns that the conditions that need to be met are too strict and the timescales too slow. It could be an alternative mechanism through which an appropriate compromise could be reached, so long as the revised benefits are at least as good as PPF compensation. In either case, a facility to switch from RPI to CPI is desirable given the current legal lottery.

“We would support a very narrow adjustment to section 67 of the Pensions Act 1995 to facilitate a reduction to benefits, but only for the BSPS, given the nature of its pension increase rule, and with no precedent established that this could be extended to other schemes.

“We are opposed at the current time for any adjustments to be made to the bulk transfer without consent legislation but any future changes should apply across the board, not restricted to large schemes”.

The ACA response also notes that the conditions that TPR and the PPF have set out in documents issued in August 2010 and January 2016 for a Regulated Apportionment Arrangement are wider than that relayed in paragraph 65 of the consultation document and were announced without consultation. It may be an opportune time to formally consult on these given the greater interest being shown in such arrangements in recent years.

Finally, the ACA notes that the PPF compensation rules should be adjusted to remove the bridging pension anomaly.

The full ACA response to the consultation is available at

[http://www.aca.org.uk/files/ACA\\_responds\\_to\\_British\\_Steel\\_pensions\\_consultation-23\\_June\\_2016-20160623080723.pdf](http://www.aca.org.uk/files/ACA_responds_to_British_Steel_pensions_consultation-23_June_2016-20160623080723.pdf)

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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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