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NEWS RELEASE

DEFERRAL OF DEFINED AMBITION REGULATIONS THROWS NEW EMPHASIS ON ACTIONS TO BOOST PENSION SAVINGS

15 October 2015: The announcement made today[1] by the Government that it will defer the regulations required to implement the 'Defined Ambition' (DA) legislation passed late on in the coalition government's term is to be regretted, but is probably not surprising given the eventual scale of the regulations required to implement the legislation, says the Association of Consulting Actuaries (ACA).

The reforms were particularly favoured by former Pensions Minister, Steve Webb, and were designed to give employers and employees access to pension arrangements and products that would offer better and more stable pension outcomes than pure defined contribution schemes and plans. Some observers felt the 'freedom and choice' agenda, led by the Chancellor, has undermined the proposed DA regime, but the danger is that in deferring the regulations, employers have no new 'middle way' options between defined benefit schemes and defined contribution.

Commenting on the announcement, **ACA Chairman David Fairs**, said:

"With private sector defined benefit schemes mostly closed to new members and increasingly to future accrual by existing members, the deferral of DA to an unspecified date means the Government must now lay out convincing plans to really boost pension savings over the years ahead.

"Only this week, we published survey results[2] pointing to millions of employees saving very little and setting out proposals to increase minimum pension contributions over the next decade or so to around 16% of earnings. With over 5 million at present – likely to increase to over 9 million by 2018 – not eligible to be automatically enrolled into workplace pensions, the need to set out longer-term plans to boost pension saving is paramount.

"We would stress that the onus on making sure any change to the pension taxation regime will genuinely incentivise more people to save more is heightened by the announcement. With many more employers likely to level-down their pension schemes due to the end of DB contracting-out from April 2016, there is a particular need to incentivise all employers to help their employees to save more".

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[1] See end of release for copy of Statement
[2] See www.aca.org.uk ('publications page') issued 12 October 2015, report title *Time to get real*. Also see 'Note for Editors' (over page) for ACA recommendations to Government on how minimum auto-enrolment pension contributions should increase from 2020.

Note for Editors

ACA survey report published this week recommends further phased increases in minimum pension contributions

- **Serve notice that in 2018 the Government will reduce the lower band on earnings eligible for auto-enrolment and lower the auto-enrolment earnings threshold to extend provision to more women and low earners.**

- **Serve notice that the Government will increase the minimum auto-enrolment contributions by 1% every two years after 2020 until they have reached a combined contribution of 16%. The Government's contributions will take account of the outcome of the recent tax relief consultation.**

- **Serve notice that the Government will assist employers and employees over the period of these increases in pension contributions by way of planned reductions in NI and further increases in tax free allowances and the Employment Allowance.**

- **Serve notice that these increases in contributions and tax adjustments may be implemented subject to the performance of the economy, particularly in terms of earnings growth and growth in earnings net of tax.**

The first report of the ACA 2015 Pension trends survey *'Time to get real'* is available at www.aca.org.uk (see: 'recent publications' page or 'research & surveys' page)

About the Association of Consulting Actuaries (ACA)

The **Association of Consulting Actuaries (ACA)** is the representative body for consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body. The ACA has 1,750 members working in around 75 firms. ACA Members are all qualified actuaries and all actuarial advice given by members is subject to the Actuaries' Code. The ACA forms the largest national grouping of consulting actuaries in the world and is a member of the International Actuarial Association.

Copy of Pension Minister's Statement made today (15 October)

'The new State Pension comes into payment from April 6 Next Year. This reform will bring much-needed clarity to a system that few people truly understand, and will reduce the need for pensioner means-testing. Alongside this, over 5.4 million employees have been enrolled into a workplace pension by around 60,000 employers, dramatically increasing the number of people saving for later life. However, they represent around only three per cent of employers as large and medium-sized firms were first to implement automatic enrolment.

The Government's priorities are to carry through those important reforms to ensure they are a success. This means new State Pension being delivered as smoothly as possible and small and micro employers getting the help and support they need as they meet their automatic enrolment duties.

Government and the pensions industry are also currently working through the changes following from the new pension flexibilities which allow scheme members to have more freedom and choice about how and when they withdraw their pension savings.

All these reforms will increase the number of people saving into workplace pensions, introduce new freedoms allowing savers to access their cash, and implement a new State Pension that will be far easier to understand in the future. However, we are conscious of the need to ensure Government, providers, employers and members are able to focus on these changes to ensure their success.

That is why we have decided that the time is not right to implement Defined Ambition, Collective Benefits and Automatic Transfers. The time is not right to ask the pensions industry to absorb the new swathe of regulation that would be needed to make such further reforms work effectively. The market needs time and space to adjust to the other reforms underway and these areas will be revisited once there has been an opportunity for that to happen.'