



ACA CHAIRMAN WELCOMES GOVERNMENT CONVERSION TO DEFINED AMBITION

10 April 2012: The Association of Consulting Actuaries (ACA), which has been arguing the case for reforms to encourage 'middle way' risk sharing workplace pensions for the last decade, has today expressed its strong support for the Pension Minister's initiative to back a range of 'defined ambition' workplace pension schemes.

Stuart Southall, ACA Chairman, commented:

"We are encouraged that at last the Government has seen the need to take action to encourage more employers to provide workplace pensions that offer employees a more certain pension than many now can expect. What the Minister has termed 'defined ambition' schemes also offer employers the ability to control the cost of their pension package in a way they cannot at present with most defined benefit pensions.

"Our *2011 ACA Pension trends survey*¹ – echoing results in previous surveys² – found at least half of the employers surveyed said they should share or take the majority of the investment, longevity and inflation risks in providing workplace pensions. We believe this shows that some appetite to provide pensions that do not place all the risks on employees remains. However, set against this – as evidenced by what is happening in the world of actual private sector provision– we have the administrative, legislative and regulatory hurdles and fiscal uncertainties which are still pushing most employers towards defined contribution arrangements as the only way to cap their costs.

"Whilst a few employers may respond to Mr Webb's call without a step change in legislation and regulation, or without some financial incentives, we believe the Government will have to take some meaningful steps to stimulate the 'defined ambition' range of schemes; a task which has become significantly harder since the Association first identified this as a sensible 'middle way'.

"Employers will in particular need the strongest of reassurances that future Governments will not be able to change the rules or fiscal treatment of such schemes so costs and commitments are added to by UK or EU diktat in the way they have been over the last 20years. This won't be easy.

¹ The ACA's 2011 Pension trends survey: *Workplace pensions: challenging times* page 32, published 3 January 2012, at www.aca.org.uk (publications or research page). Survey sample – 468 employers, of all sizes, running over 560 schemes.

² The ACA's 2009 Pension Trends Survey, covering 309 employers, found 77% of employers said existing legislation did not allow for simple 'middle way' pension designs so schemes can share risks, 76% of employers said public policy should be more supportive of 'middle way' pension designs and 51% of employers said they would consider a 'middle way' design if legislation was changed to make this easier.

“The ability of employers to amend pension ages in a timely way to mirror the flexibility that HM Government appears to have to do this, is another step that will be needed to make certain types of ‘defined ambition’ and remaining defined benefit schemes work.

“The likely end to defined benefit contracting-out in a few years time (for example, as part of future State pension reforms) gives the resources for the Government to incentivise employers who offer their employees superior workplace schemes. But, having already vastly over-complicated pensions taxation, it will be more important than ever that the Treasury doesn’t simply pocket the value of present National Insurance contribution rebates to fund short-term spending ‘priorities’ as it arguably has in the case of the Royal Mail pension scheme.

“The ACA has offered the Pensions Minister help in pursuing his reform ideas and we look forward to assisting his DWP team in their clear and sensible ambition.”

For further details:

Stuart Southall	020 7533 1883
Steve Leake	01483 540 300
David Robertson	020 3207 9380
	(M: 07919 911380)

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.

The ACA provides the technical and administrative secretariat to the All-Party Parliamentary Group on Occupational Pensions and has done so since 1992.