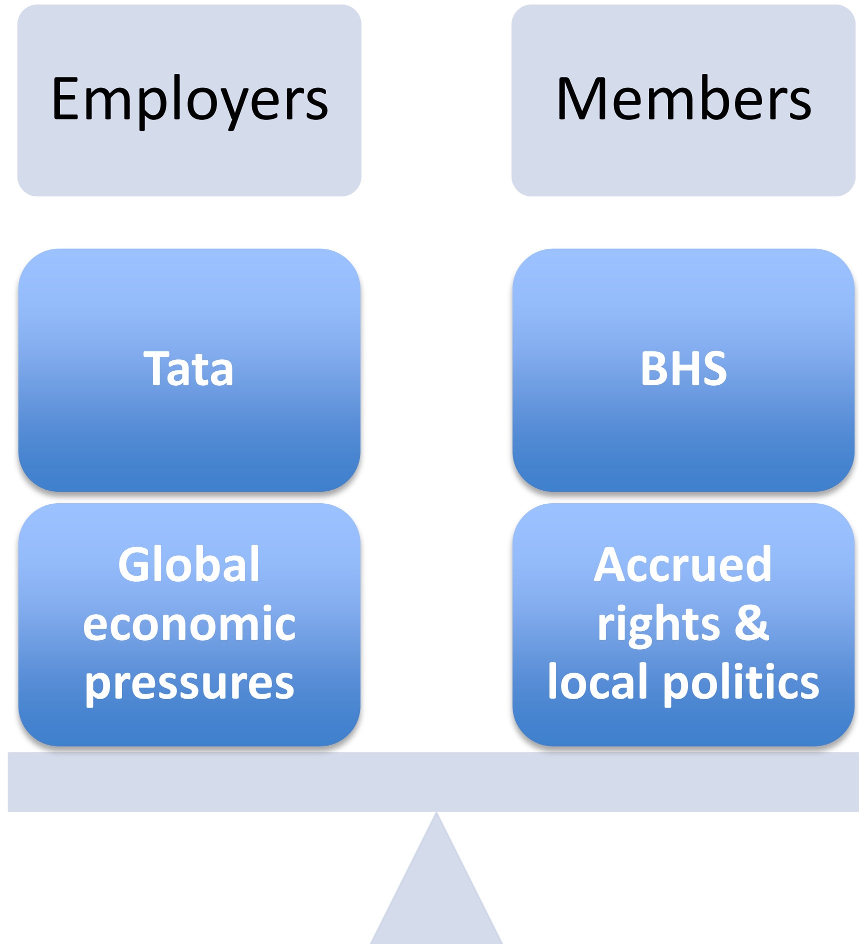
# The Green Paper on DB Pensions

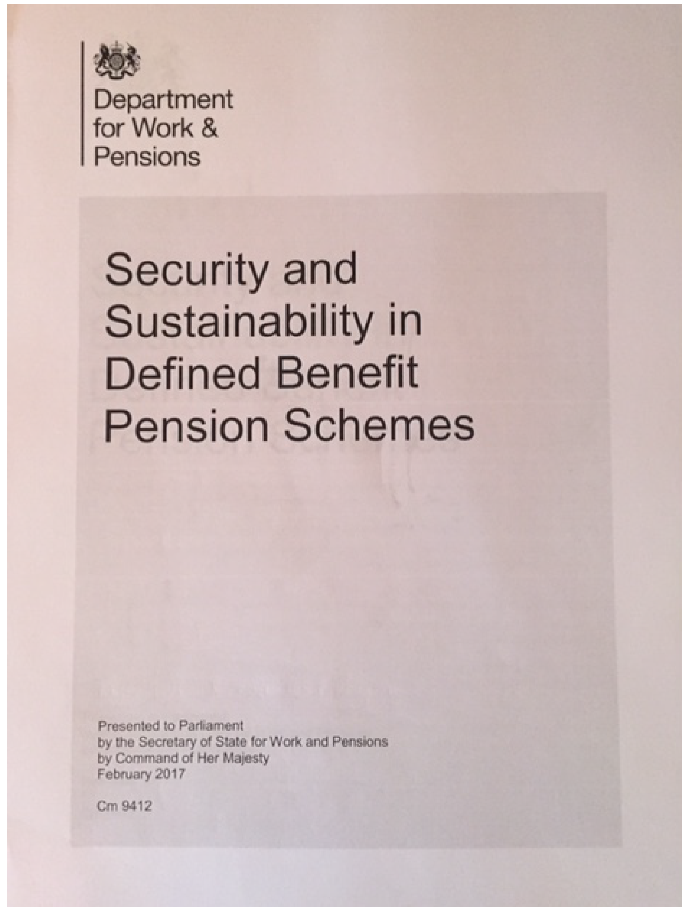
Thursday 11th May

Peter Williams – Aon

# Balance of interests



# The Not Green Paper



Department for Work & Pensions

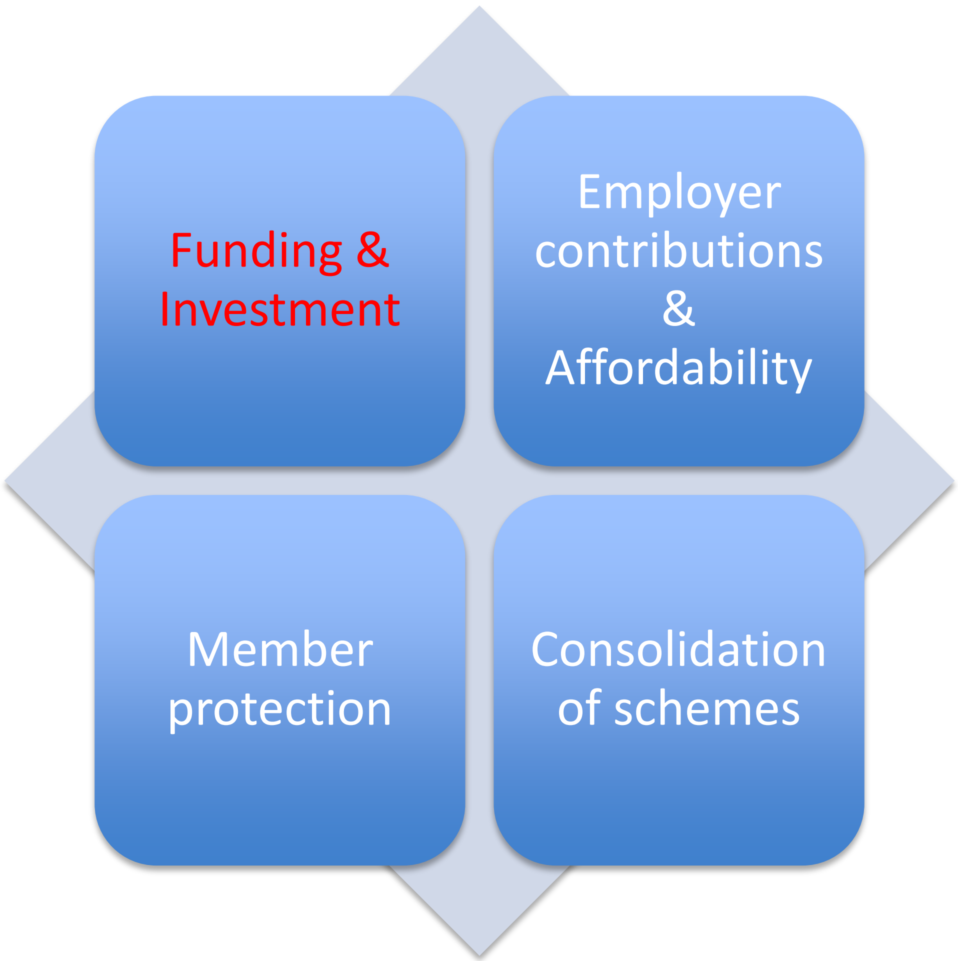
Security and Sustainability in Defined Benefit Pension Schemes

Presented to Parliament
by the Secretary of State for Work and Pensions
by Command of Her Majesty
February 2017

Cm 9412

# No major overhaul

# Four areas (1)


Funding & Investment
Employer contributions & Affordability
Member protection
Consolidation of schemes

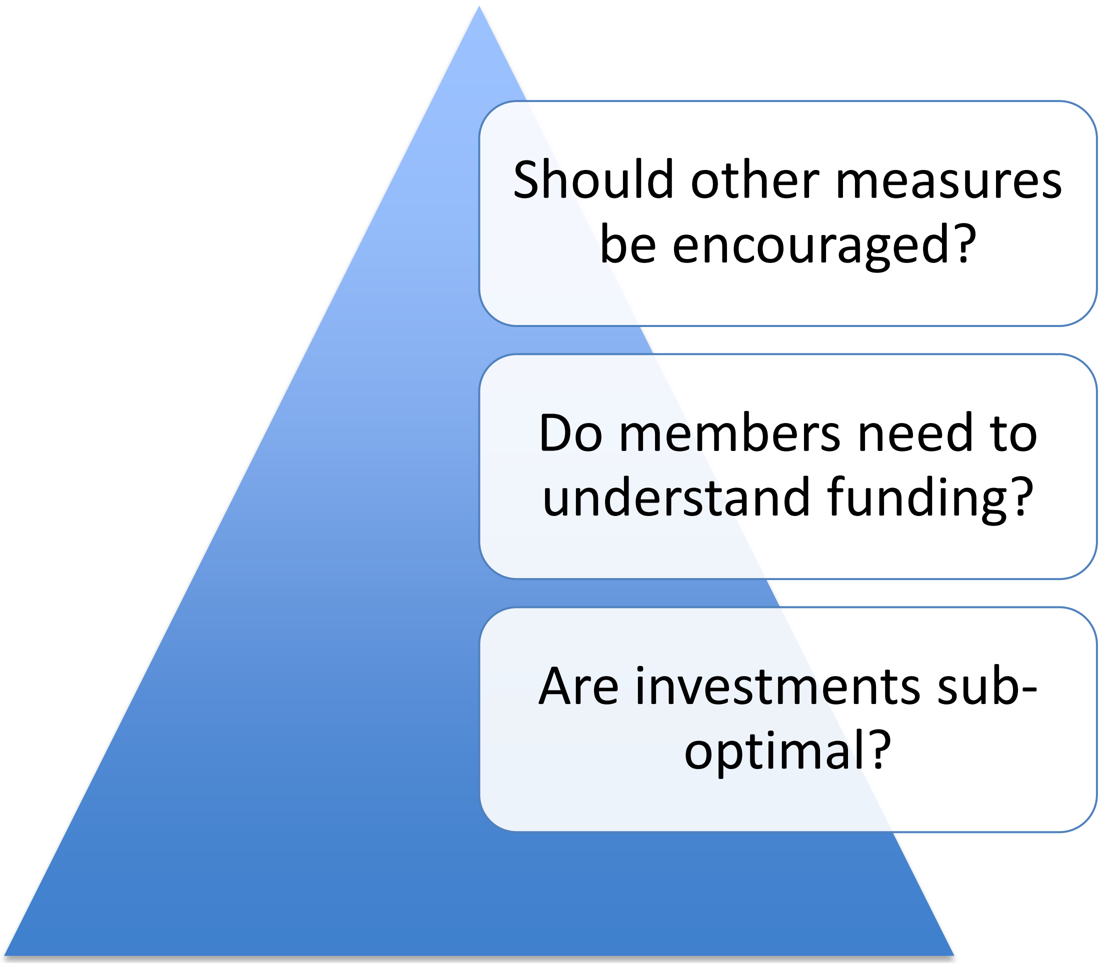
# Funding & Investment

Are existing flexibilities being used?

Should valuation cycle depend on risk?

Should 15 month deadline be reduced?

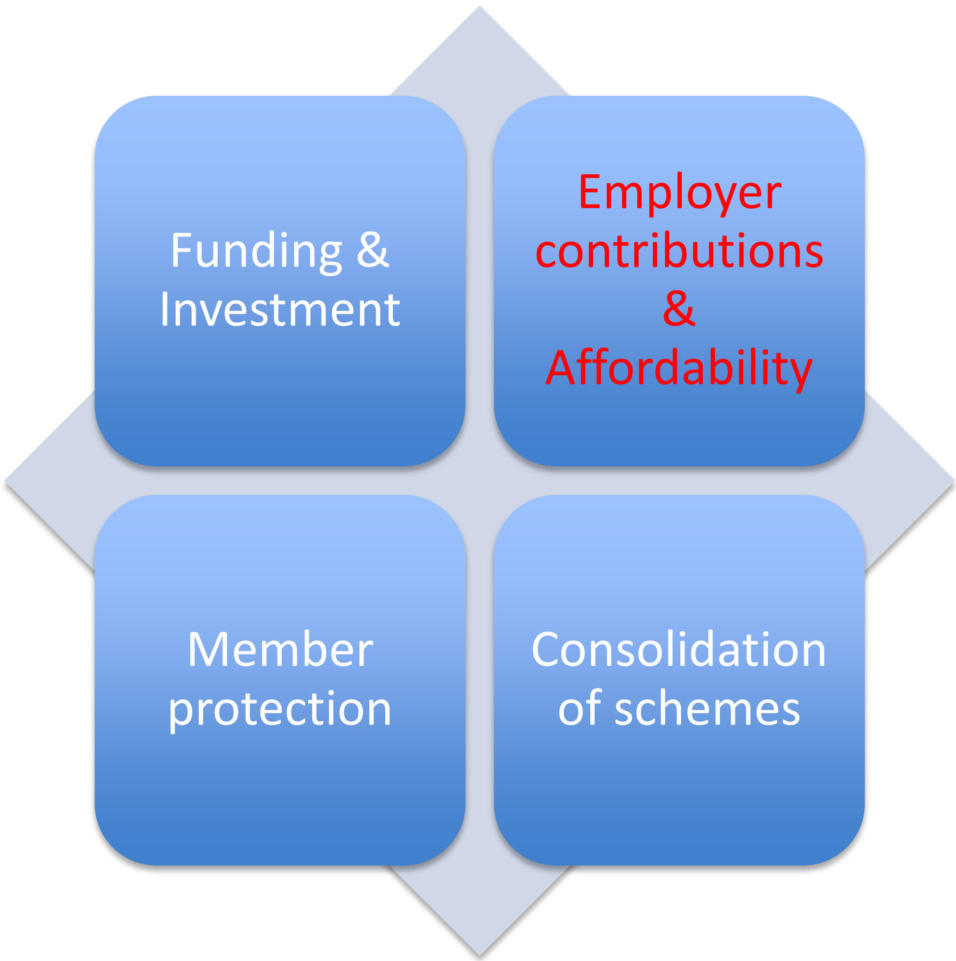
# Funding & Investment



# Audience participation

**Q1: Do you agree legislation/regulation is broadly ok for funding and investment?**

# Four areas (2)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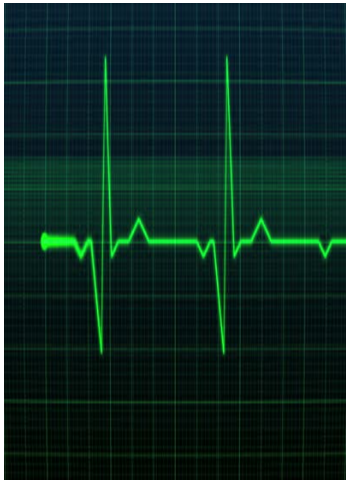
# Affordability

Are Deficit contributions unaffordable?

Should well resourced employers be encouraged to pay more quickly?

How to deal with "stressed" sponsors?

# Could benefits be reduced?



**Stressed schemes / sponsors**

Could stressed employers separate from schemes?

How do you avoid moral hazards?

Are there circumstances in which DB pensions can be renegotiated?

Special consideration for indexation….

# Rationalising indexation

# Rationalising indexation


Should schemes be able to reduce to statutory minimum increases, due to affordability?

Should there be a statutory over-ride to allow schemes to move to a different index?

Should schemes be able to suspect indexation in some circumstances?

# Affordability

How to prevent playing the system?

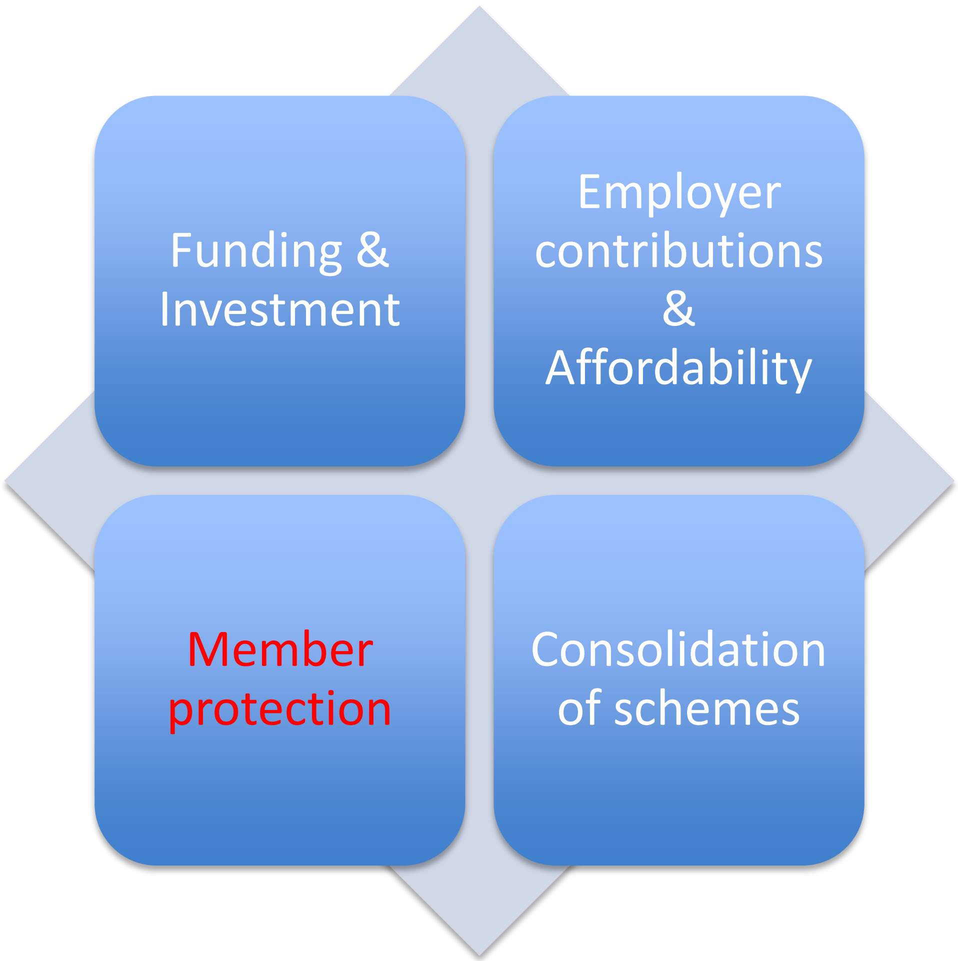
More flexible Recovery Plans?

More flexibility for small pots?

# Audience participation

**Q2: Do you think there should be a statutory override to allow employers to change RPI indexation to another inflation measure?**

# Four areas (3)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# Member protection

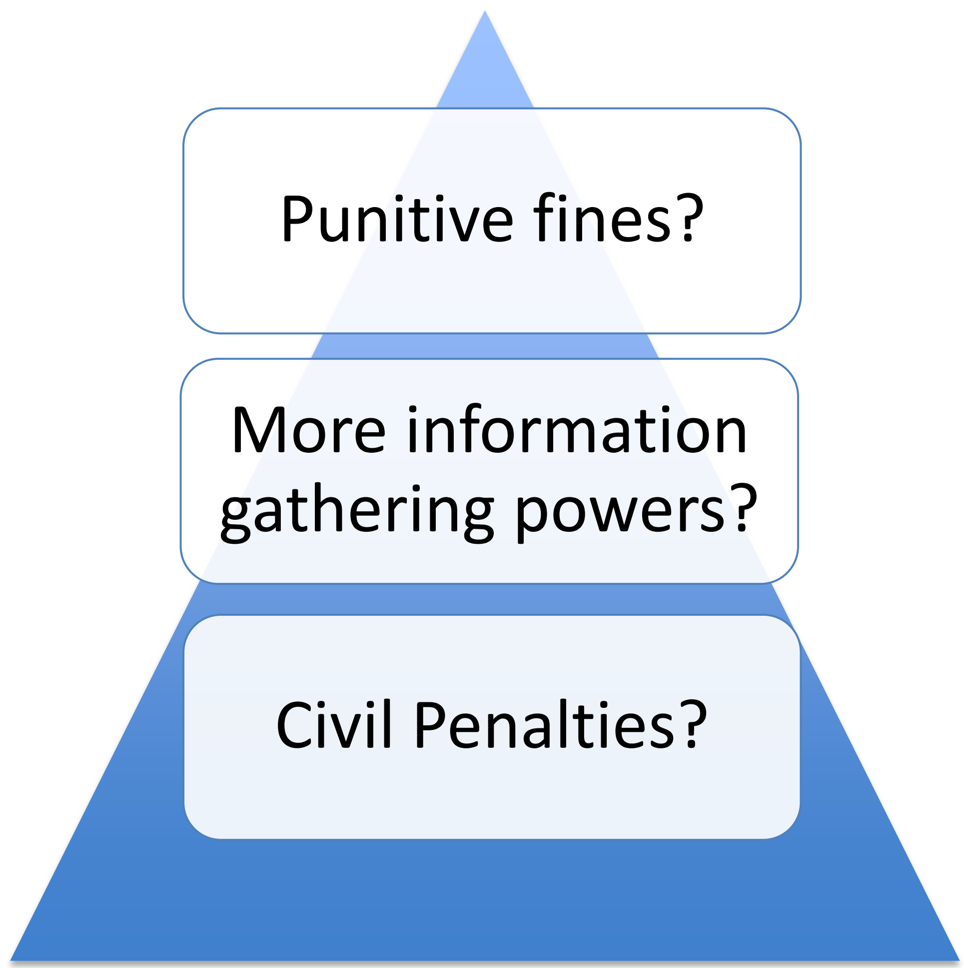
# Member protection

Do members need more protection?

More clarity on scheme funding?

Compulsory Clearance?

# Member protection



# Member protection

- Higher levies?
- Trustee powers to demand info?
- Trustee consultation on dividends?

# Audience participation

**Q3: Do you agree the level of member protection is broadly ok?**

# Four areas (4)

Funding & Investment

Employer contributions & Affordability

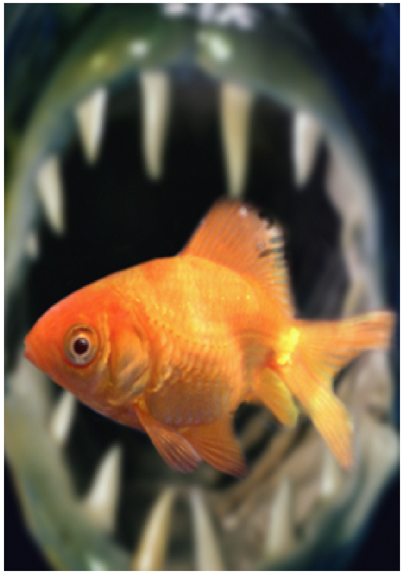
Member protection

Consolidation of schemes

# Consolidation

**BIGGER IS BETTER**

# Consolidation



- What are the barriers?
- Should Government define simplified benefits?
- Should reshaping of benefits without member consent be allowed?
- Are costs too high or do they require disclosure?
- Should consolidation be mandatory or encouraged?
- (Some details employer debt questions)

# Audience participation

**Q4:** **Should the Government define a simplified benefit structure, which is "easy" to convert to?**

# Questions