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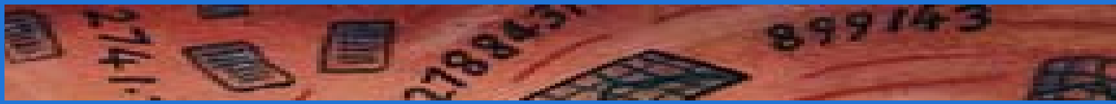

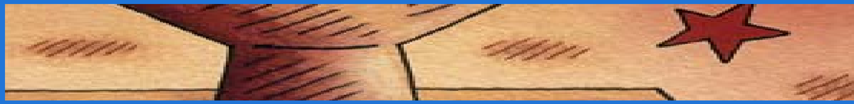

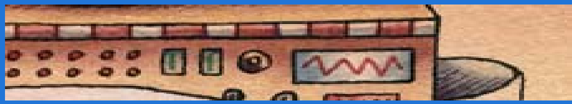

Deregulatory Review of Private Pensions

ACA view

ASSOCIATION OF aca CONSULTING ACTUARIES

2005 2006 2007 PENSION AND INVESTMENT 2007 WINNER

"Actuarial Consultancy of the Year"
UK Pensions Awards **2005, 2006 & 2007**
FT Business Pension and Investment Provider Awards **2007**

"Investment Consultancy of the Year"
UK Pensions Awards **2007**
FT Business Pension and Investment Provider Awards **2007**

Background

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- Challenging funding environment
  - spiralling cost of providing DB pensions
- Significantly increased regulatory burden
  - PA 1995
  - FA 2004
  - PA 2004
- Personal accounts in 2012

Ultimately ACA is looking for ways of maintaining good quality employer sponsored pensions

The review's focus

- Finding ways to encourage employers to continue to offer better pensions
- Fixing things that are "wrong" or too complex
  - s75
  - trivial commutation
  - pensions on divorce

This has to be the right approach

Risk sharing

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- Delighted that it is given prominence in the review
- Delighted that the reviewers are positive about this
- Disappointment however that:
  - no clear way forward has been identified
  - the case for a new regime has not been endorsed
  - the recommendation that statutory revaluation in deferment should remain
  - reviewers disagreed on LPI

But the ACA is very keen to discuss ways in which risk sharing can be made to work

Section 67

- Potential impediment to risk sharing
- Current approach is cumbersome
- Reviewer's proposal is to make no change
  - they consider that the current system permits a substantial degree of change
  - they suggest reviewing s67 provisions once system has had time to bed down

Agree that greater clarity on S67 is required

Principles based legislation

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- Very encouraged by this suggestion
- Contrasts with Inland Revenue “simplification”
- Disclosure rules are ripe for this type of approach
- Other areas are also good candidates

Refund of surplus

- Refund based on technical provisions
- Consideration based on Trustees' fiduciary duties rather than members' best interests
- Helps avoid "trapped surplus" issues
  - cash and accounting
- Encourages a healthy debate between trustees and employers
- Avoids complex, expensive and often tax inefficient contingent asset agreements

This is the most significant of the reviewers' recommendations and is welcomed

Conclusions

- The previous Secretary of State said he was prepared to be radical: Are these proposals radical?
- Does the review's conclusions meet its objectives?
  - do they fix what is wrong?
  - will they encourage employers to maintain high quality occupational pensions in a personal accounts world?