

To: Finance Director  
Managing Director  
Director responsible for Corporate Pensions

Dear Sir / Madam,

## SURVEY ON PENSION SCHEME TRENDS INCLUDING VIEWS ON PERSONAL ACCOUNTS

2007 will be another year when pension reform takes centre stage. The 2006 *Pensions Bill*, reforming aspects of the State pension scheme and introducing the body that will plan and implement the new personal accounts pension regime from 2012, will pass into legislation. And, later in the year, a second Bill is likely to be introduced featuring more details about personal accounts and possibly reforms to help existing schemes prosper. This survey is seeking views on key private pension reform proposals, as well as monitoring trends.

Survey participants can elect either to complete just:

- The **"QUICK SURVEY" (Section 1)**. Please note this section can be completed by all respondents whether they offer a pension scheme or not, completing questions as appropriate, and
- The **"FULL SURVEY"** which seeks answers providing fuller information on **PENSION TRENDS** if your firm offers a defined benefit scheme (complete Section 2) or defined contribution scheme (complete Section 3)

The "Quick Survey" should take no more than 15 minutes to complete, with the "Full Survey" likely to take a further 10 minutes of your time.

**WE HOPE THE RESULTS OF THE SURVEY WILL PROVIDE POINTERS TO HOW BOTH GOVERNMENT AND BUSINESSES SHOULD APPROACH PENSION PROVISION FOR THE FUTURE.**

**ALL SURVEY PARTICIPANTS WILL RECEIVE A FREE COPY OF THE SURVEY RESULTS IN REPORT FORM. IF YOU WOULD LIKE A COPY OF THE 2005 FINAL SURVEY REPORT, PLEASE REQUEST A PDF OR PRINTED VERSION BY EMAIL [tracey.gleed@aca.org.uk](mailto:tracey.gleed@aca.org.uk)**

Individual Survey returns will be treated in the **strictest confidence** and statistics in the Survey Report will be analysed so as to ensure that no individual organisation's return can be identified.

This biennial survey is being conducted by the **Association of Consulting Actuaries (ACA)**, whose members include some of the country's leading pension specialists, advising government, firms and trustees on pension issues.

We look forward to receiving your completed questionnaire by **9 March 2007**.

Yours faithfully,  
**Ian Farr**  
Chairman

February 2007

IF YOU WOULD LIKE A FREE COPY OF THE SURVEY REPORT PLEASE COMPLETE

Organisation: \_\_\_\_\_

Contact: \_\_\_\_\_

Position: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

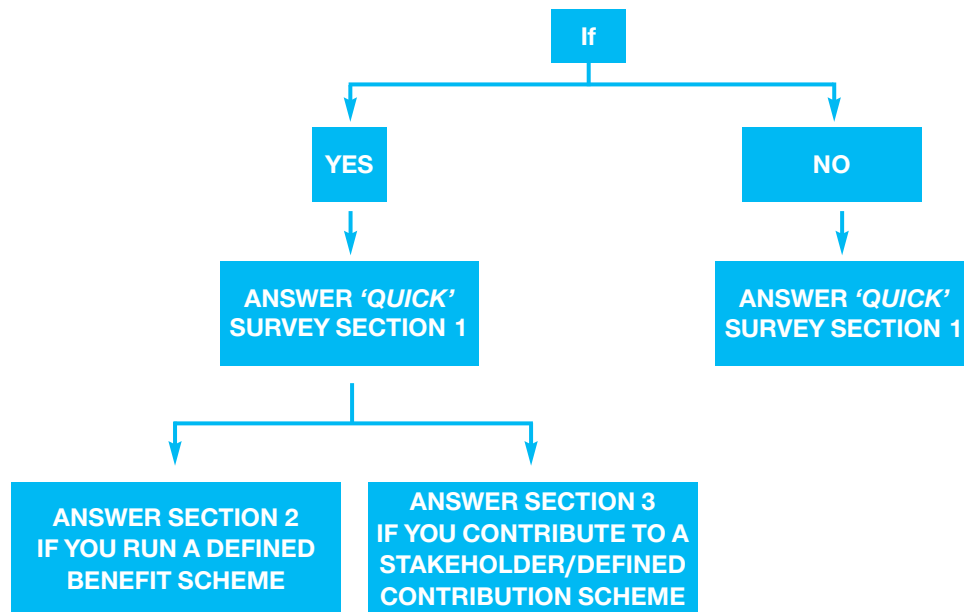
Please return by 9 March 2007 in the enclosed Business Reply Envelope to:  
2007 Pension Trends Survey,  
ACA, Warnford Court,  
29 Throgmorton Street, London EC2B 2BR

## HOW TO COMPLETE THE QUESTIONNAIRE

The questionnaire is divided into 3 sections. You can elect to complete just 1 – the *Quick Survey*.

It would be very helpful if you would also complete either Section 2 or Section 3 – whichever is appropriate to your business – which will take a further 10 minutes.

## DO YOU HAVE A PENSION SCHEME OR DO YOU PAY CONTRIBUTIONS TO A STAKEHOLDER FOR EMPLOYEES?



ONCE YOU HAVE COMPLETED EITHER THE 'QUICK' OR 'FULL' SURVEY, PLEASE RETURN IT IN THE REPLY PAID ENVELOPE ENCLOSED BY 9 MARCH 2007

## ABOUT YOUR ORGANISATION

To be completed by all respondents  
How many employees do you have?

	Permanent	Temporary/Contract	Total
Full-time			
Part-time			
Total			

In which sectors does your organisation primarily operate?

- |                     |                          |                  |                          |                    |                          |
|---------------------|--------------------------|------------------|--------------------------|--------------------|--------------------------|
| Business Services   | <input type="checkbox"/> | Chemicals        | <input type="checkbox"/> | Construction       | <input type="checkbox"/> |
| Consumer Products   | <input type="checkbox"/> | Engineering      | <input type="checkbox"/> | Financial Services | <input type="checkbox"/> |
| Food and Drink      | <input type="checkbox"/> | High Tech        | <input type="checkbox"/> | Leisure            | <input type="checkbox"/> |
| Logistics/Transport | <input type="checkbox"/> | Manufacturing    | <input type="checkbox"/> | Oil/Mining         | <input type="checkbox"/> |
| Pharmaceuticals     | <input type="checkbox"/> | Print/Publishing | <input type="checkbox"/> | Retail             | <input type="checkbox"/> |

Other \_\_\_\_\_

## "QUICK" SURVEY

### SECTION 1

**TO BE COMPLETED BY ALL EMPLOYERS INCLUDING THOSE NOT PRESENTLY OFFERING A PENSION SCHEME.**

**IF A QUESTION DOES NOT APPLY TO YOUR ORGANISATION, MOVE TO THE NEXT QUESTION.**

**Q1.1 What types of pension arrangement do you offer and what percentage of current employees are in membership?** (please complete more than one category, if appropriate)

Type of pension arrangement	Yes	Tick if open to new entrants	Percentage of current eligible employees in membership	Latest Total Value of Assets (£m)
Defined benefit scheme				
Career average scheme				
Defined contribution scheme				
Mixed DB / DC				
Group personal pension scheme				
Stakeholder scheme				
Industry-wide scheme: DB*/DC*/Mixed*				
Small self administered scheme				
No scheme offered				

(\* please delete, as appropriate)

**Q1.2 Has your organisation done any of the following in the last few years?** (please tick more than one box, if appropriate)

	In last year	In last 5 years
Closed defined benefit scheme to new entrants		
Closed defined benefit scheme to future accruals		
Introduced DC scheme to some* / all* employees		
Converted existing DB scheme to mixed DB / DC scheme		
Set up a career average scheme		
Reduced percentage of employees covered by organisation's scheme(s)		
Placed one or more schemes in wind-up		
Established a flexible benefits package with wider benefits option		
Introduced access to group benefits largely paid for by employees		
Contracted some* / all* members back into the State Second Pension		

(\* please delete as applicable)

**Q1.3 If your organisation DOES OFFER a pension scheme, why does it?**

(please answer each question with the appropriate ranking of importance, where 1=most important, 6 = least important. You can have the same ranking for more than one answer)

	Most Important			Least Important		
	1	2	3	4	5	6
The scheme enables us to retire employees on reasonable pensions in an orderly way to suit our business						
We consider it is our responsibility as a good employer to make adequate arrangements for our employees retirement						
The scheme helps us build our image as a caring employer, motivating and encouraging loyalty from employees						
The scheme helps the firm to compete in the labour market for skilled staff						
We were required to introduce a scheme under the Stakeholder rules						
The scheme has been in existence for many years and could not easily be discontinued						
Other, please specify: _____						

**Q1.4 What broadly is the average level of your organisation's contribution currently paid into your pension scheme as a percentage of an individual's total earnings?** (some schemes ignore around the first £4,000 of salary, some only pay on basic salary. If factors like this apply, please adjust figures broadly to the equivalent percentage of total earnings)

	Employer's contribution (as a percentage of total earnings)		
	Current year	Last year	Longer-term *
Defined benefit scheme			
Defined contribution scheme			
Group Personal Pension			
Stakeholder scheme			

(\* ie. when any surplus / deficit has gone)

Change in contribution due to:

\_\_\_\_\_

What is the average level of employee contributions?

	Employee contributions (as a percentage of total earnings)		
	Current year	Last year	Longer-term
Defined benefit scheme			
Defined contribution scheme			
Group Personal Pension			
Stakeholder scheme			

**Q1.5 If your organisation DOES NOT provide a pension scheme and / or an employer's contribution to a stakeholder scheme, please indicate the reasons** (please answer each question with the appropriate ranking of importance, where 1= most important, 6 = least important. You can have the same ranking for more than one answer)

	Most Important			Least Important		
	1	2	3	4	5	6
Cost – cannot afford employer contributions						
Cost – have had to withdraw employer contributions						
Employees prefer non pension benefits						
We have fewer than 5 staff and do not need to offer stakeholder scheme						
There are insufficient competitive pressures to justify scheme						
State pension arrangements are adequate						
Scheme inappropriate due to staff turnover						
Other (please specify) _____						

We had a pension scheme but closed it because of the following reasons:

\_\_\_\_\_

\_\_\_\_\_

## PENSIONS REFORM: 2006 PENSIONS BILL AND PERSONAL ACCOUNTS

*In November 2006, the Government published the 2006 Pensions Bill, which includes proposals to link the Basic State Pension to earnings (but gradually paying it from a later age as longevity improves – to age 68 by 2046), reducing the number of years needed for a full pension, revisions to the State Second Pension (S2P) eventually moving it to a flat-rate payment and legislation to establish a delivery authority to manage the establishment of the personal accounts regime.*

*In December 2006, the Government then issued a White Paper on Personal accounts: a new way to save. The key features of the proposed personal accounts regime are as follows:*

- *From 2012, all employees aged 22 or over earning between around £5,000 and £33,500 pa will be automatically enrolled into either a personal account or an employer-sponsored scheme. Employees will contribute a minimum of 4% into personal accounts, with a minimum 3% employer contribution and 1% tax relief. Employees will have the right to 'opt out'.*
- *Personal accounts should be low-cost and will offer a default fund. They will have an annual cap on contributions of at least £5,000 and will not accept transfers in or be able to transfer out.*
- *There will be a simple self-certification test for existing and new occupational DB and DC schemes to opt out of the personal accounts regime provided employers offer automatic enrolment and contributions or benefits are broadly comparable or better than those offered by personal accounts.*
- *The new regime will be phased in over 3 years, primarily to assist smaller employers, but also to ease the cost of introducing auto-enrolment into existing schemes.*

## 2006 Pensions Bill

**Q1.6** Overall, do you believe that the State pension reforms proposed in the *2006 Pensions Bill* will provide a stable State pensions platform upon which private pension savings can be built?

Yes  No

If 'No', why not?

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**Q1.7** Contracting-out is due to be abolished for DC schemes. Do you think the restrictions on existing protected rights funds (which have been built up from NI rebates) should be removed so they are treated like any other pension rights?

Yes  No

**Q1.8** The Pensions Bill contains measures to allow schemes to convert Guaranteed Minimum Pensions (GMPs) to normal pension rights. Do you think many schemes will take advantage of this?

Yes  No

If 'No', why not?

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**Q1.9** Over time, the State Second Pension will move to be a flat rate top-up and it can be expected that the rebates received by contracted-out DB schemes will be reduced accordingly. Do you think this will lead to:

Some DB schemes reducing benefits:   
Some DB schemes closing altogether:

## Personal accounts

**Q1.10** Do you currently operate auto-enrolment into your occupational pension scheme (i.e. employees are automatically enrolled in your scheme on joining your organisation)?

Yes  No

If 'No', are you likely to decide to auto-enrol all eligible employees into your scheme from 2012 or are you likely to continue to restrict entry into the scheme, introducing auto-enrolment into personal accounts for those not offered the occupational scheme?

We are likely to auto-enrol all employees into occupational scheme:

Yes  No

We are likely to restrict occupational scheme entry, auto-enrolling the balance of employees into personal accounts:

Yes  No

**Q1.11** If you decide to operate auto-enrolment into your scheme, are you likely to revise the benefits offered to reduce costs?

Yes  No

**Q1.12** Will auto-enrolment into a pension scheme (occupational or the personal account regime) lead you to considering abandoning your present occupational pension scheme(s) in favour of personal accounts for all employees?

Yes  No

**Q1.13** Based on your company's experience, how many employees (as a percentage) do you think will continue to opt-out of either the occupational scheme or personal accounts from 2012?

From the occupational scheme \_\_\_\_\_%

From a personal account \_\_\_\_\_%

*The December 2006 White Paper proposes a self-certification regime for company schemes to be exempted from offering personal accounts.*

*The proposal is as follows:*

**Q1.14** Organisations offering DB schemes: will be exempt from offering personal accounts where employers auto-enrol all employees aged 22 or over into either a contracted-out occupational scheme that passes the Reference Scheme Test or a contracted-in scheme offering a minimum accrual of 1/120<sup>th</sup>.

Do you agree with this proposal?

For a contracted-out scheme: Yes  No   
 For a contracted-in scheme: Yes  No

If 'No', why?

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**Q1.15** Organisations offering DC schemes: the exemption test for defined contribution schemes (with 8% as the total default contribution) would require auto-enrolment of all employees aged 22 or over, that the scheme offers a default investment option and that it allows an employee to actively opt for a lower contribution than 4% of earnings, provided the employer contribution is not below 3%.

Do you agree with this proposal?

Yes  No

If 'No', why?

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**Q1.16** The Personal accounts White Paper says there will be further consultations as to whether exempt schemes should be allowed to have a three or six month 'waiting period' before employees (aged 22 or over) join the occupational scheme. Which of the following do you support? (please rank from 1 to 3, in order of preference).

- No waiting period   
 3 month waiting period   
 6 month waiting period

**Q1.17** The White Paper proposes that phasing in changes required of exempt schemes should be phased in over 3 years, mirroring the phasing in of personal accounts over this period. Do you think that phasing for exempt schemes should be by phasing the minimum contribution requirement (i.e. gradually increasing contributions up to the default levels) or by phasing the target groups (e.g. offer scheme first to new entrants, then later to those not offered scheme access before, then to those who have previously rejected the company scheme)?

- Phasing by contribution   
 Phasing by groups

**Q1.18** The White Paper proposes that to protect existing schemes there should be a cap on personal account contributions of £5,000 pa (up from £3,000 recommended by the Pensions Commission) and that certainly until 2020 there should be no transfers in (from other schemes) or transfers out (to other schemes) from personal accounts. What is your view?

**Cap on contributions:**

- Should be no cap:   
 Support £5,000pa   
 Cap should be different:  Should be £ \_\_\_\_\_

**Personal accounts should be able to:**

Accept transfer payments from other pension arrangements:

- Support  Oppose

Move transfer payments to other pension arrangements:

- Support  Oppose

**Q1.19** A cap of £5,000pa on personal account contributions could mean some employees might save well over 4% of their earnings. Do you believe that savings above the default employee contribution should require regulated investment advice?

There should be no requirement for regulated investment advice provided contributions are within the cap (£5,000 pa):

Regulated investment advice should be required if employee contributions exceed \_\_\_\_\_% of earnings (please insert figure)

**Q1.20 Which of the following do you agree or disagree with?**

The Government's pension reforms will lead to a general levelling-down of pension contributions per employee by organisations presently offering better pension schemes.

Yes  No

The Government's pension reforms will lead to an increase in the number of employees covered by pension schemes with little or no adverse effect on existing schemes.

Yes  No

The Government's pension reforms will lead to an increase in the number of closures of existing better schemes.

Yes  No

Overall, do you feel the Government's stated policy of promoting occupational pensions is moving in the correct direction?

Yes  No

What should their 3 most important pension policy priorities be?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

**Q1.21 Do you support the transfer of risk to the individual that is inherent in the move to defined contribution pensions or do you feel that public policy should promote a new pension regime that combines better cost control for employers and a more stable benefit platform for employees through risk sharing between employers and employees?**

Support 100% risk transfer to individuals

Support public policy promoting new risk sharing schemes

**Q1.22 For organisations not presently offering an occupational scheme:**

If, as a result of the forthcoming personal accounts legislation, your organisation is required by legislation from 2012 to pay a 3% (of earnings) employer pension contribution for all employees over and above current NI contributions, perhaps phased in over 3 years, how will your organisation meet the extra cost?

	Yes
Employer would meet cost (ie. owner / shareholders)	
Customers would have to meet cost (ie. increased prices)	
Staff would have to meet cost (ie. reduced salaries)	
Combination of all three answers above	

**Q1.23 What issues do you see as most likely to have an influence on your thinking on pensions in the longer term?**

Consider the following and tick the appropriate box.

	Not concerned	Quite concerned	Very concerned
Competition for staff will lead to a need to improve my firm's pension arrangements			
The increasing public profile of pensions will lead to more costly / complex pension related communications with employees			
The impact of legislation on benefits and funding costs			
Increasing burden on management time due to greater scheme complexity			
Further pension reforms introducing, for example, personal accounts			
Increasing cost of private pensions			
Performance of investment markets			
Poor annuity returns			
Impact of accounting requirements			
Other (please specify) <hr/> <hr/>			

**IF YOU DO NOT RUN A PENSION SCHEME STOP HERE.**

**IF YOU NOW HAVE A FURTHER 10 MINUTES TO SPARE, PLEASE COMPLETE THE 'FULL' SURVEY BY MOVING TO SECTION 2 (IF YOU RUN A DEFINED BENEFIT SCHEME) OR TO SECTION 3 (IF YOU RUN A DEFINED CONTRIBUTION SCHEME OR CONTRIBUTE TO A STAKEHOLDER SCHEME)**

**“FULL” SURVEY**

**SECTION 2**

**TO BE COMPLETED BY ORGANISATIONS OPERATING A DEFINED BENEFIT SCHEME**

*Note: A defined benefit (often final salary) scheme typically provides employees with a pension based on a fraction (commonly 60ths or 80ths) of their salary for each year of scheme membership. Employer contributions may vary from time to time, but any employee contributions would typically be a fixed percentage of salary.*

**Q2.1 Is the main defined benefit scheme:**

	Yes	No	If 'no' when (year) closed?
Open to new members	<input type="checkbox"/>	<input type="checkbox"/>	_____
Open to future accruals	<input type="checkbox"/>	<input type="checkbox"/>	_____
In the process of winding-up	<input type="checkbox"/>	<input type="checkbox"/>	
Contracted out of S2P/SERPS	<input type="checkbox"/>	<input type="checkbox"/>	

**Q2.2 What broadly is the distribution of membership of the scheme?**

Active members \_\_\_\_\_ %  
 Deferred members \_\_\_\_\_ %  
 Pensioners \_\_\_\_\_ %

**Q2.3 Have you been advised by the actuaries to your scheme that it is in deficit when considering it as an ongoing entity?**

Yes  No

If 'yes' what was the ongoing funding level as a percentage of liabilities at the last actuarial assessment \_\_\_\_\_ %

If 'yes', have your actuaries recommended you increase contributions to meet the deficit?

Yes  No

If 'yes' what was the contribution rate and what is the new rate?

Before \_\_\_\_\_ % After \_\_\_\_\_ %

Are there any additional contributions expressed as fixed annual/monthly amounts

Have / are significant lump sum contributions been/being in the short-term

What is the expected period over which the deficit is to be removed \_\_\_\_\_ years

**Have you increased employer contributions to meet future service benefits?**

Yes  No

**Is there / will there be any increase in employee contributions?**

Yes  No

If 'Yes' what was the employee contribution rate and what is the new rate?

Before \_\_\_\_\_% After \_\_\_\_\_%

**Q2.4 Have you changed the accrual rate of benefits in the last year or so?**

Yes  No

If so, please indicate the 'before' and 'after' accrual rate:

	Before	After
Better than 60ths		
60ths		
Between 60ths to 80ths		
80ths		
Less than 80ths		

**Q2.5 Has the investment strategy of your scheme changed to a greater proportion in bonds and lower proportion in equities?**

Yes  No

**Q2.6 What broadly is the current split of your assets between equities, bonds and alternative assets such as property, private equity and hedge funds? Within the next year do you expect this to change?**

	Present	Change in next year?
UK Equities	_____%	increase* / decrease*
Overseas Equities	_____%	increase* / decrease*
Gilts: Fixed interest	_____%	increase* / decrease*
Gilts: Index linked	_____%	increase* / decrease*
Corporate Bonds	_____%	increase* / decrease*
Property	_____%	increase* / decrease*
Private Equity	_____%	increase* / decrease*
Hedge Funds	_____%	increase* / decrease*
Immediate annuities	_____%	increase* / decrease*
Deferred annuities	_____%	increase* / decrease*
Cash / deposit	_____%	increase* / decrease*
Other (specify)	_____%	increase* / decrease*

( \* delete, as appropriate)

**Q2.7 How many fund managers do you use?**

\_\_\_\_\_

How many of these are passive managers and what percentage of the assets do they manage?

Number \_\_\_\_\_ Percentage of assets \_\_\_\_\_%

**Q2.8 How frequently do you undertake formal actuarial valuations?**

Every \_\_\_\_\_ years

**Do you obtain informal updates between these? If 'yes', how frequently?**

Yes  Frequency \_\_\_\_\_

**Q2.9 A number of proposals have been floated to reduce the financial pressures on existing defined benefit pension schemes. Which of the following proposals do you support?**

	Support	Oppose
Remove for the future mandatory annual limited price indexation of pensions in payment	<input type="checkbox"/>	<input type="checkbox"/>
Reduce maximum revaluation of deferred pensions from 5% to 2.5% pa for future leavers	<input type="checkbox"/>	<input type="checkbox"/>
Allow schemes to increase the Normal Retirement Age for future service benefits	<input type="checkbox"/>	<input type="checkbox"/>
Allow schemes to increase the Normal Retirement Age for past service benefits	<input type="checkbox"/>	<input type="checkbox"/>
Trustees to be required to obtain agreement of employer to material change in investment strategy and management (i.e. not just consultation)	<input type="checkbox"/>	<input type="checkbox"/>
Allow employers to recover at least some of the surplus where a scheme's ongoing funding level exceeds the statutory funding target set by trustees	<input type="checkbox"/>	<input type="checkbox"/>

**“FULL” SURVEY**

**SECTION 3**

**TO BE COMPLETED BY ORGANISATIONS OPERATING A DEFINED CONTRIBUTION SCHEME OR CONTRIBUTING TO A STAKEHOLDER SCHEME**

*Note: A defined contribution (or ‘money purchase’) scheme is one where usually both the employer and the members pay a stated level of contributions, often expressed as a percentage of salary. The contributions are accumulated and invested, with the amounts invested for each individual separately identifiable. The retirement benefit depends on investment returns achieved in practice and there is no promise related to salary or service. The pension is normally provided by using the accumulated fund to buy an annuity from an insurance company. The arrangement could be a trust-based company scheme or a grouping of personal pensions or stakeholder arrangement, where the policies are administered en bloc by one provider, but the policies are issued to employees individually.*

**Q3.1 Is the main defined contribution scheme:**

	Yes	No	If ‘no’ when (year) closed?
Open to new members	<input type="checkbox"/>	<input type="checkbox"/>	_____
Open for future contributions	<input type="checkbox"/>	<input type="checkbox"/>	_____
In process of winding-up	<input type="checkbox"/>	<input type="checkbox"/>	
Contracted out of S2P / SERPS	<input type="checkbox"/>	<input type="checkbox"/>	

**Q3.2 Is the scheme (please tick one box)**

- A trust-based company scheme
- A Group Personal Pension
- A Stakeholder scheme
- Company contributes to individual personal pensions

**Q3.3 What broadly is the distribution of membership of the scheme?**

- Active members \_\_\_\_\_%
- Deferred pensioners \_\_\_\_\_%
- Members in retirement \_\_\_\_\_%

**Q3.4 Which of the following investment choices does the scheme offer?**

- |                               |                          |                       |                          |
|-------------------------------|--------------------------|-----------------------|--------------------------|
| UK equity                     | <input type="checkbox"/> | Overseas equity       | <input type="checkbox"/> |
| Global (UK & Overseas) equity | <input type="checkbox"/> | Gilts: Fixed interest | <input type="checkbox"/> |
| Gilts: Indexed linked         | <input type="checkbox"/> | Corporate bonds       | <input type="checkbox"/> |
| Cash / deposit                | <input type="checkbox"/> | With profits          | <input type="checkbox"/> |
| Mixed managed fund            | <input type="checkbox"/> | Life-style/default    | <input type="checkbox"/> |
| Other _____                   | <input type="checkbox"/> |                       |                          |

**Q3.5 Do you offer a default fund?**

Yes  No

What type of fund is it? \_\_\_\_\_

**Q3.6 How many fund options do you offer members?**

Under 5       6 – 10       Over 10

**Is more than one fund manager offered?**

Only 1       2 – 10       Over 10

**Do you offer a with-profits fund(s)?**

Yes     No

**In your experience, approximately what percentage of members are invested in the with-profits fund(s)?**

\_\_\_\_\_ %

**Q3.7 Do you facilitate financial advice / retirement counselling services to members / employees?**

Yes     No

If 'yes', is cost fully met by employer?

Yes     No

