



EMBARGO ON PUBLICATION UNTIL 8 APRIL 2011

ACA CHAIRMAN SAYS PENSION REFORMS ARE INCOMPLETE

7 April 2011 – Speaking at a dinner (7 April) attended by leading figures from the world of pensions, insurance and trade bodies, Stuart Southall, Chairman of the **Association of Consulting Actuaries (ACA)**, gave a warm welcome to NEST and the policy aims on State pensions, but registered disappointment at the genuine lack of progress to turn the tide by way of imaginative government policies to encourage private sector employers to offer or maintain workplace pensions above a basic level.

“I am very concerned to find buried away at paragraph 101 of the most recent Green Paper a statement that Government sees auto-enrolment as a delivery on its commitment to ‘reinvigorate private pension provision’”, said **Stuart Southall**.

“The Coalition Agreement commitment was actually to ‘**simplify the rules and regulations to help reinvigorate occupational pensions**’, but what we have so far is nothing to do with reinvigoration – however it might be spun – only about the extension of quasi-compulsory savings and a future reduction of State benefit dependency.

“Whilst we fully understand the rationale, the latest threat of ending DB contracting-out as an inevitable consequence of State pension simplification gives private sector employers yet another valid reason to review, and to perhaps radically re-design, their pension offerings.

“With all now agreed that occupational pension provision in the private sector is in a state of chronic retreat, perhaps a further nail in the coffin is neither here nor there. But whilst applauding the NEST and State pension initiatives, I think a frank observer would struggle to see a proper understanding, or indeed spirit, of reinvigoration in any or all of the following:

- the high earner tax changes (even accepting the fiscal imperative);
- the mis-handling of the RPI to CPI changes, particularly in respect of private schemes;
- the DWP’s revelatory moment that GMPs must now be “sex equalised” but in the absence of any robust European precedent or test case; and
- the perpetuation of a bipolar regulatory world in which risk-sharing is discouraged by the mass of costly and over-protective regulation that now applies to the UK’s ring-fenced DB legacy.

“With Government apparently unable to develop ideas for a proper reinvigoration of workplace pensions, the ACA warmly welcomes the establishment of the *Workplace Retirement Income Commission* chaired by Lord McFall.

“We hope his report when it appears in the autumn will convey a clear message that extending a modest level of retirement provision across the workforce is a laudable aspiration but that the bigger prize is to move many more from that level to a position of comfort. In our view that means much more than a retirement income replacement rate of 45% for a median earner.

“This will be unachievable for most without the proper engagement of willing employer sponsors and this is where the crying need for reinvigoration really fits in.”

“The ACA certainly will be engaging most fully with Lord McFall’s ‘Call for Evidence’ and, once again, we will be mapping out constructive proposals. The Government needs to realise that State reforms, public sector scheme levelling-down and auto-enrolment are only a partial solution – developing and promoting a pensions and savings regime that encourages employers and employees to save at adequate levels requires a step-change in approach,” concluded Stuart Southall.

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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.