



NEWS RELEASE

RISK SHARING IS THE WAY FORWARD FOR COMPANY PENSION SCHEMES

25 July 2007: The Association of Consulting Actuaries (ACA) has responded to today's report by the External Reviewers to the Deregulatory Review of Private Pensions by welcoming the emphasis placed on employers being able to share pension scheme risks with members but calling on the Government and opposition parties to form a consensus and take a more radical approach than contained in the report.

Commenting on the report, ACA Chairman, **Ian Farr** said:

"We are pleased that a major thrust of the report is to try to make it easier for employers to offer risk sharing schemes in the future.

"The disagreement between Chris Lewin and Ed Sweeney on whether to remove the requirement for pensions in payment in defined benefit schemes to be increased automatically should not be allowed to hold up the future development of good occupational pension schemes. But it does show the sensitivity of this issue.

Therefore, why not leave unchanged this requirement for defined benefit schemes but allow new shared risk schemes to provide pension increases on a targeted, rather than a mandatory, basis, the targeted increases to be supported by prudent reserves, but not guaranteed. Why should a shared risk scheme be forced to have mandatory pension increases?

This new 'middle way' for employers to share risks with scheme members needs only modest changes to current legislation. Surely this is just common sense and would be a small price to pay for the revitalising of occupational pension schemes in the UK."

A recent survey conducted by the ACA¹ found that 72% of employers supported the Government promoting the extension of risk sharing pension schemes.

In Holland, much of the employer provided pension is along similar lines to those proposed by the ACA.

¹ The survey, conducted by the Association of Consulting Actuaries (ACA), was carried out in the first quarter of 2007. The survey was completed by 336 employers with scheme assets exceeding £127 billion and over 2.1 million members. For further details see *2007 Pension trends survey Report 2* at www.aca.org.uk (Research).

Ian Farr continued:

"At a recent pensions conference, John Hutton, the then Secretary for Work and Pensions, said that the Government was prepared to be radical in order to support good occupational pension schemes in the UK. Well now, this is the opportunity for his successor, Peter Hain, and the new Minister for Pensions Reform, Mike O'Brien, to deliver. But they will have to be bolder than the recommendations in the report."

For further details: Ian Farr 01737 274627 (M: 07711 592924)
David Robertson 020 7382 4594 (M: 0777 4499611)

Note to Editors:

About the Association of Consulting Actuaries (ACA)

The **Association of Consulting Actuaries (ACA)** is the representative body for consulting actuaries, whilst the Faculty and Institute of Actuaries are the professional bodies. The ACA has over 1500 members working in around 80 firms. ACA Members are all qualified actuaries and are subject to the code of professional conduct of the Faculty and the Institute of Actuaries. Advice given to clients is independent and impartial. The ACA forms the largest national grouping of consulting actuaries in Europe.