NEWS RELEASE

The ACA's initial view on the Government's latest announcement on Personal Accounts …

ACA ENCOURAGED BY GOVERNMENT'S RESPONSE TO CONSULTATIONS SO FAR: LEVELLING-DOWN OF PENSIONS, HOWEVER, REMAINS A BIG WORRY WITH NO MEASURES YET ANNOUNCED TO HELP BETTER PENSION SCHEMES FLOURISH

14 June 2007: Whilst encouraged by the Government's response to consultations on its plans for personal accounts, the Association of Consulting Actuaries (ACA) has expressed its continued concern about the threat personal accounts pose in terms of levelling-down pension provision. In particular, the delay in announcing meaningful proposals to de-regulate existing good pension arrangements – and to extend the possibilities for employers to share risks with scheme members – makes an overall assessment of the benefits or otherwise of the latest reform proposals impossible to gauge.

The ACA has recently published the results of a survey of employers on personal accounts[1]. This found that 68% of employers expected the launch of personal accounts to lead to a general levelling down in employer pension contributions, with 76% expecting closures of better schemes to increase.

"The level of the annual cap on personal account contributions proposed today - £3,600 – is sensible. After all, the Regulatory Impact Assessment in the last White Paper (published in December 2006) noted that a £3,000 p.a. limit – the level proposed by the Pensions Commission –

[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 1* attached or at www.aca.org.uk (Research).

would be sufficient for median earners to earn a pension of 67% of pre retirement earnings about 75% of the time ", said ACA Chairman, Ian Farr.

"There is nothing to stop individuals who find the annual personal accounts contribution limit too low directing some or all of their excess contributions into another savings vehicle. Since it is likely that investment advice will be needed for individuals who take this route it would also alleviate concerns about the lack of advice associated with personal accounts when significant amounts of members' money are being invested," he added.

"Measures that deregulate existing good pension schemes and that make it easier for employers to de-risk through new types of pension arrangements – as is possible through risk sharing schemes – need to be included in its legislative programme for 2007/08. If they are delayed or an attempt is made to water reforms down by way of regulatory half-measures, then over time many more employers are likely to give up on better, but more complex, pension arrangements or restrict these to 'key' employees. Inevitably, this will leave an increasing number of employees with modest financial resources – who will have received little or no investment advice – vulnerable to a poor pension outcome from their personal account when markets are low, purely because of the timing of their retirement. Is that what we want for the future of pensions?" asked Ian Farr.

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Notes for 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.