



NEWS RELEASE

Reform measures will have to be improved upon if new Bill is to achieve its objective of stemming the decline of good workplace pensions....

ACA CHAIRMAN SAYS PENSIONS BILL OFFERS THE OPPORTUNITY TO BOOST WORKPLACE PENSIONS, BUT THE KEY DECISIONS STILL HAVE TO BE TAKEN

5 December 2007: The Government's *Pensions Bill* published today has, despite the representations of the ACA and other bodies, failed at this stage to include provisions that would reinvigorate workplace pensions that are better than personal accounts. Whilst the accompanying paper on the progress of the deregulatory review of private pensions holds out the possibility of additional measures being added to the Bill to boost private sector provision, the ACA says whole-hearted support for the Bill must await the successful conclusion of those further talks promised by Government. The ACA has called for the Bill to allow new career average schemes which would provide conditionally indexed pensions. Future pension increases would be targeted, backed by prudent funding reserves, with annual increases conditional on the financial health of the scheme. Under current law, indexation is mandatory and paid irrespective of the financial health of the scheme. This approach is similar to by far the most popular form of workplace pension provision in The Netherlands, which is the closest of the continental European countries to the UK in terms of the balance between State and private provision.

Ian Farr, ACA Chairman, said:

"We welcome the modest reforms in the Bill so far. But we remain worried about what is not there. We have highlighted to Government over the last 2 years how risk sharing schemes could re-build good workplace defined benefit pensions in the UK. We have spelt out the simple legislative changes necessary and these in no way amount to a 'new layer' of pension regulation, which

nobody wants on top of the new personal accounts layer as well. We welcome further urgent discussions with Government and other stakeholders to make real progress in finalising a better overall reform package provided these measures make it into this year's Bill.

“The deregulatory reform proposals in the present Bill simply aren't extensive enough at present. We've said this before, and the recognition by the Government that further work is needed on the reforms is a glint of light. But those discussions with Government must make major advances on what is presently proposed, and we look forward to providing the additional information which Government says it needs in order to be convinced that conditional indexation should be introduced.”

The ACA has alerted Government to the fact that a survey of consulting firms conducted in November 2007 found 83% of private sector defined benefit schemes are now closed to new entrants and only 900,000 employees are now active members of open schemes, as opposed to 2 million in 2004 and 5 million in 1995.

A brief on the need for the Pensions Bill to allow employers to set up conditionally indexed pensions is available on the ACA website at www.aca.org.uk (see 'Publications')

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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 Faculty and Institute of Actuaries are the professional bodies. The ACA has 1700 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.