



NEWS RELEASE

The Government and HM Opposition seem to be moving towards defined contribution pensions for MPs and public servants, echoing trends in the private sector, but say the ACA...

MOVING FROM ONE PENSION EXTREME TO ANOTHER ISN'T THE ANSWER – THERE CAN BE OPTIONS IN BETWEEN

17 February 2009: News this last weekend that the Prime Minister is referring the future of MPs' pensions to the Senior Salaries Review Board (SSRB) and Theresa May's statement that MPs should receive a defined contribution pension, rather than a final salary related one following a Conservative victory at the polls, has highlighted yet again the need for politicians to recognise and promote pension options that are not at the extreme. Pension risks should not fall 100% on employers (as they principally do with defined benefit) or employees (as they do with defined contribution). Middle-way pension options are the solution and would be appreciated by both public and private sector employees and employers into the future, but Government has to embrace the reality that further pension reforms to achieve this aim are needed urgently.

Keith Barton, ACA Chairman commented today:

“Over the last few years, we have called for an easing in defined benefit pension legislation, so employers could offer defined benefit schemes which carry significantly less risk to them than at present, rather than seeing more and more employees moved straight to defined contribution schemes, with all the volatility in pension outcomes associated with such arrangements. Our and other proposals would have given sponsors greater flexibility to hold down costs in difficult economic times, like the present, whilst offering to members a more stable benefit platform than that offered by defined contribution.”

“Unfortunately, the Government seems to have buried its head in the sand and failed to open up new design options for employers as part of its 2008 Pensions Act. As things stand, few employers seem interested in straddling defined benefit and defined contribution legislation in order to come up with a mixed scheme.”

“This failure in public policy in 2008 to respond to the pleadings of pension bodies and the CBI means that private sector employers have had little option under current legislation but to opt for defined contribution type arrangements. And that is exactly what has been happening. Now, driven by public concern at the disparity with private pensions, it seems public sector employers may follow along the same lines, otherwise the unacceptable ‘gap’, now recognised by all political parties, cannot be closed. In reality, this may prove a very difficult task, particularly in respect of the design of unfunded public sector schemes.”

“Rather, the Government needs to be broader in its thinking and engage with all parties to agree solutions to this dire situation. They need to listen to pension bodies and propose legislation that would allow greater flexibility in pension designs for both the public and private sectors. Those designs should look to delivering a pension outcome that has greater certainty than defined contribution, whilst being sufficiently flexible to be affordable into the longer-term. As part of this review, public sector pensions need to be set as part of a remuneration package that is seen by all to be fair and sustainable.”

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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 1650 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 the World.

ACA survey exposes huge decline in pension provision

The **Association of Consulting Actuaries (ACA) 2008 Smaller Firms Pension Survey** found 91% of defined benefit schemes in smaller firms (250 or fewer employees) are closed to new entrants with 48% also closed to future accrual for existing employees (survey of 394 employers conducted in June 2008). The survey underscored that 80% of smaller firms, employing 59% of the working population, now offer no workplace pension scheme. For further details see www.aca.org.uk (publications or research pages).