



## ACA SURVEY OF FINAL SALARY SCHEMES

17 June 2002 - The results of a survey, based on reports from members of the Association of Consulting Actuaries (ACA) advising just under 2950 final salary schemes with 6.8 million members, are startling in underscoring just how rapid the move away from final salary pension arrangements has been over the last few months. The research also shows the extent to which occupational pension arrangements as a whole are under review.

The survey reveals that **fewer than 4 out of 10 final salary schemes are now open to new members**, and **close to half of those left are currently contemplating closure**. These statistics suggest that within a matter of a few short years, we are likely to see the numbers covered by final salary schemes falling away rapidly.

<b>Final Salary Scheme: the current state of play</b>	
Schemes commenced winding-up	10%
Schemes closed to future accrual	14%
Schemes closed to new entrants	39%
Schemes still open to new members	37%
Open schemes contemplating closure	47%

To some degree this change in pension provision would not matter if there is evidence that final salary schemes were being replaced by money purchase arrangements attracting equivalent contribution levels.

However, underscoring the results of the survey of smaller pension schemes produced last year, ACA members say that money purchase contributions are generally falling far short of those that were going into final salary schemes.

“This decline in the quality of pensions being provided is an area where we will be conducting further research over the summer, as we are aware that there seems to be some confusion amongst policymakers about just what is happening due to a lack of hard figures,” says ACA Chairman, Gordon Pollock.

“We would also note that there is evidence from published Government surveys that the number of employees being offered any sort of occupational pension – final salary or money purchase – has also declined quite markedly over recent years.

“We are extremely worried that the impact of the changes that are taking place in terms of future pensioner incomes is being under-estimated by Government and, as a result, there has been an inadequate policy response,” concluded Pollock.

Gordon Pollock added that, “it is encouraging that other types of defined benefit arrangements are being considered following reviews. In particular, career average revalued schemes are being introduced by a small but growing number of sizeable employers. These arrangements offer advantages to both the employer and employee over a straight switch from final salary to money purchase”.

For further details: Gordon Pollock                      020 7977 8647  
Andrew Vaughan                      020 7977 8427  
(PR Committee Chairman)

David Robertson

020 7248 3163

**Note for Editors:**

The ACA, which celebrated its 50<sup>th</sup> Anniversary last year, continues to expand rapidly and has over 1300 members working in over 80 firms. It is the largest national grouping of consulting actuaries in Europe.