



## **ACA WELCOMES PICKERING, BUT SAYS FINANCIAL INCENTIVES WILL ALSO BE NEEDED TO ENCOURAGE GREATER PENSION PROVISION**

**11 July 2002 – The Association of Consulting Actuaries (ACA), whose members advise thousands of company pension schemes, today welcomed the Pickering Review proposals. The ACA is pleased that the report recognises the excessive burdens that have been placed on employers, producing simplification proposals that strike a fair balance between employees and employers. However, the ACA says that real simplification can only be achieved if the Inland Revenue requirements are also revised in a consistent manner and we believe that an increase in pension provision will require, in addition to simplification, some financial incentives.**

The ACA says employers sponsoring pension schemes will be looking for a clear statement from the Treasury and DWP that pension provision will be encouraged and simplified. They will want to see commitment from all political parties to stability and financial incentives in recognition of the long term nature and financial significance of pensions.

“We believe that State and occupational pensions need to be considered together and welcome the report's proposal to review the terms for contracting out,” said ACA Chairman, Gordon Pollock.

In welcoming the proposals, the ACA notes that Pickering has taken account of many of the ACA's proposals, in particular:

- The removal of s67 of the Pensions Act, replacing it with a more flexible regime that will allow greater scheme simplification and equalisation, whilst still protecting key member entitlements.
- That legislation should be on broad principles and monitored by a regulator who will exercise judgement.
- The removal of the costly requirement for final salary schemes to provide pension increases in line with Limited Price Indexation (ie RPI with a maximum of 5% pa).
- That compliance with the Myners proposal should be simplified.
- Reducing some of the complex requirements on member communications.
- Removal of the detail of the Internal Dispute Resolution procedures and Member Nominated Trustee regulations.
- Simplification of the pensions on divorce legislation

In addition, the ACA supports the proposal for greater reliance on professionals exercising their judgement and looks forward to returning to the regime where consulting actuaries concentrate on "adding value" for clients.

However, the ACA is concerned that Pickering's proposal to move to immediate vesting will increase employer costs and increase the administrative burden.

“As employer sponsorship of a scheme is voluntary and in view of the

alternatives available, including concurrency up to a limit, we are disappointed that there was no proposal to relieve Trustees of their duty to offer AVCs,” said Pollock.

“We will be studying this report together with the Sandler report with, in due course, the Inland Revenue report with the intention of producing a detailed response. In particular, we note that the Pickering contracting out proposals need careful consideration together with the proposals for amendments to the priority order on winding up and the removal of the requirement for a contingent spouses pension,” noted Pollock.

For further details:	Paul Greenwood	01243 522538
	(Mobile: 07973 186016)	
	Helen James	020 7222 8033
	Andrew Vaughan	020 7977 8427
	(PR Committee Chairman)	
	David Robertson	020 7248 3163

#### **Note for Editors:**

The **Association of Consulting Actuaries (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.

In June 2002, the ACA produced the results of a **survey of final salary schemes**, based on reports from members of ACA advising just under 2950 final salary schemes with 6.8 million members. This underscored 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 revealed 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.