



The ACA has met with the Pensions Minister recently and is coming forward with proposals to help to combat levelling-down...

ACA WELCOMES ATTEMPTS TO SIMPLIFY AUTO-ENROLMENT RULES, BUT STRESSES DANGER OF LEVELLING-DOWN HAS YET TO BE FULLY ADDRESSED

27 October 2010 – The Association of Consulting Actuaries (ACA) has welcomed the announcement by the Pensions Minister today that attempts to simplify some of the rules in respect of pension auto-enrolment. Moves to simplify the certification of existing schemes are welcomed as is the higher earnings threshold.

Commenting on the announcement, **ACA Chairman, Stuart Southall**, said:

“It is important employers of all sizes have the maximum time available to decide what they will do as they move towards the date they must auto-enrol all employees into either their company scheme or NEST. Today’s announcement clears up a number of the outstanding issues that have halted planning at all levels, but we do wonder whether there might have been some cleaner simplification over measures such as the new three month waiting period before auto-enrolment is required.

“The Minister knows we remain very worried about how employers might react to the potential extra costs arising from significant increases in pension scheme membership as they plan ahead. Often 20-30 per cent more employees – those who have not joined to date – will be auto-enrolled into many schemes after 2012. Our latest research, conducted this summer, shows amongst larger firms four out of ten may ‘level down’ benefits to mitigate the cost increases of auto-enrolment¹. And in smaller firms, where ‘quality’ schemes are run, three out of ten are likely to ‘level down’². DWP has said its research points to a lower incidence of levelling-down, but their research was conducted over a year ago when 56% of respondents said they were ‘unaware of the reforms’³ and when the future of these measures was much less certain.

¹ See www.aca.org.uk ACA Survey, *Auto-enrolment and NEST in larger firms*, published 31 August 2010

² See www.aca.org.uk ACA Survey, *Smaller firms views on auto-enrolment and NEST*, published 27 September 2010

³ See DWP Research Report No. 683 *Employers’ attitudes and likely reactions to the workplace pension reforms 2009*

“We met with Steve Webb recently and following that meeting we are putting to him a number of balanced proposals that we hope he will consider to help employers to continue to offer ‘quality schemes’ into the future – both through existing and new arrangements.

“As Lord Hutton indicated in his initial report on public service pensions, it is not desirable or necessary that employees, particularly the lower paid, take on 100% of investment and mortality risks. Most private sector employees increasingly are facing this very prospect, but it does not seem likely that this will be the case for those working in the public sector. We believe early action ahead of 2012 to meet private sector employers’ concerns about the ongoing cost and complexity in running ‘quality’ schemes could only be helpful.”

The ACA’s evidence to the auto-enrolment review and copies of the larger and smaller firms’ *Auto-enrolment and NEST survey* reports are available at www.aca.org.uk (see: recent 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 Institute and Faculty of Actuaries is the professional body. The ACA has 1750 members working in around 75 firms. ACA Members are all qualified actuaries and all actuarial advice given by members is subject to the Actuaries’ Code. The ACA forms the largest national grouping of consulting actuaries in the world.