



As the Pensions Minister says the government is considering removing Limited Price Indexation for occupational defined contribution schemes, the ACA says...

KEEP IT SIMPLE AND FAIR, MINISTER

25 March 2004: Responding to a speech (yesterday) by the Pensions Minister, Malcolm Wicks, in which he said the government was considering removing Limited Price Indexation (LPI) from occupational defined contribution schemes, the Association of Consulting Actuaries (ACA) has called for 'simplicity and fairness' in applying the same consideration to defined benefit schemes.

The ACA welcomes the move in respect of the defined contribution sector as it would create a level playing field with Stakeholder and Personal Pension plans, which are not subject to LPI for all post 1997 accruals. However, the ACA is not happy at the apparent exclusion of defined benefit schemes from this 'consideration'.

The Government says the cost of LPI falls on individual savers and affects the size of their annuity and hence this justifies a review of LPI. The ACA says the implication is that the cost of LPI for defined benefit schemes 'comes from nowhere'. The reality is that the cost is met by schemes and either adds to costs (helping to discourage sponsoring employers from offering such schemes) or has the effect of reducing benefits that otherwise could be made available to defined benefit members.

The Minister said in his speech: "We know that the removal of LPI on DC schemes would be welcomed by many scheme members and many within the pensions industry."

We have always said that we welcome contributions and advice and are prepared to listen”.

The ACA says that dealing with schemes in a different way will be opposed by many within the pensions industry and would run against moves to simplify pensions on an equal basis.

“We are pleased that the Minister says he is prepared to listen,” said ACA Chairman, Gordon Pollock. “If he does not, this will be a further disincentive to running a defined benefit scheme”.

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Note to Editors:

Members of the **Association of Consulting Actuaries (ACA)** are advisers to UK pension schemes with assets in excess of £650 billion, including the vast majority of larger schemes and thousands of smaller arrangements. The ACA forms the largest national grouping of consulting actuaries in Europe.