



## **PRESS RELEASE**

### **SPC attacks compulsion concept – fearing it may encourage employers to pay less**

An attack on the idea of making occupational pension contributions compulsory has been launched by the influential Society of Pension Consultants – on the grounds that such a system would be unreliable and might actually damage the existing at-work pensions structure.

Secretary John Mortimer says, quoting the SPC's response to the first report of the Pensions Commission: "The case for compulsory private savings, over and above any first or second tier provision compelled by the State, is extremely weak. Because of the variability of outcome in money purchase provision, which will relatively soon become the dominant component of private sector pension provision, compulsory private saving can't be relied upon to provide the predictable basic level of pension needed as the foundation of any durable and robust pension system. Only the State has the capacity to meet this need."

Furthermore the Society is concerned that many firms would be encouraged under a 'compulsion' system to reduce their own contributions, believing that the State will cope, and will in some cases down-size their workforces as a direct result of compulsion.

Mortimer explains: "Some employers might consider that the introduction of compulsory minimum contributions provided an acceptable reason to reduce existing contributions, over and above those to national insurance, to the minimum compulsory level. Others would be faced with a substantial increase in employment costs which they would have to address by reducing costs elsewhere in the business or by employing fewer people than they would otherwise employ and/or paying them less. Experience in Australia provides evidence that companies reduce pension contributions to the compulsory minimum."

The SPC also foresees significant practical and employer-relations problems in any move to compulsion beyond that which already exists.

SPC's full response to the Pensions Commission is available at [www.spc.uk.com/htm/C18.pdf](http://www.spc.uk.com/htm/C18.pdf).

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#### NOTES FOR EDITORS

SPC is the representative body for the providers of the advice and services needed to establish and operate occupational and personal pension schemes and related benefits. Its Members include accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related functions across the whole range of non-State provision, through such a wide spread of providers of the advice and services.

The vast majority of the 500 largest pension funds use the services of one or more of its Members. Many thousands of smaller funds and individuals also do so. SPC's growing membership collectively employs some 14,000 staff providing pension related advice and services.