



## **PRESS RELEASE**

### **‘Much work still to be done’ on Government plans to revise occupational pension system says SPC**

The Government’s White Paper setting out possible reforms of employer sponsored pensions is not much more than a good starting point and risks being too little and too late, according to the President of the Society of Pension Consultants.

As the SPC made its formal response to the Government this week, Mark Ashworth said of the paper ‘Security in Retirement: Towards a new Pensions System’ that much still remained to be done to create a system under which companies would be encouraged to provide good occupational schemes, and the population as a whole would be urged to start saving for retirement from a sufficiently young age.

Mr. Ashworth said: “One of our chief criticisms is that savers may be misled. The Government suggests that the proposals should mean that people see a greater return from their private savings than they would under today’s system. We suggest that the Government exercises a great deal of caution before allowing generalisations such as this to appear in any future material promoting the new system of personal accounts. It is reasonable to envisage that eventually the new system might lead to lower charges, but it does not automatically follow at all that the result will be consistently better returns than available today. We should keep very much in mind the risk to confidence in the system of the Government being perceived as having ‘mis-sold’ it.”

The SPC welcomes the intention that personal accounts will complement rather than replace existing employer provision, but fears that the new system, and the rules whereby employers can opt out of the personal accounts scheme, may end up being overly bureaucratic and complicated. This could result in employers being discouraged from continuing to provide good schemes. Likewise the commitment to supporting smaller companies in introducing the NPSS need to be clarified, said the SPC President.

“The SPC states that it is essential that the provision of personal accounts does

not constitute an actual or a virtual monopoly. The impact on the system, if a dominant provider in an over-concentrated market produced poor returns or, even worse, got into difficulties, would be disastrous, both from the point of view of the impact on account holders and on confidence in the system.

“The NPSS must also be flexible and open to new developments and ideas, for example in investment strategy and communication. There may also be a need for initial public funding to launch and establish the NPSS (perhaps in the form of a bond issue).

“The clear reluctance of the Government to implement the recommendations of the Government Actuary on contracting-out rebates for salary-related schemes for the period 2007-2012 sends a very negative message, when one of the Government’s key aims is to generate confidence that the pension system is fair. Rebates at the level currently proposed by the Government are in effect a tax on defined benefit schemes, since the contracting-out rebates would not match the expected cost of replacing state benefits.

“We are very disappointed that the White Paper does not propose the establishment of a standing Pensions Commission to exercise a strategic oversight of the pensions system. Whatever system emerges from the debate engendered by the White Paper, we would see an extremely useful role for a standing commission in monitoring high level areas, such as the appropriateness of investment options and strategies under the new system of personal accounts.”

Release date: 15<sup>th</sup> September 2006

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**NOTES FOR EDITORS**

A full copy of the SPC’s comments on the White Paper is attached, or may be downloaded from the SPC website ([www.spc.uk.com](http://www.spc.uk.com)).

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.