

4 JANUARY 2010

At a glance

ASSOCIATION OF BRITISH INSURERS

- **ABI publishes policy proposals for improving retirement income options**

ASSOCIATION OF CONSULTING ACTUARIES

- **2009 Pension Trends Survey**

BOARD FOR ACTUARIAL STANDARDS

- **Consultation on Pensions and Insurance Transformations**
- **Exposure Draft of Actuarial Standard on Modelling**

DEPARTMENT FOR WORK AND PENSIONS

- **Number of centenarians set to almost double by 2020**

SO7

Abbreviations

ABI: Association of British Insurers
ACA: Association of Consulting Actuaries
BAS: Board for Actuarial Standards
DB: Defined Benefit

DC: Defined Contribution
DWP: Department for Work and Pensions
PPF: Pension Protection Fund

ASSOCIATION OF BRITISH INSURERS

ABI publishes policy proposals for improving retirement income options

The ABI has today published [policy proposals](#) which are designed “to improve people’s options for taking retirement income from their Defined Contribution pensions”.

The paper “Time for Change: Seven proposals to improve DC pension benefits in retirement” outlines proposals for the Government to consider in relation to the removal of existing restrictions and is intended to enable people to get the maximum value from their pension savings.

Policy proposals include:

- raising the current age limit for buying an annuity or alternatively secured pension (ASP) from 75 to 80;
- allowing value protection payments on annuities to dependants of those who die after age 75;
- standardising trivial commutation limits for occupational and contract-based DC pensions;
- increasing the income allowance for ASPs; and
- allowing individuals who are married or in civil partnerships and who have small pension funds to amalgamate these with their spouse’s or partner’s pension savings to enable the purchase of a joint life annuity.

[ABI Press Release](#)

ASSOCIATION OF CONSULTING ACTUARIES

2009 Pension Trends Survey

The ACA’s [survey](#) of pension trends in 2009¹ indicates that nine out of ten DB schemes are closed to new members and that one in five are closed to future accrual (up from one in ten in 2005).

The findings also show that while contributions to DC schemes are gradually increasing, over half of those schemes surveyed attract employer contributions of less than 6% of earnings and less than 4% from employees.

¹ Based on responses from 309 employers

Looking ahead to 2012, when the requirement for employers to enrol employees automatically into either their existing workplace pension scheme or to the new national scheme of Personal Accounts will start to be phased in, 59% of employers plan to review their arrangements and 24% are considering reducing existing pension benefits to mitigate the costs associated with automatic enrolment.

[ACA Press Release](#)

BOARD FOR ACTUARIAL STANDARDS

Consultation on Pensions and Insurance Transformations

The BAS (responsible for setting technical actuarial standards in the UK) is currently developing a new set of Technical Actuarial Standards (TASs). There will be three generic TASs, applying across the range of actuarial work, on (respectively) data, modelling and reporting actuarial information. There will also be a number of specific TASs applying to work in particular areas such as pensions, insurance and accounting.

The latest BAS [consultation document](#) sets out proposals for a specific TAS, applying to actuarial work related to “transformations of pensions and insurance obligations”. In the pensions context, the main areas covered by this consultation are:

- transfers of pension scheme assets and liabilities without consent (currently covered by GN16);
- modification of pension scheme benefits;
- buy-outs; and
- “broad comparability” in the context of public sector staff transfers.

Comments are invited on the scope of the transformations discussed and on a number of principles to be included in the TAS.

The consultation will close on 1 March 2010.

[BAS Press Release](#)

Exposure Draft of Actuarial Standard on Modelling

The BAS has also published a further exposure draft of its standard for actuarial modelling, following consultation on an initial draft which closed in August 2009. This generic standard is expected to come into force in January 2011.

Jim Sutcliffe, Chairman of the BAS, noted that: “The quality of actuarial modelling is essential to key business decisions and of great importance to policyholders and others affected by actuarial work. We received a great deal of feedback on our first exposure of this draft which has helped us to substantially clarify the intent in this second draft.”

The consultation will close on 1 February 2009.

[BAS Press Release](#)

DEPARTMENT FOR WORK AND PENSIONS

Number of centenarians set to almost double by 2020

In a recent [press release](#), the DWP notes that in 2010, there will be around 12,000 people aged 100 or over in the UK. That figure is set to rise to 22,000 by 2020 and 280,000 by 2050.

The total number of UK pensioners in 2010 will be around 12 million and is expected to rise to 16 million by 2050.

Commenting on these figures, DWP Minister, Lord McKenzie, said that “it is clear that in the coming years an older society offers great opportunities as well as challenges. Opportunities for those in retirement to continue working, learning and contributing to society, but challenges around how best to support this group. Over the last few years we have built the foundations that will allow us to respond to these challenges. The biggest changes to pensions for a generation will mean that millions of people will be saving for their retirement, many for the first time. While our changes to the state pension will make it fairer and sustainable for the long term. Along with other proposals to deal with an ageing society - in particular our vision for a new care and support system - we are already working to meet the challenges and aspirations of an older population, both now and in the years to come.”