



Stewart Hastie

➤ **Congratulations on your appointment as ACA chair – what are your primary aims for your tenure?**

From my point of view, actuaries have a really big role to play when it comes to dealing with the savings adequacy challenge, which I think is the defining challenge of our generation. The large balance of the work that actuaries have been doing in the pensions industry in recent years has been about protecting the past. There's still work to do with DB schemes, but they are in a good position; well-funded in the main as everybody knows. Now it's about making sure the actuaries can continue to support on that savings adequacy challenge.

There are two areas they can do that in, particularly from an Association of Consulting Actuaries (ACA) point of view. There is the central role in helping employers, schemes, and providers to develop strategies that enable improved outcomes for workers and savers. The other area is supporting policymakers in developing legislation and regulation that promotes a long-term, sustainable

# The long-term view

➤ **ACA chair, Stewart Hastie, sits down with Jack Gray to discuss his primary aims in his new role and the association's recently published *Pensions and Savings Manifesto***

and equitable savings environment. It's quite a noisy industry, and I think it's important that there are evidence-based decisions, and actuaries have a role in providing some of that evidence.

Another primary aim for the ACA going forward is around continuing to promote wider roles and ways in which the actuarial profession can contribute more broadly in data analytics and broader areas. There was a lot done during the Covid period around mortality and demographics, and there is a huge area that actuaries can continue to contribute.

➤ **You described savings adequacy as the biggest challenge. What can be done to address this?**

In our manifesto we refer to the DWP's analysis that was released last year, which broadly said that two in five workers would not have sufficient savings in retirement. I think it's generally accepted that we are way behind in terms of what we want to do. Obviously, everyone is positive about the success of auto-enrolment, but that was a start and it's now about building on that. We see the need for an increase in minimum contribution levels. That needs to be phased in, in terms of the cost that it could bring for employers and from a consumer engagement perspective.

The DB space is one I don't see as being the biggest challenge facing the industry today, but I think there is still a need for change, and it was really positive to see the government's consultation on surplus distribution and ideas around that. We think that is

an area that would be helpful to bring forward quickly. There is a lot of value in DB schemes that could be leveraged for the benefit of the wider economy and therefore for workers. The government could be looking at increasing minimum contributions under auto-enrolment but, at the same time, helping to unlock some of the surplus assets that exist in the DB space. There is a give and take there that would be helpful to solving some of that savings adequacy issue.

Another area I would like to touch on that is connected to savings adequacy is the pensions gap by gender and ethnicity. The statistics are quite frightening, and we should be looking at ways in which DC and risk-sharing arrangements could help to address a lot of those issues. Knowing what we know now about people's behaviour, those are the kind of aspects that I would like to see being brought into how these pension schemes and savings arrangements are designed going forward.

➤ **You mentioned the ACA's manifesto; can you provide some more details on what it contained?**

The manifesto set out, in broad terms, this repeating point that we see the defining challenge being savings adequacy. But we feel that DB schemes, even though they are well funded, could still have a role to play in terms of helping address that key issue. We were calling for the DWP initiative to encourage and facilitate the greater use of DB surpluses to combine with appropriate incentives and initiatives, so you can help ease some

of the burden of higher contributions that would need to go in.

Secondly, it has been a very busy time, and therefore the focus has, for the past few years, been very much around different consultations and initiatives, on top of things like GMP equalisation. We need the industry to start thinking more long term, rather than just fire-fighting the immediate issues. There are certain initiatives that have cross-party agreement, such as dashboards, extending auto-enrolment coverage, finalising the DB funding regime, and expanding and bringing forward legislation on CDC schemes. Those things need to move forward with pace and before we add too many additional wider policy initiatives.

## **"Actuaries have a really big role to play when it comes to dealing with the savings adequacy challenge"**

We would like to see the DB surplus rules brought forward. Then you move into the longer-term planning around how we can improve engagement within DC schemes, and looking into risk-sharing and having a plan for regulation and legislation that would enable this. Also, things like sidecar savings, which we see as another key part of making saving more engaging and helpful going forward.

There are also a few things that we need to make sure don't happen: The knee-jerk reaction to pensions tax, things that can distract. We put a statement in there about the triple lock and, really, it's about long-term sustainability planning for that rather than political distraction year-on-year. And we bring in a call at the end for better social care; that nettle needs to be grasped by whoever ends up in power, and we need to work together to find cross-party support for a long-term plan.

One other area I would like to add, which isn't in the manifesto, is the employer/employee relationship. It is an important and valuable relationship to deal with savings adequacy and equitable savings. It's an area where you can get economies of scale and a trusted relationship relative to others, and therefore policies and initiatives that support that relationship is what we'd like to see more of.

### **> Why did the ACA produce the manifesto and what are its aims?**

We've had a history of trying to do these things, certainly in the lead up to a general election, so we think it's important to stimulate debate. It comes back to that second primary aim for the role of actuaries, which is to support policymakers in taking evidence, forming views, and helping to set the right regulation and legislation paths.

That ability to provide a longer-term perspective and to support with evidence in a noisy industry is important. Within our manifesto, we have tried to quote a few interesting statistics. There are a lot more, but it's things that are based on pretty deep research and therefore it's

important to continue to bring that out as part of the debate of 'where next'?

### **> Are there any other areas of pension policy the ACA would like to see changed going forward?**

An area I would like to add is around regulatory guidance and the regulatory agenda. We were imminently expecting the final DB Funding Code; a lot has time has passed since it was first mooted. A lot of the work that has gone into the funding regime has been focused on protecting the least well-run DB schemes, and that's absolutely right. But, as we have a majority being well-funded, I would like to see regulatory guidance that helps the other end of the scale. So, it's helping the better-funded schemes in managing that surplus and understanding when enough is enough, and when it is appropriate to use that surplus in different ways. At what point does de-risking become inefficient? Help trustees and sponsors make sensible decisions at that end of the scale. Because, otherwise, we could lose an opportunity.

**> Written by Jack Gray**

