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Dear Sirs

### **Reshaping the Workplace Pensions – Defined Ambition**

ICAEW welcomes the opportunity to comment on the public consultation on Reshaping the Workplace Pensions of November 2013 a copy of which is available from this [link](#).

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

This response reflects consultation with the ICAEW Pensions Subcommittee of the Business Law Committee, which includes representatives from public practice and the business community. The Committee is responsible for ICAEW policy on business law issues and related submissions to legislators, regulators and other external bodies.

We broadly welcome government initiatives to provide increased flexibility for UK pensions. Many of the specific questions relate to possible scheme designs which we think could best be addressed by others and we therefore confine ourselves to some general observations on the issues raised.

1. We support government objectives to increase certainty and confidence in pension savings. While the defined ambition initiative is important in this respect, other factors are equally relevant and a holistic by government approach is required. For instance, adverse changes in tax rules (including annual and lifetime allowances) would be expected to reduce confidence and certainty.
2. We agree that statutory requirements around discretionary elements of any new DB regime should be kept to a minimum. A reformed DB regime will need to be sufficiently flexible to be attractive to employers for whom DC schemes may appear the more straightforward option.

3. The design for conversion to DC when a member leaves employment seems predicated on the assumption that employees will generally work for one employer for a long period of time (the illustrations give 20 and 40 years as examples), but government statistics suggest that the trend is for employees to move jobs with ever increasing frequency.
4. It appears that the insurance or other industry providers do not wish to provide some of the products considered or that the products would be too expensive to attract investors. We do not see that risks which are judged uneconomic by the relevant industry sector should be taken on by government/taxpayer or employees collectively. We suggest that the government consider further with the industry whether further product development could be encouraged through, for instance, changes in regulation to reduce industry costs.

While it is sensible to consider the types of product that might prove attractive to savers under defined ambition schemes, we believe that the regulatory framework should provide flexibility for a wide variety of investment choices rather than being targeted towards particular products.

5. As regards proposals for legislative change, it would be necessary to know which of the proposals is to be taken forward before we could comment fully. However, we have some reservations about introducing a third type of pension in conceptual terms. Those elements of DA which involve guarantee or other benefits for which the employer (or ultimately PPF) may be liable will, presumably, be governed by relevant parts of legislation applicable to DB schemes. Those elements of schemes which do not involve such benefits will not. Whether or not they could simply be treated under legislation applicable to DC schemes or would need additional provisions would depend upon the detail. The ultimate objective should be that the legislation is easily comprehensible for users. Given the complexities of the current regime, there will be challenges meeting this objective however the proposed reforms are implemented, but history has shown that adding new layers to existing legislation increases complexity and inhibits understanding of and confidence in pensions by employers and members.

Yours sincerely

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