

**The Actuarial Profession**  
making financial sense of the future

**Pensions, Benefits and Social Security Colloquium 2011**  
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**MODERN PENSION SCHEME DESIGN**

More predictable than DC: less costly than DB

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## BACKGROUND

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- Phenomenon of DB to DC switch in private sector
- Effect on those with modest incomes
- Hutton report on public sector schemes in UK

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## WAY FORWARD

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- Changing the mindset
  - level of pension
  - higher proportion of final earnings for lower paid
  - capping pensionable earnings

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## WAY FORWARD

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- Indexation of pensions
  - remove mandatory indexation for DB
  - conditional indexation

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## WAY FORWARD

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- Increasing NPA to follow increasing life expectancy
  - for past as well as future service pension
  - only for those with 15+ years to run to NPA
  - evidence required from independent indices

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## WAY FORWARD

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- Increasing member contribution rates with age
- Financing pensions payable to dependants on a member's death by exchanging member's pension

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## MY VISION

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- Read across from public to private sector
- Large/medium private sector employers move to CARE with conditional indexation
- Catalyst for other forms of risk sharing
- Positive benefits for the economy and for society