



TUC Member Trustee Network

Tools for challenging scheme closures

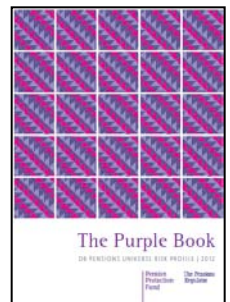
Hilary Salt

November 2012

Are schemes still closing?

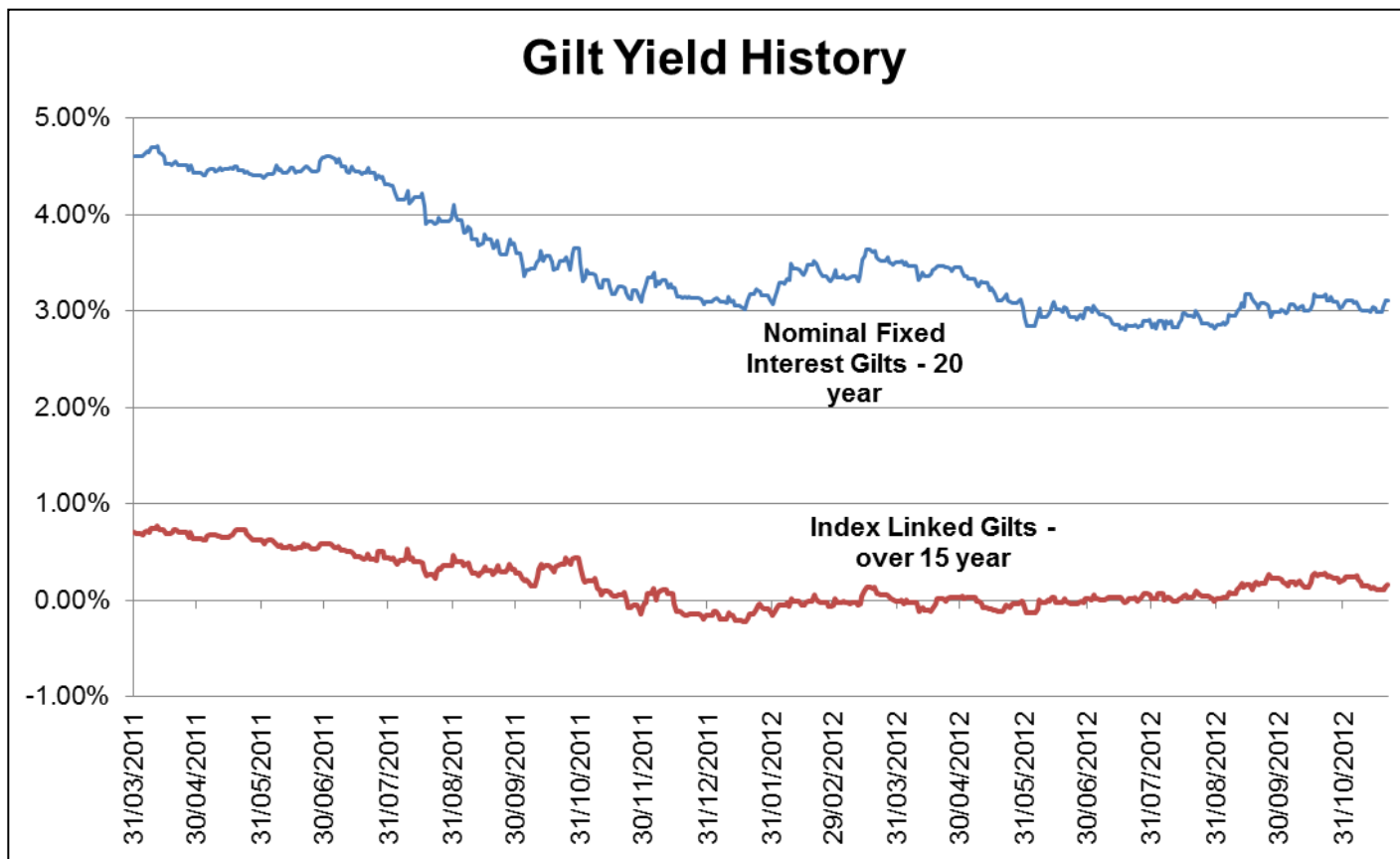
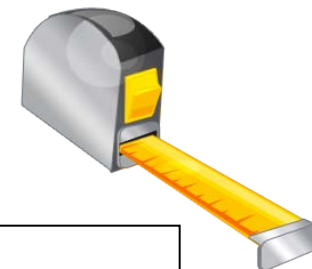
Percentage of schemes	Extended Purple 2007	Purple 2008	Purple 2009	Purple 2010	Purple 2011	Purple 2012
Open	36%	31%	27%	18%	16%	14%
Closed to new members	45%	50%	52%	58%	58%	57%
Closed to future accruals	16%	17%	19%	21%	24%	26%
Winding up	2%	2%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%	100%

Source: PPF / The Pensions Regulator

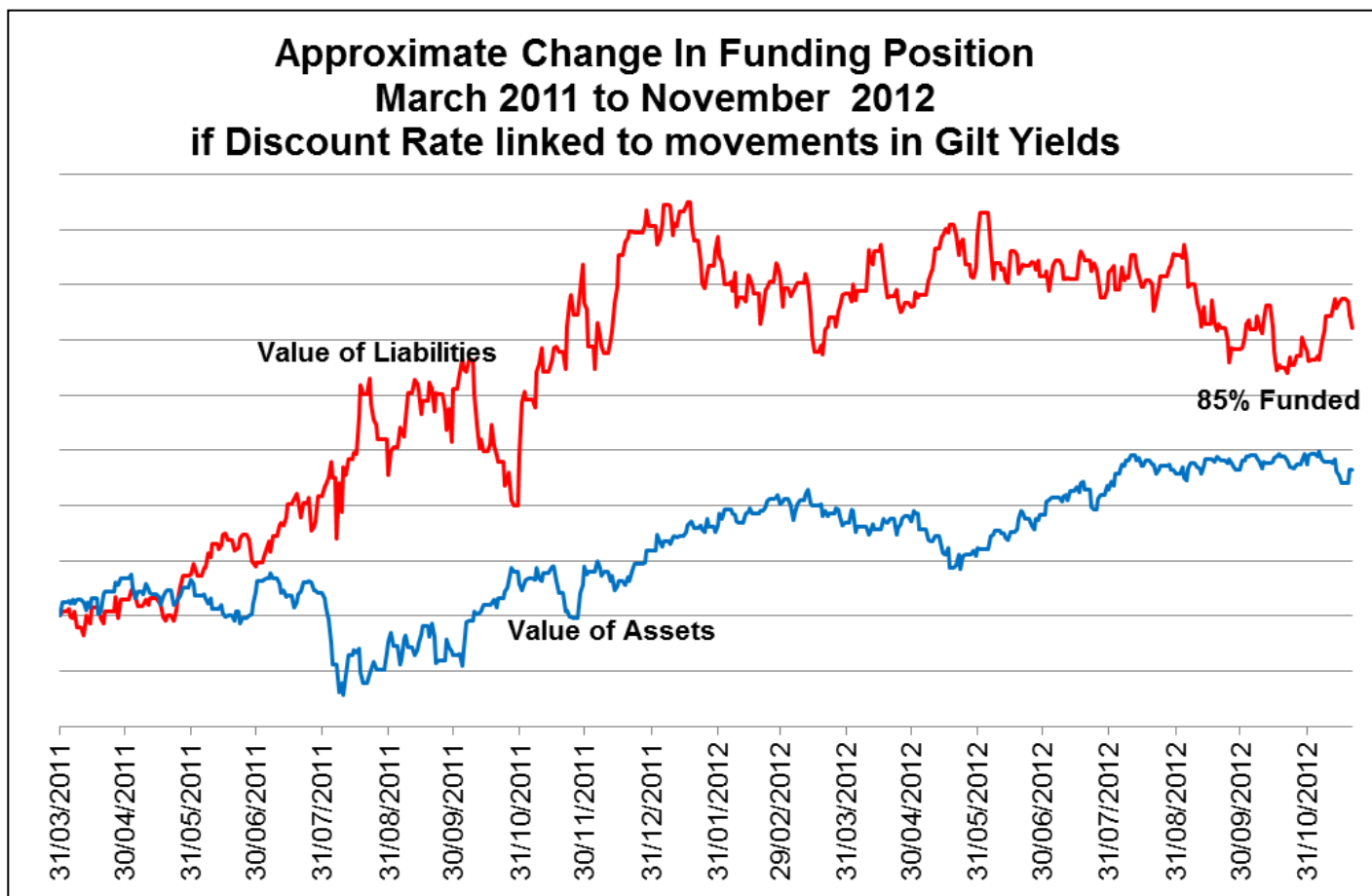
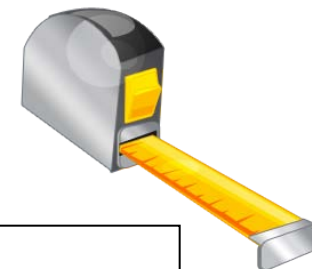


Is it the trustees' problem?

The Tape Measure



The Tape Measure



The Plane



- Benefit changes as an alternative to closure
- Changes to ongoing benefits:
 - Increasing member contributions
 - Increasing retirement ages
 - Changing from final salary to CARE arrangements
 - Reducing accruals
 - Introducing risk sharing mechanisms (eg longevity adjustment factor)
 - Reducing pension increases (and revaluation)
- Changing accrued benefits

The Plane



NRA	60	65	65	66
Final salary / CARE	FS	FS	CARE	CARE
Accrual	1/60	1/60	1/80	1/80
Pension Increases	RPI max 5% pa	CPI max 5% pa	CPI max 2.5% pa	CPI max 2.5% pa
Cost	37%	26%	15%	14%
Member Contribution	6%	10%	7%	6%
Employer Cost	31%	16%	8%	8%

The Saw



- When usual benefit changes are not sufficient
- More radical alterations to schemes:
 - Contracting back in to the State Second Pension
 - Reducing the accrual rate significantly to $1/100^{\text{th}}$ or below
 - Changing from a pension accrual to a cash balance arrangement
 - Introducing dc provision alongside low level db

The Sledgehammer



The Trowel



- In worst case scenario, significant role for trustees to protect members
- Revaluation
- Member options
- AVCs
- Bringing dc pots in at retirement

The Hard Hat!

