
As DB wanes in the UK, Brits continue to mull retirement reform

By Kerry Pechter Wed, Oct 23, 2013

"We do not want to set down a law that says 'there are three ways you can do pension, and here's what they are,'" said Steve Webb, Britain's pensions minister, "but to say 'here's a set of models, you can choose.'"

The UK government's pensions minister, who last year introduced the DB/DC hybrid concept that he calls "defined ambition" as a model for Britain's transition from DB to DC, has suggested that Britain should consider emulating Denmark's ATP system, according to a report at *IPE.com*.

Offering a preview of a forthcoming paper on defined ambition, Webb said the Department for Work & Pensions (DWP)—Britain's Labor Department—had narrowed the list of proposals over the large number contained within last year's consultation.

The Liberal Democrat minister said he is trying to implement change before the next general election in 2015, but is also conscious of the potential changes companies could implement in the meantime. Many plan sponsors in the U.K. are preparing to convert their DB plans to DC.

While a move toward DC is inevitable, he said, elements of DB might remain. "Could we go down a Danish-style route, an ATP-style route, where a bit of what you've got is guaranteed and a bit of what you've got is variable?" Webb asked in a public address.

One challenge of such an approach would be the high solvency requirements associated with any such level of guarantee, but he said existing models could allow for guarantees "at a much more affordable cost." Alternately, we "could we go down a collective DC (CDC) model (where assets are managed collectively, not individually), which is not certain, but it may have reduced volatility and better average outcomes, depending on how you passed it," he said.

The minister suggested the retention of DB models, even without "any of the bells and the whistles", would be his goal. "It will still be a pension that's linked with what you used to earn," he said. "For me, that's the golden standard."

"We do not want to set down a law that says 'there are three ways you can do pension, and here's what they are,'" Webb said, "but to say 'here's a set of models, you can choose.'"

Webb did not directly reference previous proposals for a DC smoothing fund during his speech, but Pension Protection Fund (PPF) chief executive Alan Rubenstein did.

“For a while there was talk of a DC PPF,” he said. “But my sense is that has now, as you say, gone on the back burner. We are now talking about whether we want a Dutch style-CDC, or a Danish-style ATP?”

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