



EMBARGOED UNTIL MONDAY 11 MAY

RESEARCH SHOWS PERSONAL ACCOUNTS LIKELY TO FAIL IN 2012

Punter Southall survey of 'DC pensions in the UK workplace' reveals 80% of companies to keep existing scheme

Only 2% of companies planning on offering pure personal accounts

An in-depth survey on the provision of employer sponsored defined contribution (DC) pensions conducted by [Punter Southall Financial Management](#), the corporate pensions adviser within the [Punter Southall Group](#), has revealed that personal accounts are likely to be a failure when they are introduced in 2012.

DC pensions in the UK workplace is one of the largest ever surveys on the provision of DC pensions in the UK. Punter Southall Financial Management interviewed HR directors, finance directors, and pension managers from over 300 companies representing around one million employees across a wide range of business sectors, including over 20 FTSE 100 employers.

Around 80% of employers intend to keep their existing pension scheme in place with only 2% planning on offering a pure personal accounts pension scheme – a take up rate far below the economy of scale needed to deliver the proposed low costs. Such a scenario would make management fees for personal accounts as high as 1%, far more expensive than most current DC pension schemes.

Elsewhere the survey covers a wide range of topics extending far beyond just the upcoming personal accounts and provides an interesting view on the DC pension landscape in the UK. It reveals that whilst the quality of DC provision is improving and developing, there are still many areas of concern which need to be addressed.

Key highlights of the results include:

- Only 5% of companies now have a final salary scheme which is open to new entrants
- There has been a shift from final salary and trust-based schemes to contract based arrangements, resulting in a wholesale transfer of risk from the Company and Trustees to the members
- Whilst 48% of pension schemes have been reviewed within the last 12 months, worryingly 14% have not been reviewed in the past five years, if at all
- Less than one quarter of pension members invest outside of the default option in 68% of schemes

- Only 10% of employers have canvassed the opinions of their staff to understand whether the benefits that are available are valued or even appropriate
- Salary sacrifice has been rejected or not even considered by 57% of companies
- 57% of employers do not re-promote the pension plan to non joiners
- 60% of respondents believe that employers have a responsibility towards their employees' financial education.

Damian Stancombe, Principal and Head of Corporate DC at Punter Southall Financial Management comments:

"With only 5% of employers offering defined benefit pensions (DB) to new joiners, it is now clear that defined contribution (DC) is the favoured pension vehicle. But whilst it is fair to state that the provision of DC has improved in recent years, there is still much work to be done.

"The scale of education and involvement of members must improve substantially. For instance, how many workers realise that a 40 year old who begins to save 10% of his earnings into a pension could expect to receive 25% of his annual salary as an income in retirement, but had the same individual begun saving at 26, his retirement income could have more than doubled?

"Meanwhile relevant and quality investment options must be created that fulfil people's needs and offer them security. Our survey shows that for most schemes, over 75% of members invest in the default investment option, which is often not an appropriate choice. Sadly this has been proven recently, as during the last past twelve months the average fund in the balanced managed sector has dropped by 19.8% and a passive fund tracking the FTSE 100 has lost 31.3%."

To receive a copy of *DC pensions in the UK workplace* contact Penrose Financial

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Ends

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Notes to Editors:

The Punter Southall Group was founded in 1988 and celebrated its 20th anniversary last year.

The Group provides a unique range of financial services that includes actuarial consulting, employee benefits consulting, independent financial advice and investment services for pension funds, corporates and individuals. It is one of the few companies that can provide both corporate and private pension advice under one roof.

Punter Southall Group key facts:

- Approximately 700 staff in 12 locations throughout the UK
- 1,000 pension schemes, companies and organisations taking pensions consultancy and investment advice
- 4,000 private clients
- 106,000 members of occupational schemes being administered
- £90m Group turnover in 2007
- £5bn of assets under management
- £18bn of assets under advice

Award winning

Punter Southall is the only actuarial firm listed in the Managing Partners' Forum (MPF) **100 Best Professional Firms to Work For 2008** Report. This is a league table of professional firms ranked by employee engagement that surveyed over 700,000 employees and is used by The Sunday Times to compile their Best Companies To Work For list.

In October 2008, Punter Southall's Transaction Services was also named **Pensions Due Diligence Firm of the Year** at the Private Equity News Awards for Excellence in Advisory Services Europe 2008 held in London on 7th October, hosted by Financial News.

In May 2008, Punter Southall's Transaction Services team was also awarded **'Pensions and Actuarial Due Diligence Provider of the Year'** by ACQ Finance Magazine.

The following businesses are incorporated within the Punter Southall Group:

- **Punter Southall** Consulting actuaries and pensions administrators www.puntersouthall.com
- **Punter Southall Transaction Services** Actuarial services in corporate transactions www.pstransactions.co.uk
- **Punter Southall Financial Management** Independent Financial Advisers and corporate benefits www.psfm.com
- **P-Solve Asset Solutions** Investment consultants and asset solutions: www.psolve.com
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