First Actuarial briefing for trade unions
Q2 2025 – TUC Pensions Conference special

We were very happy to see many of our trade union friends at **TUC Pensions Conference 2025**. A big thank you to Jack Jones and his team for organising the conference. And much gratitude for inviting us to speak at two of the break-out sessions.

Our reactions to the sessions are shown in italics.

Highlights from the conference

Torsten Bell, pensions minister

It was interesting to hear Torsten Bell speak for the first time. His talk was loaded with killer facts. It was particularly pleasing to hear evidence-based commentary rather than sound bites. He spoke with much enthusiasm, so let's hope he sticks around in the role and sustains his energy levels.

Torsten Bell included graphics showing the lack of housebuilding in recent decades, which proved useful for the following session.

National Wealth Fund

An interesting session on a National Wealth Fund explored ideas for what such a fund might invest in and how it might raise capital from investors.

This session mooted the possibility of a National Wealth Fund investing in social housing. Housing associations do raise capital for investment from funders, and those funders might in turn raise capital from pension schemes. However, options for smaller pension schemes to invest via pooled funds are limited. Social housing has good investment characteristics for pension schemes. Making it possible for smaller pension schemes to invest in social housing would meet two needs.

Collective Defined Contribution (CDC)

Blowing our own trumpet, Catherine Lockyer of First Actuarial and Paul Eagles of TPT Retirement Solutions shared a slot discussing what CDC can do for workers and employers.

For workers:

- CDC provides a pension not a savings pot.
- For a fixed same contribution rate, a CDC pension is expected to be higher on average than a Defined Contribution (DC) pot spent on an annuity.
- The CDC pension outcome is much less variable than a DC annuity outcome.

What's not to like?

For employers, CDC provides the contribution certainty of DC while offering workers a better pension on average.

Multi-employer master trust CDC could be a couple of years away, but when it comes, let's look to replace DC with CDC where appropriate.

Pension scheme trustee boards

Another session involving First Actuarial – this time Kathy Deverell-Smith who, with Unite the Union's Alex Ryan, co-presented an engaging session on getting the best out of your trustee board.

This session covered tips on how to chair a meeting effectively, building and maintaining diversity of your trustee board, and the pros and cons of professional trustees.

Use of Defined Benefit (DB) surplus

Jack Jones joined Douglas Primrose of XPS Group in a session about the use of surplus in DB schemes.

Douglas outlined the main reasons for the emergence of surplus:

- The cost of insurance decreasing in line with the fall in the bond markets in 2022 and beyond
- Lower projections of longevity
- Good returns on equities in recent years.

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There was discussion about the various funding targets pension schemes use, but Douglas affirmed that it's hard for trustees to look at anything other than the buy-out basis when considering how to use surplus.

Referring to the productive finance agenda of the Government, mention was made that surplus can be invested productively. We would go further – £1 of surplus could enable a £2 or £3 investment in 'growth' assets.

'Shared pain, shared gain' is a good guideline for the use of surplus. When faced with rising actuarial contribution demands, many employers may seek to pass at least some of the burden on to employees. For example, they may seek to increase member contributions, reduce benefit accrual, or even close the DB scheme. The same principles should be applied to surplus funds – at least some of the surplus should go towards the benefit of members.

Member representation on trustee boards

Three speakers made a strong case for member representation on trustee boards: Helen Shay of USS, Kevin Carey of the Royal Mail CDC scheme and Paul Finch, President of British Columbia General Employees' Union.

The bigger the scheme (especially if they have multiple employers, and/or the employers are paying defined contributions and taking no risk) the more important effective member representation is.

The drive for fewer larger DC schemes should include a call for member representation on management boards. *Likewise, we advocate 50% member representation on CDC trustee boards.*

Paul Finch explained that members and employers had equal input into decision-making in the British Columbia Public Service Pension Plan. Variable pension increases made it possible to use a rewarding investment strategy. This resulted in a higher pension accrual rate (1.95% of pay per year) for an enviably low contribution rate.

The audience was bound to think, "Can we have some of that in the UK please?"

Helen Shay and Kevin Finch made a strong case for member-nominated trustees (MNT), emphasising the valuable role they can play in preparing communications for members and receiving feedback from members.

We think that unions have a big role to play in pension trusteeship, whether by supporting an MNT who is a union member or fulfilling their formal role of nominating a trustee.

The Pensions Regulator (TPR)

Nausicaa Delfas, Chief Executive of TPR, gave the closing speech, in which she cantered through all the live regulatory issues and answered questions from the floor.

Bring on open, collective pension schemes

A running theme of the conference through many sessions – from Torsten Bell's opening session to TPR's closing session – was the need for more productive investment in the UK.

It's worth asking ourselves, what kind of pension scheme is best able to invest productively?

The answer is not larger DC, because no matter how large the DC scheme, there remain the investment constraints of individualised pots, which switch investments away from 'growth assets' as a member's retirement approaches.

Nor is it closed DB, because no matter how many closed DB schemes are consolidated together, you still have a maturing scheme paying out pensions at an increasingly rapid rate, requiring the sale of assets to pay them.

Long-term productive investment is best facilitated by a pension scheme that is open to new entrants and collectively invested, whether fully DB, DB with variable increases, or CDC.

In such a scheme, income from investments and contributions meet much or all the spend on pensions, leaving scope for the assets to remain invested over a lengthy period of time.

Pensions fun fact!

In our last briefing, we asked…

What proportion of employees eligible for automatic enrolment participate in a workplace pension scheme?

62%	88%	95%	80%

Answer: 88%

This briefing's question

Many individuals have a State Pension age of 66. However, what proportion of people aged 66 or older were still working as of June 2024?

1.3%	5.7%	9.5%	15.2%

How First Actuarial can help

First Actuarial is a nationwide firm of pensions actuaries and consultants, helping trade unions with all their pensions issues.

We can help support trade unions negotiate with employers, lobby government, resolve problems within specific schemes, and explain any changes or choices members have to make. We also provide administration, actuarial and investment services to a large number of trade unions' own schemes.

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