

Funding the Future

Article URL

Published: January 12, 2026, 5:18 pm

Whenever I write about defined benefit pension schemes, as I do on occasion, there are a persistent group of trolls who turn up here to suggest that I am a complete idiot who knows nothing about what I am writing.

Some of these people, whose names I recognise from past exchanges, appeared here yesterday when I posted on the subject of the government's plans to allow the companies that sponsored such schemes to now extract surplus value from them to encourage investment in the UK.

The comments each made were remarkably similar, which suggests that either they were coordinated, or that there is a remarkable lack of diversity of thinking amongst the UK's actuary population, of which all these people appear to claim they are a part. The suggestions were:

1. Surpluses in defined benefit pension funds can be very accurately calculated because most are now in what is called run-off i.e. there are no new scheme members, and therefore very accurate calculations of anticipated liabilities can be prepared, and investment strategies to match these liabilities can be produced, essentially relying upon portfolios of government bonds to create this outcome.
2. Any surplus over and above those now calculated on this basis to be required to settle these estimated liabilities does not belong to pensioners, but must belong for the company that sponsored the pension scheme, who therefore have an entitlement to it, and this is legally the case.
3. I am an idiot for suggesting that this is not the case.

As those who followed these exchanges will have noted, I have given those who made such comments short shrift, because I think they have made some fundamental mistakes.

Firstly, if what they claim was true was in, in fact, the case and the surplus in these funds did already actually belong to the companies that sponsored them then there would be no need for the government to take action to permit those funds from being withdrawn by the sponsoring entities. It is very obvious that this is not in fact the case at present. A change in the law and in trust deeds will, in many cases be required to make this possible. The claim made by those commenting with seemingly one voice is,

this in that case, therefore, inherently wrong because it is obvious that action by the government is required. The certainty that those claiming superior knowledge with regard to this situation is, as a consequence, utterly misplaced. They are, in fact, wrong to make their claim. The law does not support what they say.

Secondly, the claim that these people make that it is also precisely possible to estimate what might happen in these funds is also fundamentally untrue. I know that these calculations are undertaken, because I also know that these funds can be bought and sold, with those undertaking those transactions gambling (there is no better word) on the ability of available funds to meet the contractual obligations which are implicit in the relationship between the actual and prospective pensioners and the fund itself. Anyone who does, however, think that because it is possible to prepare a calculation of the estimated liability of a fund based upon current life expectations within an identifiable population, who might, however, have unknown health complications, when, as a matter of fact life expectation is currently supposedly subject to significant variation as a consequence of trends, both up and down, is talking complete nonsense. The assumptions made by an actuary might, within a range, appear entirely reasonable. Every known risk might have been taken into consideration, but as I persistently pointed out, risk is not the only factor that needs to be taken into account. Uncertainty is also a factor. Risk is probabilistic. Uncertainty relates to things that cannot be known. If anyone actually thinks that no uncertainty exists with regard to the life of populations then they are, in my opinion, decidedly foolish, and I am entitled to say so, and did.

Thirdly, anyone who believes that a model that matches supposed liabilities with supposed income is most unwise. Would I, for example, assume a pension annuity to be risk free? No, I wouldn't. Evidence is on my side.

This is precisely why a fourth concept is of relevance. As I pointed out, repeatedly, what has to be taken into consideration is the obligation of pension trustees to exercise their fiduciary duty to the pensioners. There are, I gather, still some 8.8 million of these in the UK. This is no small issue, and

fiduciary duty means that pension trustees must put the interests of pensioners above all else in their considerations. It is clear the government, companies, actuaries and advisers are all ignoring this duty. Pensioners appear to never get a look in. I suggest that is not just wrong, but is massively wrong. If there are surpluses, and even with hedging, they must be retained when so many are so dependent on these schemes, from which many of the sponsoring companies have long departed.

Am I, as a result, entirely happy with my responses to those who commented? Yes, I am.