ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

ACA SAYS GOOD COMMUNICATION AND TAX SIMPLIFICATION NEEDED SO PUBLIC SERVANTS CAN UNDERSTAND McCLOUD REMEDY

16 October 2030: The Association of Consulting Actuaries (ACA) has today called for effective communications, coupled with simplification of pensions tax rules, to help millions of public service employees understand and value their pensions as part of McCloud age discrimination remedy.

Millions of teachers, nurses, civil servants and local government workers will shortly be faced with a complex array of information and decisions to make about their pensions, as the Government decides how to respond to the 'McCloud judgment', according to the Association of Consulting Actuaries (ACA) in its responses to Government consultations which recently closed.

Following its defeat in the courts on the issue of age discrimination in public sector pension reform, the Government published three consultations in July 2020 on how best to respond to the judgment, one for members of the Local Government Pension Scheme, one for the judiciary, and one for the other public service schemes (including those for teachers, nurses, civil servants, the police, firefighters and the armed forces). This is in relation to their membership during the period 2015 to 2022.

The ACA's response highlighted that for many members the decision as to which scheme to be part of for the period between 2015 and 2022 would not be straightforward. The right answer may depend on many factors such as age, health, retirement plans and/or expected career path in public service (and in some circumstances pensions tax rules).

The ACA believe that members will need to be given considerable guidance to help them make the best decision for their personal circumstances, and that this should include modelling tools to allow them to explore their options. Those with the most complex affairs (such as high-earning NHS staff) will almost certainly need tailored financial advice to make sure they take account of the tax implications of their choice.

Commenting, **Bart Huby**, Chair of the ACA Pensions in Public Services Committee, said:

"*There is a real danger that this could become a stressful and worrying decision for key public sector workers to make. Even after the 2015 reforms, public service pensions remain relatively generous for members, and therefore costly for the taxpayer, particularly in comparison with what's now generally provided by the private sector. And the McCloud remedy, however it is structured following the consultation, will only serve to enhance members' pensions earned between 2015 and 2022 in addition to their baseline benefits.*

It will be important therefore that this is clearly understood by members so that they fully value the pensions they are earning while in public sector employment. Given the complexity of the issues, it will be vital that the communications and guidance for this exercise are well structured and carefully drafted. Indeed, an effective communications exercise may in fact help members in public service schemes better appreciate what their schemes provide.

Karen Goldschmidt, Chair of the ACA Pensions Taxation Committee, added:

"It's also worth noting that the main consultation document contains 8 pages on pensions taxation issues – primarily focusing on how to minimise the impact of the additional tax that might otherwise be payable by some members as a result of the improved benefits. This illustrates yet again how horrendously complicated the current pensions taxation system is.

Affected members may need to review their tax position for the previous four tax years once further information is available. Pensions tax communications can often look overwhelmingly complex (because pensions tax is complicated!) and it would be counterproductive if this worried members excessively compared with the value of the extra benefits provided.

This simply emphasises again the need for significant simplification of the pensions taxation system in the UK."

For further comments:

Bart Huby (Chair, Pensions in Public Services)	01962 872711
Karen Goldschmidt (Chair, Pensions Taxation)	0207 432 6621
Chintan Gandhi (PR Committee Chair)	*0*1372 733322 / M 07931 808 307
David Robertson (Secretariat) david.robertson@aca.org.uk	020 3102 6761 / M: 07919 911 380

NOTE FOR EDITORS
About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.