ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

ACA SAYS PUBLIC SECTOR PENSIONS REMEDY MUST BE IMPLEMENTED EFFICIENTLY FOR EACH SCHEME

21 July 2020: At the end of last week the Government announced its proposals for addressing the issues arising from the transitional arrangements introduced when the public service pension schemes were reformed in 2014 and 2015 – following the McCloud and Sargeant rulings that these changes represented unlawful discrimination.

The estimated cost of the resulting additional member benefits of nearly £20bn represents broadly an extra 1% being added to the total value of future public service pensions that have been earned to date - and seems to be unavoidable in the circumstances given the background to the changes and the legal rulings that they represent unlawful discrimination.

Commenting on the future approach, Bart Huby, Chair of the Association of Consulting Actuaries' (ACA) Pensions in Public Services Committee, said:

"What will be important, whichever approach is used - the Government is consulting on two options - is that the remedy is implemented efficiently and effectively for each public service scheme. In particular, with around 3 million members needing to make a decision on which scheme to be in, it will be vital that affected members are given sufficient information and guidance to properly understand the decisions they are being asked to make and are provided with adequate support in making those decisions.

"If this doesn't happen, there will be a real risk that some members will make what is in retrospect a bad decision, and then subsequently claim they weren't adequately supported by their scheme – leading potentially to further uncertainty and extra costs."

Karen Goldschmidt, the Chair of the ACA's 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 reverse out the additional tax that might otherwise be payable by members as a result of the improved benefits. This illustrates again how complicated the current pensions taxation regime is and how, in an already complex world, it can add inappropriate and unnecessary levels of extra complexity to schemes delivering benefits due to members."

For further comments:

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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.

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