SOCIAL CARE STATEMENT

Comment from the Association of Consulting Actuaries (ACA)

ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA says it is unclear if the measures will be sufficient to meet growing care costs.

7 September 2021: The Association of Consulting Actuaries welcomed today's announcement on Social Care funding. However, they warned that with the majority of new money raised initially going to support wider pandemic related needs, it is unclear if the measures will be sufficient to meet growing care costs.

Given that the cost of the reforms will also fall on current employees through higher National Insurance, young people in particular will need reassurance that their continued generosity towards older generations will have lasting benefits.

With the over 80s population set to increase from 3 million last year to 5 million by 2040, social care costs are set to spiral from around £32bn at present to over £60bn At present around a third of costs are self-funded (paid by individuals with savings greater than £23,250).

Last year we called on Government to "be brave" and make proposals on how these escalating costs are shared between taxpayers and individuals. In ACA's 2020 survey, over two thirds of respondents supported tax or National Insurance rises to meet social care needs.

Today's announced National Insurance rise of 1.25% (which raises £36bn over 3 years) together with the introduction of a £86k cap on individual contributions is a bold and positive step forwards. However, the initial allocation of revenue to wider pandemic related costs makes it unclear whether these measures will be sufficient to make a step change in addressing growing social care needs.

Steven Taylor, Chair of the ACA Pensions and Savings Adequacy Group said:

"We welcome today's announcement on Social Care, as a positive set of measures to address this complex and emotive issue.

"However, significant challenges remain, and the positive effects for social care risk being lost if significant additional funding fails to emerge after early year pandemic related needs have been met. Given the additional costs will land on younger employees, it is now vital for government to demonstrate sustainable improvements to the care system, so that future generations can expect to rely on them in future years.

"Part of this is likely to need further reform, including education about how the new system will operate. Too many people only engage with the social care system when it is needed by an older relative and are surprised by self-financing costs. To be truly sustainable, this mindset needs to change.

"Many people will also want to take advantage of potential insurance solutions to protect against significant future costs. It will be important for the government to work with providers on how this can be provided efficiently and included as part of the regular "at retirement" advice and planning process."

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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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