



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

SURVEY FINDS CHANCELLOR HAS EMPLOYER SUPPORT TO CALMLY REVIEW AND SIMPLIFY PENSION TAX REGIME POST-BREXIT

15 October 2018: In the second in a series of reports outlining the results of the *ACA's 2018 Pension trends survey*, the Association of Consulting Actuaries (ACA) has found a strong employer consensus for reforms to simplify the pensions tax regime. With Budget 'rumours' suggesting the Chancellor may be tempted to squeeze pension tax reliefs under the present regime yet again, the ACA says further rushed changes would almost inevitably lead to even more unacceptable complexities and anomalies – an outcome that is undermining confidence in pension savings amongst those millions who hitherto have tried to minimise their call on State support in their retirement years.

Key findings in the report

The ACA survey, which was conducted over the summer and received responses from 349 employers of all sizes, found:

- **59%** of employers say the current pension tax structure is too complicated and needs simplification.
- **78%** of employers say that the tapered annual allowance should be re-thought, with over a half **53%** also calling for the lifetime allowance to be abolished.
- **75%** of employers support changes to pension tax relief that would target more help on lower income earners.

The survey also found that **around a third of all the responding employers** had found the changes and increases in pensions taxation over recent years had **caused senior staff to leave their firms' pension scheme; had led to pressures to revise pay and benefits packages** and **caused those businesses to reconsider their pension arrangements.**

ACA Chair, Jenny Condron, commented:

"Any further reduction in the overall tax relief given to encourage pension saving in this year's Budget would in our view undermine the Prime Minister's pledge that austerity was coming to an end.

"Moreover, general levels of pension saving remain far too low to deliver comfortable levels of income in later life – people need to save more. Pension tax relief remains an important part of social policy and should reward and encourage employers, employees and the self-employed to lock money away.

"What our survey found is that very few are happy with the way the current pension tax regime is working. In short, it has been corrupted by numerous tweaks so it is no longer 'fit for purpose'. We struggle across the professions to find anyone who fully understands and says they can reliably administer the rules now in place. That is frankly a ridiculous situation.

“Issues like the gap between DB and DC pension taxation also need to be addressed. It cannot be fair that the outcomes for DB and DC members can be so different under the Lifetime Allowance in place or that DC members can suffer penalties for investment out-performance.

“Employers want the Government to simplify the regime, not in a rushed and rather disorganised way as was the case in 2015, but carefully by way of a cool and calm ‘open’ consultation and review post-Brexit.

“The aim should be to re-establish a stable, transparent tax regime that rewards and encourages employees on all incomes to save for later life, whilst also encouraging employers to play their very important part. Rightly, the Government should be able to cap the amount of tax relief pensions enjoy, but importantly it must restore a long-term confidence that the goal-posts won’t move year in, year out. Ideally and optimistically, it would be helpful if there was some cross-party support for such an initiative.

“The Chancellor could ‘steady the ship’ and make a commitment to such a review in this year’s Budget as a follow up to the recent Government response to a Treasury Select Committee report¹. In recent years, complex tax changes have been rushed through without the opportunity for anybody to think through the implications. The present Chancellor has a reputation of examining issues thoughtfully - a change towards this approach in respect of pension taxation would be particularly welcome”, said Jenny Condron.

Further reports on the Pension trends survey’s findings are due to be published over the next two months.

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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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¹ “the government is also aware that any changes to the pensions tax relief regime could have significant impacts for pension scheme, employers and individuals” pages 10-11, Government response to Treasury Select Committee Report on Household Finances: incomes, savings and debt, published 12 October 2018.