



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

SURVEY SAYS PENSIONS TAX NEEDS SIMPLIFYING WITH TWO-THIRDS WANTING MORE HELP FOR LOWER EARNERS...FUTURE CHANCELLOR SHOULD SEEK NEW PATH

4 November 2019: In the third of a series of reports outlining the results of the *ACA's 2019 Pension trends survey*, the Association of Consulting Actuaries (ACA) has found 75% of employers want the pension tax regime simplified, with 67% saying more help should be targeted on lower earners even if this means reducing relief for higher income groups. 69% want the Tapered Annual Allowance to be abolished even if this means a reduction in the general annual allowance. The ACA warns that whilst the survey findings show grave unease about both the impact of the regime and widespread calls for reform, it's vital that any change is well considered after the General Election, with cross-party deliberations and openness on what the political aims are, and with input by experienced practitioners on its structure.

Key findings in the report

The ACA survey¹, which was conducted over the summer and received responses from 308 employers of all sizes, found:

- **44%** (up from 30% last year) of responding employers said the impact of current restrictions in relief have caused senior/higher income employees to leave their firms' pension schemes, disconnecting more and more senior decision-makers from personal interest in this key element of the employee package.
- **21%** report that skilled staff are retiring earlier or working fewer hours, supporting the evidence seen from the NHS schemes that the pension tax regime is distorting behaviour.
- **75%** said the current tax structure was too complicated and needs simplification.
- **67%** say reform should target more help on lower income groups, even if some other people are worse off as a result.
- **69%** said the Tapered Annual Allowance should be abolished, even if this requires a reduction in the general annual allowance.

ACA Chair, Jenny Condron, commented:

"The findings in this our third report on our 2019 Pension trends survey have underscored employers' frustration with the damaging impact of the 'tightening' of pension tax reliefs in recent years through lower Annual and Lifetime Allowances, and the complexity that this has introduced. There is widespread demand for reforms to simplify a tax regime that is now well past its sell-by date. It is clear that any reforms being considered by the Treasury must not be short-term tweaks for public sector employees only – reforms must be even handed and extend to resolving problems that impact on all wealth-generating sectors of our economy.

“However, it’s vital that changes are properly considered and, if at all possible, that there is some cross-party agreement on the political aims and the means by which they are delivered. Any major revisions to the regime must be robust and enduring, enabling employees to plan for long term pension saving.

“The present complexity results in some individuals being put off saving for retirement. Further, many key decision makers within businesses have opted out of involvement in their company pensions due to their individual pension tax positions. We see many employers deterred from establishing and maintaining pension schemes for their staff beyond the minimum required by auto-enrolment.”

The survey also supports the evidence elsewhere (the well-advertised issues of the NHS Scheme) that the tax regime is increasing the pace of retirement of older employees at a time when their skills might be harnessed usefully for the benefit of society.

The costs of ensuring compliance with current tax law means ultimately that there is less money available for retirement savings. Costs are entirely the result of the current complexity: extra advice, implementation costs for schemes and hence sponsoring employers; employees taking specialist advice to make decisions and fill in their tax returns. The recent Office of Tax Simplification report on [Simplifying tax for individuals](#) draws similar conclusions on the need for reform.

Jenny Condron added,

“We have elsewhere noted how important it is in the DB world to enable simplification of benefits. We are sure that some of the comments about complexity from our surveyed schemes arise from their experience that the pension tax rules create uncertainties that hold up sensible projects such as GMP equalisation and conversion.

“The public, working in both the private and public sectors, across all income groups deserve a regime that is simple to understand, that encourages savings (and does not disenfranchise decision makers); one that does not bring unwelcome tax surprises ‘out of the blue’, as at present.”

A further report on the 2019 Pension trends survey’s findings is due to be published over the next month and a final report in December.

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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 ACA 2019 Pension trends survey was conducted in the summer of this year and attracted 308 responses from employers of all sizes, running over 510 different schemes.