



NEWS RELEASE

The ACA has published its Biennial Review today with the theme of 'getting positive' about pensions, despite the present policy mess and economic malaise...

ACA CHAIRMAN SAYS IT'S 'TIME TO GET POSITIVE' ABOUT PENSIONS, ALTHOUGH THE STARTING POINT IS A MESS...

29 April 2010 – The Association of Consulting Actuaries (ACA) has published its *Biennial Review* today (29 April), which has as its theme 'getting positive' about retirement income policies.

Speaking at an industry dinner, **ACA Chairman, Keith Barton**, launching the Review, said:

"A couple of months ago, we issued our 'wish list' of what we hoped the parties might include in their manifestos. A key request was that a standing independent retirement income commission should be established so policy across State, public sector and private pensions would be addressed in a 'joined up' way, rather than by piecemeal reforms, which often work against each other. For instance, we hope that such an approach would help in coordinating timely changes in retirement ages as longevity improves, balancing the aspirations of the retired with the costs falling on the working population.

"And instead of setting up another commission as proposed by the parties during this campaign, a retirement income commission could also look at the funding of elderly care and how this might in part be addressed by re-shaping pension arrangements to offer options which would fit in better with changing needs through retirement.

"Aside from this, our manifesto also called for reforms to make it easier for employers to offer 'middle way', risk sharing arrangements, where we sense growing support for action from both employers and trade union representatives as closures of final salary schemes in the private sector accelerate and as calls for public sector scheme reforms gather pace.

"However, with the parties' manifestos now published, it is disappointing that all of them have instead opted to some degree for a piece-meal approach with, for example, separate commissions or reviews to look at public sector pensions, MPs pensions and elderly care. There's no great feeling of a 'joined-up' approach.

“They are all ‘at one’ on restoring the BSP link to earnings in 2011 or 2012, a policy we have long supported provided this is associated with changes in the State Pension Age that properly keep pace with longevity improvements. But, given the current deficit, you have to wonder whether the parties’ commitments ahead of 2015 are wise, when very large reductions in public spending are needed and economic recovery is unclear.”

Keith Barton continued:

“Given the loss of good pensions in the private sector, I am surprised that none of the parties has really attempted to come forward with a stronger commitment to do more to develop and support private pensions. Yes, there are some general statements from Labour and the Conservatives – a little more from the latter in terms of an aspiration to gradually set right the effects of the loss of dividend tax relief “when economic conditions allow”. The most worrying manifesto call is the Liberal Democrats’ for the removal of higher rate tax relief on pension contributions – a policy that, I suspect, Labour might not be too unhappy with as part of a Lib Dem – Labour pact, should that emerge post-6 May.

“I think that if Mr Clegg or Mr Cable had sat in on any of the meetings with HMRC about the practical difficulties in effecting the current Government’s tax changes in this area, as the ACA Pension Taxation Committee has, they might have thought twice about the efficacy of such an approach and what the wider impact might be.

“Given the parlous state of private pensions at the moment, this policy is very bad news for millions of pension scheme members. If enacted, it could lead to unforeseen immediate tax payments by hundreds of thousands of scheme members who benefit from good employer contributions in both the private and public sectors. And, worse still, we believe this policy would provide yet another reason as to why more employers would close good existing schemes. Those who will then suffer will be the many more employees on lower incomes – most of whom are financially unable to replace the value of a ‘good’ pension scheme.

“All of this said, ‘getting positive’ is the theme of our *Biennial Review* published today.

“It may take some time from where we are starting to set right the regulatory and financial climate upon which good pensions can be built, but I sense that there is a growing sentiment from the public and indeed employers (to borrow a phrase) that “we cannot continue like this.

“Our Biennial Review underscores that if employers regain the flexibility that allows them to cap pension costs in difficult times, then ‘good pensions’, replacing 60 to 70 per cent of pre-retirement income inclusive of State pensions, are affordable into the future. But this does

require that Government gets a grip on public spending so those on modest incomes have the 'financial room' to save. And, just as important, they need to be assured that there are plans in place that mean private savings will sit on top of generally lower levels of State entitlements, with means-tested deductions largely removed."

The ACA has published its **Biennial Review** and a **General Election Placard** discussion paper analysing what the parties' savings, pensions and elderly care manifesto policies are, including commentary – see www.aca.org.uk (home page - recent publications).

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Note for Editors:

About the Association of Consulting Actuaries (ACA)

The **Association of Consulting Actuaries (ACA)** is the representative body for consulting actuaries, whilst the Faculty and Institute of Actuaries are the professional bodies. The ACA has over 1750 members working in around 75 firms. ACA Members are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. The ACA forms the largest national grouping of consulting actuaries in the World.