ASSOCIATION OF ACA CONSULTING ACTUARIES

NEWS RELEASE

ACA SAYS REDUCING PENSION TAXATION LIFETIME ALLOWANCE WOULD BE A MISTAKE – A FUNDAMENTAL REVIEW AFTER THE ELECTION IS THE ANSWER

17 March 2015 – Following rumours today that the Chancellor's Budget Statement might include a reduction in the pension taxation lifetime allowance from £1.25 million to £1 million, David Fairs, Chairman of the Association of Consulting Actuaries (ACA) commented:

"The lowering of the LTA would mean that there will need to be another round of Fixed Protection and potentially Individual Protection. In order to assess whether individuals need to opt for these protections, then there will need to be time to do this, so the earliest implementation date will be 2016. Employers are getting tired of continually having to fund communication exercises and provide assistance to employees around this. Employers are also having to review their overall reward offering as pension drops out of reward packages when employees have earned benefit that will reach the Allowance. This is particularly the case for those employers who are providing ongoing DB benefits for some of their current employees and is an increasing issue in the public sector also.

"Each time the LTA reduces it significantly increases the number of people caught by the limit. Someone who has amassed a pension with a value of £250,000 by the age of 40, or pension of £12,500pa might well breach the Lifetime Allowance by the time they get to 65. In the public sector, where DB remains the principal type of provision, the Government is clawing back pensions by the back door. And for DC members, the reduction in LTA further disadvantages them compared with DB members, who effectively get a higher rate of relief.

"This uncertainty and constant lowering of limits creates uncertainty and puts people off saving for retirement. It also makes choices at retirement much more complex which will be a challenge for Pensions Wise, the new Government guidance service. For example people who are close to the Lifetime Allowance might find that taking more tax free cash can increase, reduce or eliminate the charge."

"We have called for a fundamental review of pension taxation after the election to address the anomalies and complexities of the regime. Further changes ahead of this would be most unwelcome."

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About the Association of Consulting Actuaries (ACA)

The **Association of Consulting Actuaries (ACA)** is the representative body for consulting actuaries, whilst the Institute and Faculty of Actuaries (IFoA) is the professional body. The ACA has over 1750 members working in around 80 firms. ACA Members are all qualified actuaries and are subject to the code of professional conduct of the IFoA. Advice given to clients is independent and impartial. The ACA forms the largest national grouping of consulting actuaries in the World and is a full member of the International Actuarial Association.