



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

ACA CHAIRMAN HOPES CONSTANT TINKERING WITH PENSIONS WILL STOP AS BREXIT DOMINATES PARLIAMENTARY BUSINESS

25 May 2017: Speaking at the ACA's Chairman's dinner, attended by leading figures from the pensions, financial services and regulatory worlds, ACA Chairman, Bob Scott, said he looked forward to a period of stability and consolidation for the pensions industry with little or no new legislation? But he felt, he might be being optimistic!

Bob Scott, noted:

“Over the last year, it seems that pensions – and the world in general – is in a much more complex position now than it was then. We have had – the Brexit vote; the election of Donald Trump; and the BHS settlement – all of which have pleased some people and dismayed others.

“Last month the Lifetime ISA made its debut as high earners continued to withdraw from pension schemes to avoid falling foul of the tapered annual allowance or the reduced lifetime allowance.

“There are some employers and trustees whose pension scheme might be more sustainable if they could change their indexation formula so they paid no more than CPI. Some have gone to court to ask whether they can. And then, in the BA judgement released last week, the judge ruled that the trustees could legally award a discretionary increase greater than CPI.

“As we approach another General Election we have a Green Paper on DB sustainability; the PLSA taskforce; and tPR future – all taking similar, but different, views on what to do with DB pensions. Do you reduce benefits; consolidate into super funds; or just continue as we are?

“And the government is to review the auto-enrolment regime this year as millions of small and micro-employers are due to enrol their employees for the first time. But what about those who will still be excluded from auto-enrolment – the lower paid; self-employed and those in the “gig” economy? Such individuals may only build up modest savings by retirement but, if nothing else, such savings give them valuable choices and options.

“State pensions too are under the spotlight as opposition parties promise to retain the “triple-lock”; and limit increases to State Pension Age whilst the Conservatives, or should I say Theresa May, promise a double-lock from 2020 and to introduce means testing of winter fuel payments.

“So, we in the pensions industry are facing yet more change – whichever party (or parties) forms a government after 8 June. What does this all mean for the typical person of working age?”

“I think:

- There is general confusion as to which savings vehicle to use
- People have many commitments which take preference over pensions
- There can be a feeling of complacency amongst people who have been auto-enrolled. “I’m OK, I have a pension”.

“The ACA, with a view to facilitating decent pension provision for the UK’s working population, has long advocated less prescription, greater flexibility and fewer changes in the complex rules that govern pensions. And, in our recent manifesto, we urged the new government to

- Set out their vision for the future development of auto-enrolment, how they propose to build on its initial success by extending coverage to those currently excluded and, in due course, to increase minimum contributions to around 16% of qualifying earnings.
- Implement the recommendations of the Cridland review as regards State Pension Age; and dispense with the “triple lock” from 2020.
- Abolish the lifetime allowance and tapered annual allowance and set out clearly what further tax reforms (if any) are to be pursued over the course of the next 5 years.

“But most of all, we would ask that the Government stops tinkering. Constant change may create plenty of work for pensions professionals but it does little to encourage employers to provide good pensions or to incentivise individuals to save for their later years.

“And the assets invested in pension funds are there to provide pensions – not to help governments balance the books or pay for ambitious manifesto commitments.

“The ACA has said many times before that pensions and long-term savings are too important to be left to the mercy of short-term political whim. But with Brexit negotiations set to dominate parliamentary business for the next 2 years and possibly longer, there won’t be much space in the legislative timetable for pensions. So, is there a chance that we will get our wish at last?”

“A period of stability and consolidation for the pensions industry with little or no new legislation? I’d like to think so but perhaps I am just being too optimistic?”

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