



ACA CHAIRMAN SAYS IMAGINATIVE SOLUTIONS ARE NEEDED TO PROMOTE OCCUPATIONAL PENSIONS

London – 28 May 2002 – Mike Arnold, Chairman of the Association of Consulting Actuaries (ACA), has said that the government, the pensions industry and employers must together come up with imaginative solutions to promote occupational pensions or accept that the taxpayer is likely to meet an increasing share of pensioner incomes.

Speaking at the ACA's Chairman's dinner, attended by City professionals and leading figures in the pensions and insurance industries, Mike Arnold said that there was a real danger that the Government was being complacent as employer after employer reviewed their occupational pensions package.

"Recently, we have collected evidence from our members, who advise the vast majority of larger pension schemes and thousands of smaller ones, showing that fewer than 4 out of 10 final salary schemes are now open to new members. Close to half of those that are open, are currently reviewing the situation".

"Our alarm is that the Government seems to think this does not particularly matter - that pension contributions and levels of pension coverage are in some way being maintained. Only two weeks ago, the Pensions Minister issued a release saying the reported fall in pension fund assets in 1999 'did not exist...these figures emphasise that the basic structure of pensions in this country is right... this will be supported by figures released later this week

(meaning two weeks ago) by my department showing increases in contributions to pension funds’.

“Those figures do not seem to have appeared, but if they do show what the Pensions Minister says – and we must be careful to see just how they are collected – then I hazard to say it is not because huge sums are being paid into new defined contribution arrangements that we were unaware of. Much more likely is that those employers continuing with both open and on-going ‘closed’ final salary schemes are having to contribute greatly increased contributions to cover for reduced investment returns and greater longevity”.

The reality is that the government’s own statistics have reported for some time that an increasing number of people now work for employers who offer no occupational scheme at all and, by and large, our members are reporting that new or replacement pension arrangements are generally seeing much lower contributions than are or were going into final salary arrangements. The ACA will be commissioning research this summer to help the government to see exactly what is happening across both larger and smaller employers”.

“Whilst we welcome the simplification initiatives underway, where our members have provided resources to help undertake the work, and we are hopeful of robust proposals from Alan Pickering and the tax simplification group, we are concerned about the delays that could occur before meaningful actions are taken. Already, we hear rumours of slips in the timetable this year and legislative changes that may not come into effect until 2004 or 2005 will simply be too late for many schemes and their members”.

Mike Arnold added that he did not feel that simplification, the introduction of the new State Second Pension, Stakeholder Pensions – where employee-only contributions are often very low, the Pension Credit and initiatives like money

purchase pension illustrations were enough to encourage the levels of pension savings that will be needed for the future.

“Unless we can persuade the public to make quite large changes in how they spend their money and / or ‘make’ them save more through effective incentives or higher levels of compulsion, tomorrow’s taxpayers – our children and grandchildren – are likely to have to find a lot of money to support the growing band of pensioners who will have inadequate incomes in retirement,” concluded Arnold.

“Coping with a fast growing ‘grey’ population, including not only their financial well-being, is going to be one of the biggest political and social challenges of the next few decades. Imaginative solutions – “thinking the unthinkable”, as the Prime Minister once put it – are going to be needed. Tinkering around the edges is unlikely to be enough”.

Mike Arnold ends his two-year term as ACA Chairman on 31 May 2002, when Gordon Pollock takes over as Chairman.

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Note for Editors:

The ACA, which celebrated its 50th Anniversary last year, continues to expand rapidly and has over 1300 members working in over 80 firms. It is the largest national grouping of consulting actuaries in Europe.

