



The ACA has produced a review of the main political parties' pension manifestos...

FAILURE OF PARTIES TO ADDRESS STATE RETIREMENT AGE WILL MEAN INCREASE IN TAX BURDEN

25 April 2005: The Association of Consulting Actuaries (ACA) has said that tax increases are on the way - given the increases on offer in State Pensions and increased longevity - because all the main political parties are fighting shy of addressing the need to raise the State Pension Age. None of the parties' manifestos even mention the issue - so no major change should be sprung on people within the next Parliament. The ACA says State Retirement Age is an issue where the public has a right to expect the parties to be transparent about their plans, as adequate notice of any change is essential to plan finances into the future.

The ACA's special General Election edition of its discussion newsletter, which reviews the State and private pension plans of the main parties (available at www.aca.org.uk or by post - see Note for Editors, below), is also critical of the 'paucity of ideas' from the parties in addressing how occupational pension schemes might be encouraged.

Given the adverse trend in provision, where an increasing number of employees are not covered by schemes, the parties' proposals to redress the situation are thin, at best. Last week, an ACA pension trends survey emphasised the scale of the problem, reporting that 68 per cent of firms felt current policies to promote occupational pensions were not moving in the right direction. 62 per cent of firms also said the new *2004 Pensions Act* will have the effect of further reducing occupational provision.

ACA Chairman, Adrian Waddingham said:

"The 2004 Pensions Act does introduce new protections for members of company pension schemes that get into difficulty. But those were a small minority of schemes, and the Act fails to address the bigger tragedy that far fewer employed people are now offered good work-place pensions. The prospects do

not look good for those retiring in 20 years' time. Politicians should be looking far beyond the life of one parliament to address the pensions problems."

On occupational pensions, the ACA review is sceptical about what will be achieved by auto enrolment, additional member-nominated trustees and kite marking of schemes, without more radical measures to encourage firms to run pension arrangements.

The apparent abandonment of pension simplification by the present government - over 1600 pages of regulations, explanatory memoranda, codes, guides etc have been issued since 16 March this year (ie. in a month) with much more to come arising from the *2004 Pensions Act* - and extra costs falling on schemes from the Pension Protection Fund can only be destructive of pension provision.

"None of the manifestos encourage any great confidence that the burden of regulation will be genuinely addressed. The ACA wants reform of Whitehall and Parliamentary procedures so we get simpler and better legislation, with the introduction of independent Regulatory Impact Assessments of legislative and regulatory proposals," said Adrian Waddingham.

The review notes that it is laudable that the parties should be proposing ways to markedly raise the incomes of the retired, although it is critical of the growth in means-testing given the effect in deterring the savings habit. However, it asks, given the absence of plans to increase the State Retirement Age, whether the plans are sustainable over any lengthy period. With the support ratio falling significantly (the number of active workers supporting the retired / young) over the next 40 years, the review asks, is it right (given economic-risk) that we should lock in such high unfunded costs that future generations of taxpayers will have to meet?

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Note to Editors:

The **Association of Consulting Actuaries (ACA)** has over 1500 members working in around 80 firms. Members are advisers to UK pension schemes with assets in excess of £650 billion, including the vast majority of larger schemes and thousands of smaller arrangements. The ACA forms the largest national grouping of consulting actuaries in Europe.

Copies of the ACA **General Election newsletter** reviewing the parties' policies are available from the ACA, Warnford Court, 29 Throgmorton Street, London EC2N 2AT. Tel: 020 7382 4594. Or at www.aca.org.uk see 'What's New' page.

The first report of the ACA's **Pension Trends Survey 2005** is available at www.aca.org.uk on the 'Policy Statements' page.