



ASSOCIATION OF CONSULTING ACTUARIES

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PRESS RELEASE

INDEPENDENT REVIEW OF STATE PENSION AGE

ACA MAPS OUT OPTIONS FOR EARLY ACCESS TO STATE PENSION – OR EQUIVALENT INCOME – IF THE OFFICIAL STATE PENSION AGE RISES

6 September 2016: ‘On the assumption that, in aggregate, longevity continues to improve, whilst significant differences in life expectancy continue to exist between different sectors of society, we believe that the retention of a universal but rising State Pension Age will become increasingly difficult’, says the Association of Consulting Actuaries (ACA) in its submission to the ‘Cridland’ Independent Review of State Pension Age, commissioned by the Government. However, the ACA thinks that there are practical difficulties in identifying specific groups for differential State Pension Ages. The ACA paper says that further thought should be given to alternative measures that would allow individuals with shorter life expectancies to access their State Pension or equivalent income before the official State Pension Age.

The ACA paper explores the suitability of the current State Pension Age (SPA) and the issues raised if further increases are needed should longevity improvements continue, having regard to the limitations that exist in projections of future life expectancy. It also considers areas such as the availability of employment opportunities should many more people seek to work longer, how healthy life expectancy may present challenges for many individuals and matters such as how fairness can be assessed within the need for an affordable and sustainable State Pension system.

The ACA paper considers a number of models that merit further consideration as ways of maintaining a universal SPA, whilst mitigating the impacts on those with the shortest life expectancies.

Some of the models could be no cost or low cost to the Government, particularly those encouraging people to use non-State pensions before reaching SPA, or allowing broadly actuarially neutral early access to the State Pension, albeit there would be costs associated with implementation and means-testing implications.

Other models, including where, for example, a State benefit might be introduced for individuals meeting certain ill-health criteria ahead of SPA, or where there could be early access to a State pension based on the length of working life, would involve additional costs. These would require reduced State spending elsewhere or might mean an even higher SPA for the rest of the population.

The ACA paper rules out one possible approach – giving all individuals within a certain age range a right to draw down their State Pension as they wish, akin to the new DC pension freedoms. This was judged to be impractical and likely to mean too many would exhaust their State Pension unless there were constraints on annual withdrawals.

Commenting on the paper, **ACA Chairman, Bob Scott** said:

“We would be very happy to work with the Independent Review of State Pension Age in developing the thinking around the models we have explored or others that might be proposed via the consultation exercise.

“We would also underscore the need for any future changes to take proper account of the need for State reforms to be considered alongside the pension regimes and rules applying in respect of private pensions. A joined-up approach that simplifies both State and private pension rules would represent a welcome statutory innovation!”

A copy of the ACA submission is available at www.aca.org.uk (page: consultation responses) or http://www.aca.org.uk/files/ACA_responds_to_SPA_review-01_September_2016_-20160902100758.pdf

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country’s largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries’ Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body. The ACA is a full member of the International Actuarial Association (IAA).

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