



ASSOCIATION OF CONSULTING ACTUARIES

NEWS RELEASE

General Election 2017: Parties' focus on State role with few mentions of need to boost private saving

26 May 2017: The Association of Consulting Actuaries (ACA) has produced its traditional summary of the political parties' manifestos concentrating on their pensions, savings and tax proposals. A special issue of *Placard* published today notes that measures to boost private pension saving are few and far between in the parties' manifestos. *Placard* questions the longer-term financial viability of halting increases in the State Pension Age and notes that after 2020, instead of the 'triple lock', we ought to go back to first principles and set a reasonable level of State pension, whose level increases in a way such that it does not lose its real value.

Moreover, the next government should look at how we can balance commitments to those in later life against the desire to reward those in the working population, who must meet an increasing proportion of the State pension and social care costs, either through direct taxation or through reduced inheritance.

The ACA has maintained that whichever party is in power when we wake up (or trudge wearily to bed!) on 9 June, there should be more focus on building on the success of auto-enrolment, and less focus on tweaking the dials on a pension tax-system that ACA believes is no longer fit for its intended purpose.

A desire to raise tax in a way that doesn't immediately hit take home pay means pension savings is an easy target for policymakers – in spite of repeated warnings that reductions to, and tinkering with, the Lifetime and Annual Allowances would serve only to disengage decision-makers and key members of the workforce from the crucial issue of adequate retirement provision for all. The ACA are pleased to see that, this time, neither of the major parties' manifestos propose further reductions in the allowance amounts, albeit the Liberal Democrats remain keen to reduce the relief for those on higher incomes via a single standard rate across all income levels.

The ACA says a clear taxation policy is needed with regard to retirement savings, and a promise of time to let such a system bed-in so that we are not left on tenterhooks as we have been since the Treasury's July 2015 consultation on pensions tax relief (['Strengthening the incentive to save'](#)) was kicked down the road by successive Chancellors of the Exchequer. The [ACA's own manifesto](#) published on 4 May calls for a commitment to long-term stability to allow planning for the long-term. After all, pensions are a long-term savings product, not a short-term cash cow to bankroll public spending.

And what about policies to encourage higher private savings?

Whilst the ACA is pleased to see most manifestos supporting an extension of auto-enrolment (AE) coverage (though without detail of how they will do this), it is disappointing that there are still no firm commitments to increasing minimum contributions post April 2019 when it is clear to all political parties that the current level will simply not deliver the sort of pension income levels needed. There is a big risk that this may not be understood by many AE savers and it does nothing to aid intergenerational fairness.

Placard also notes that whatever the outcome of the election, a response to the Green Paper on ‘*Security and Sustainability in Defined Benefit Pension Schemes*’ will be awaited and will no doubt set a roadmap for defined benefit scheme pension reform over the next parliament, more so than any of the parties’ election manifestos could be hoped to. Perhaps the direction of DB scheme oversight will incorporate the ACA’s [own recommendations](#) for a ‘more flexible’ and ‘less costly’ apportionment route allowing schemes to compromise pension promises to a degree where in the members’ best interests (and no further than so as to reduce benefits below PPF compensation levels). Or perhaps for changes allowing schemes to link pension increases to some other inflation index than the Retail Prices Index, or even facilitating the simplification of complex accrued benefits, including as a pre-requisite to voluntary consolidation occurring.



Bob Scott, ACA Chairman, comments

“New flexibilities are needed to help employers offer sustainable and secure DB arrangements into the future, including the pre-requisite reforms to allow schemes the opportunity to voluntarily consolidate with other arrangements in a cost-effective way”

Placard also points to ACA Chairman, **Bob Scott’s** comments, earlier this month, that further clarity is needed from the parties on how the developing social care crisis will be addressed. A comprehensive longer-term solution is needed and the issues cannot be dealt with simply by pushing more funds into the existing system.

***Placard* (Issue 36) is available at www.aca.org.uk (see ‘latest publications’) and will be updated during the campaign if there are new commitments made by the parties.**

For further details:

Bob Scott	020 7432 6605
Gareth Boyd	01737 241144
David Robertson	020 3102 6761 (M: 0791 9911380)

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.

Disclaimer

This document is intended to provide general information and guidance only. It does not constitute legal or business advice and should not be relied upon as such. Responding to or acting upon information or guidance in this document does not constitute or imply any client /advisor relationship between the Association of Consulting Actuaries and/or the Association of Consulting Actuaries Limited and any party, nor does the Association accept any liability to any person or organisation relating to the use of such information or guidance.

Association of Consulting Actuaries Limited · First Floor · Regis House · 45 King William Street · London · EC4R 9AN
Tel: +44 (0)20 3102 6761 · Email: acahelp@aca.org.uk · Web: www.aca.org.uk