



ACA comments on latest pension tax proposals...

ACA GIVES WELCOME TO ADVANCES MADE IN LATEST PENSION TAX PAPER, BUT EXPRESSES CONTINUED CONCERN AT THE IMPACT OF PRICE INDEXATION ON PROPOSED LIFETIME LIMIT

10 December 2003 – The Association of Consulting Actuaries (ACA), whose members advise most of the country’s larger pension schemes, has welcomed the concessions made following consultations in the latest pension tax consultation paper issued today. These give greater flexibility notably in the transitional rules and the valuation of defined benefit pensions, where ideas proposed by the ACA have been taken up.

With further consultations on the paper until 5 March 2004, the ACA hopes further progress can be made in exempting more people from the on-going impact of raising the lifetime limit in line with prices. Inevitably, more people will be affected by the limit as, historically, earnings inflation – and thereby pension benefits – has tended to run well ahead of price inflation. The limit of £1.4 million is already out of date – and the RPI indexation is to be added only from 2005 onwards.

“I am pleased the government accepted the ACA recommendation to value defined pension benefits on a multiple of 20. This is rare welcome news for those with final salary benefits. The ACA will look in greater detail at the package proposed, many parts of which we welcome enthusiastically. The proposed reduction in recovery tax from 33⅓% to 25% helps. Where we think further

concessions can be made to ensure the longevity of the benefits of simplification we will continue to argue the case,” said ACA Chairman, Gordon Pollock.

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Note to Editor:

Members of the **Association of Consulting Actuaries (ACA)** 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.

Earlier this year, the ACA has produced a **response to the pension tax simplification paper** making a wide-ranging number of recommendations – see www.aca.org.uk (go to ‘policy statements’ page – see January 2003).