



Press Release

Friday 18th June 2010

BUDGET MUST NURTURE WORKPLACE PENSIONS

The Government must use the Emergency Budget to help revitalize and support good workplace pensions, industry experts said today (Friday).

The National Association of Pension Funds (NAPF) outlined a number of areas in its [Emergency Budget submission](#) which the government should focus on.

Among them, it said that plans to change pensions tax relief would hit far more people than the higher earners being targeted. Instead it has put forward an alternative that would generate similar revenues for the Treasury.

The NAPF is also calling for greater issuance of long-dated and index-linked gilts to help pension schemes. And it outlined seven principles that could help bring objectivity to the debate on public sector pensions.

Joanne Segars, NAPF Chief Executive, said:

“The UK economy is in a very difficult place, but the government must not neglect the need to boost saving for retirement.

“In particular, we urge them to rethink the recent changes to pensions tax relief. The move would ensnare many others beyond the high earners being targeted and would weaken the approach to workplace pensions.

“Our alternative will be less damaging to pension saving and cost far less to implement.”

The last Government used the Finance Act 2010 to change the way pensions tax relief is given for pension saving for those earning over £150,000.

The NAPF fears the proposals will cost between £2.5bn to £3bn to implement. It also believes the changes will harm the pensions of those earning far less than the target group because senior corporate decision-makers will disengage from workplace pensions, thus eroding employer interest in the schemes. And the

application of the new rules to defined benefit schemes will catch people in the new and less generous tax regime.

Instead the NAPF proposes that the Government adopts an alternative approach to pension tax reform which will still limit the tax relief available to high earners, but do so in a way that is much less harmful to pension provision. Its proposal involves lowering the amount of pension contribution eligible for tax relief down from today's figure of £255,000 down to around £50,000.

The NAPF also warned the Government that there is a shortage in the supply of long-dated and index-linked gilts, which help pension schemes manage the risks of pension provision. It said the Emergency Budget could provide practical support to pension schemes and the employers that sponsor them by further increasing the proportion of issuance towards long-dated and index-linked gilts.

Ms Segars said: "This is a win-win-win solution for employers, pension schemes and the Government. Skewing issuance towards longer maturities would provide the Government with a cheap and secure source of finance at a time of exceptionally large public sector deficits."

Further details on the NAPF's views gilts issuance and its seven principles for public sector reform are shown in the attached Emergency Budget submission.

Notes to Editors:

The NAPF is the leading voice of workplace pensions in the UK. We speak for 1,200 pension schemes with some 15 million members and assets of around £800 billion. NAPF members also include over 400 businesses providing essential services to the pensions sector.

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