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Government actuary sets out principles for pension reform. New Politeia study points to international successes

In Politeia's next pamphlet, Chris Daykin, the UK Government Actuary, provides a comprehensive discussion, from an international perspective, of some of the issues underlying the recent White Paper *Security in Retirement*. Mr Daykin's Politeia study, *The Challenge of Ageing: Pension Reform, International Trends and Future Imperatives*, analyses the principles and practices of international pension reforms. It considers a number of different systems, with particular emphasis on Sweden, Finland, Germany and Denmark and compares the diversity of solutions being pursued. These will normally involve a multi-faceted approach: sharing the risk of greater longevity with the generations benefiting from it; reforming financing mechanisms (the amounts paid towards, or the benefits available for, retirement); changing the qualifying conditions (e.g. the length of working life and credits); structural change (to the frameworks); new funded vehicles for increasing private saving.

Against the common background of a falling ratio of working age people to the retired, a common thread of reform emerges. As societies age, pension reform becomes imperative. Societies simply cannot afford to pay pensions for longer and longer periods of retirement financed by a shorter and shorter working life. Most countries are seeking ways to move to higher pension ages, to provide more incentives to defer taking pension benefits and to introduce mechanisms to pass on to the pensioner population some of the extra cost of financing longer lives. The older principles governing social security systems – contribution, universalism and means testing – are being adapted to meet the new challenges.

What about the UK? Mr Daykin discusses the evolution of the UK pension system and the reforms of recent decades prompted by growing concern at the future costs of social security. Against this background the study introduces both the Pension Commission's recommendations and their implications for the future as well as the Government's proposals. How far, as part of our own programme of reform, should the government increase contributions to pension payments through the tax system, or by altering benefit arrangements? Should working lives be extended? Do we need new statutory frameworks for retirement income? Chris Daykin explains that:

...pension provision is a long-term business, with decisions taken today likely to affect people's retirement income for the best part of a century into the future...pension reform [must] be focused on developing a stable, sustainable and fair pension system....'

The Challenge of Ageing: Pension Reform, International Trends and Future Imperatives is published by, and available from, Politeia, 22 Charing Cross Rd, WC2H 0QP at £7.00. **The text will be available by e mail to journalists on application by response to this message.** Enquiries to Chris Daykin at chris.daykin@gad.gov.uk or to Politeia on 0207 240 5070, e-mail, info@politeia.co.uk.

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