



# Study Finds Concerns Of Pension Funds Losing Value Are Exaggerated

For Immediate Release - Tues 9<sup>th</sup> December 2003

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In a new CEPR study published today '**Pensions Policy: Evidence on Aspects of Savings Behaviour and Capital Markets**' reviewing the research that has been done internationally in the general area of pensions policy, David McCarthy and Anthony Neuberger came to the following conclusions:

- Concerns about a melt-down in the stock market as the growing number of elderly try to cash in their savings are grossly exaggerated;
- The pension system as currently designed probably forces people to use too much of their pension wealth to buy annuities;
- The employer's obligations under defined benefit pension plans have, paradoxically, not been very clearly defined in the past. This has placed risks on employees that have been undesirable. However, a Pension Protection Fund is likely to be abused by those companies which are in financial straits. A guarantee system paid for by the industry collectively will inevitably involve large subsidies from strong companies to weak ones;
- There is no convincing evidence that the substantial tax inducements provided to encourage people to save for their pensions actually increase the amount of saving by more than the size of the tax subsidy.

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