



# THE FINANCIAL COLUMN

## PENSIONS EXPERTS WARN OF TOUGHER TIMES AHEAD FOR THE ELDERLY

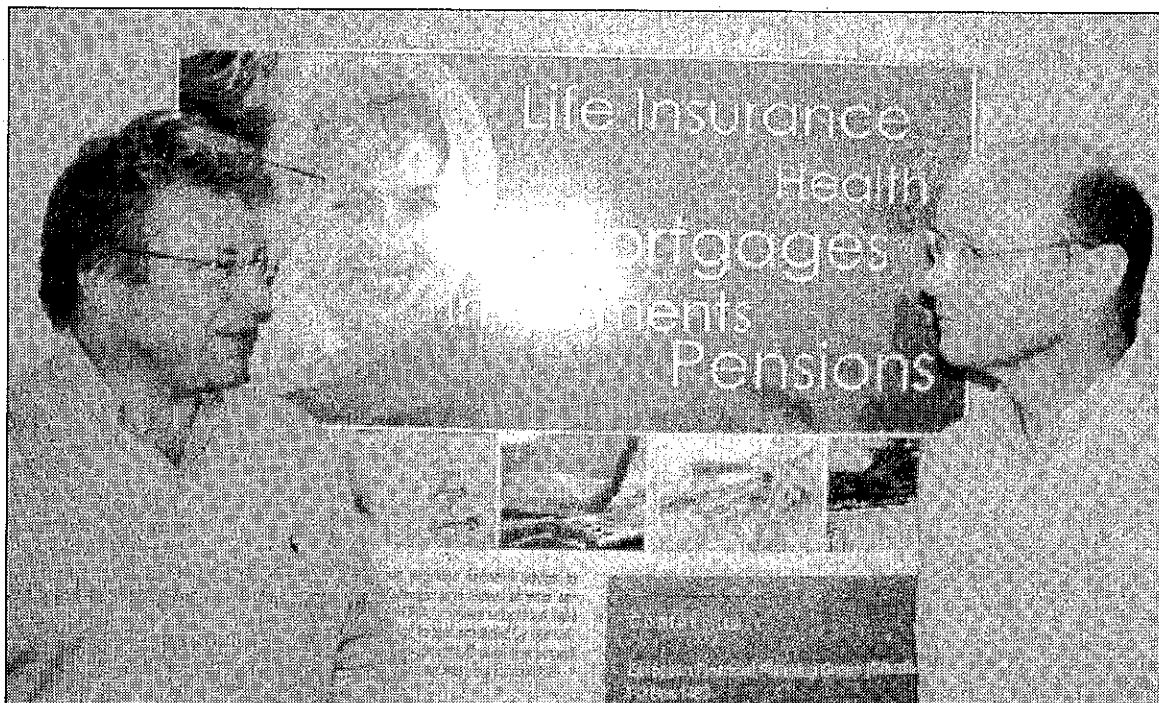
A "love affair" with southern Spain coupled with a long-time yen to work in the offshore market, brought financial adviser and insurance expert Anthony Drew to Gibraltar earlier this year to join Tom Fraser's team in the European Financial Planning Group. And after slightly more than half a year on the Rock he finds it "an increasingly exciting place to work" while warning that our private sector's poor arrangements for pensions provisions

for staff paint a bleak prospect for the future. Drew's amber light is neither particularly new nor (he is quick to admit) is the pensions 'problem' specifically related to Gibraltar. Among other aspects, in Britain it has led to an extensive re-think on the way the insurance industry operates as well as widespread curtailment of "final salary" schemes; and across Europe for almost a decade national leaders have warned that in the

foreseeable future state coffers will not be able to support populations who are living for longer than their parents and grandparents did. And a similar alarm has been rung in recent years by Chief Minister Peter Caruana – a call to save that is particularly

apposite in Gibraltar where, statistically at least, we enjoy greater longevity than any of our EU members other than the French. But in spite of local tax breaks introduced to encourage investment in pensions or savings, many Gibraltarians will face bleak retire-

ment years as growing longevity puts an increasing burden on the health and social welfare provisions. Old age pensions funded by Government, as opposed to the fairly munificent pensions provided for retiring civil servants, will not be enough to allow



Anthony Drew (right), a leading UK funds and pensions adviser registered with Britain's Financial Services Authority has joined Tom Fraser at the EFP group.

**Peter Schirmer looks at the financial and economic week on the Rock...**

many of the elderly to enjoy the same standards of living and quality of life to which they have become accustomed during their working years.

"It's a global problem," Drew admits. "I've lived through the substantial changes that have taken place in the workplace and in UK legislation over recent years, and, in a sense, Gibraltar's pension funds – where they exist – are going through a similar process, but in microcosm... and only where pension provisions are in place."

For the pensions and insurance industry both in Britain and Gibraltar the level of advice that the Drew and his ilk give to firms and individuals is also far more complex than in the past. It is also more heavily regulated, he adds.

Drew started his career with Norwich Union where he held various managerial positions in the fields of group pensions, investment, actuarial and the life departments and since then has worked as a fee-based financial planner for the past decade, most recently with a City firm of financial planners and fund managers as well as with the international accountants Grant Thornton.

"With the need to develop so much in Gibraltar's pension provisions, Anthony has proved a valuable acquisition to the EFPG team, the firm's managing director and chief executive officer Tom Fraser tells me.

"Most of us are not saving enough for the future; but even more alarming is the fact that a surprising number of Gibraltar's bigger companies make no provision for pensions for their staff – they simply have no pension funds," he adds.

Of course both men have a vested interest in promoting pensions and other forms of insurance-linked savings. But this does not lessen the significance of their warnings. What's more, like many of their counterparts in Britain and the US, these are players who no longer rely on commissions or renewals for their incomes. They are paid fees, like any other professional, to find the best answers to their clients' problems.

In a step towards addressing private sector pension concerns, the Government recently introduced Provident Fund 3 – some aspects of which remain ill-defined, and which has been met with a mixed response from insurers on the Rock.

"We actually welcome PF3. It is good and safe – though perhaps too safe," says Drew, referring indirectly to the old

City adage that ultra-safe investments give poorer returns than those with greater risk.

Drew's hands-on UK experience on the pensions side includes advising both employers and members in schemes of all types ranging from final salary schemes of FTSE 100 companies to personal pensions.

Drew suggests that "in some ways" some of the recent proposed changes to Gibraltar's pensions legislation puts the Rock ahead of the UK. This

was particularly so in the sphere of trusts.

"Somehow both Government and the industry must get across to the public how important it is that everyone starts saving," Fraser stresses. "A lot of the bigger companies here have no pension arrangements – yet these can be beneficial, not only to the employees, but to the companies themselves as they can help lock staff in."

Fraser believes that the "very cheap" PF3 scheme will be of particular benefit to lower-paid workers and the self-employed,

but that 'upper bracket' employees require something more substantial. And there is a growing interest among local companies for better advice about pensions – whether they have existing schemes or not, Fraser told the Chronicle.

"Among the companies that do have pension provisions for their staff, those with defined benefit schemes are beginning to realise that probably they are under-funded," he says. A lot have 'final salary' schemes – which guarantee a pension related to an employee's earn-

ings in the last years of his or her employment – and, as has been the case in Britain, for many companies these are no longer financially viable.

Both experts are critical of proposed new local provisions that will allow money purchase schemes to be commuted for cash. In the past policyholders were permitted to take 25 per cent of cash as a lump sum but the balance had to be used to buy an annuity. The risk, they believe, is that people may now "splurge the lot on a world cruise or something similar."