**1**

(i)

The government may be planning to move one of its museums from the capital city to promote cultural and economic development in another region. Relocating a major museum could help distribute cultural resources more evenly across the country, increase tourism in the selected city, and provide greater access to national heritage for people living outside the capital. It may also ease overcrowding in the capital and reduce pressure on infrastructure there.

There are several potential reasons why the government might be planning to move one of the six large museums from the capital city:

1. Regional Development: Moving a museum to another city could help promote economic and cultural development in other regions of the country. It could attract tourists and investment to areas outside the capital, reducing regional disparities.

2. Decongestion of the Capital: The capital city may be overcrowded, and relocating a museum could help reduce congestion, traffic, and pressure on infrastructure.

3. Balanced Cultural Access: Currently, the largest museums are concentrated in the capital, limiting access for people in other parts of the country. Relocating a museum would make high-quality cultural resources more accessible to a broader population.

4. Cost Efficiency: Operating a museum in a smaller city might be less expensive (e.g., lower land, labor, or maintenance costs), freeing up resources for other cultural or public projects.

5. Tourism Diversification: The move could spread tourism benefits more evenly across the country, encouraging visitors to explore other regions rather than focusing solely on the capital.

6. Political or Social Goals: The government may aim to strengthen national unity or identity by ensuring all regions feel equally valued in terms of cultural infrastructure.

7. Revitalization of Smaller Museums: The relocated museum could boost the profile and visitor numbers of smaller museums in the chosen city, creating a more vibrant cultural ecosystem outside the capital.

8. Sustainability: Distributing cultural institutions more evenly might reduce the environmental impact of concentrated tourism in the capital (e.g., pollution, resource overuse).

By moving one of the museums, the government could achieve a more equitable and sustainable distribution of cultural resources while addressing urban or economic challenges in the capital.

(ii)

1. Museum staff (including curators, educators, and administrative workers)
2. Visitors from the capital city
3. Visitors from abroad
4. Residents of the new host city
5. Local businesses in the capital (e.g. cafes, hotels, shops)
6. Local businesses in the new host city
7. Government departments responsible for culture and tourism
8. Cultural and educational institutions (e.g. schools, universities, libraries)
9. Transport and logistics companies involved in the move
10. Heritage and conservation organizations

Here are ten key stakeholders who would be affected by the relocation of a museum from the capital city:

Local Residents of the Capital – People who currently visit the museum for free may lose easy access to it.

Residents of the New Host City – The community in the chosen relocation city would gain a major cultural attraction.

Tourists (Domestic & International) – Those visiting the capital may have fewer options, while tourists in the new location gain access.

Government & Policymakers – They must manage funding, logistics, and public perception of the move.

Museum Staff (Curators, Administrators, Security, etc.) – Employees may face relocation, job changes, or redundancies.

Local Businesses in the Capital (Restaurants, Shops, Hotels) – Reduced foot traffic near the museum could hurt their revenue.

Local Businesses in the New City – Increased visitors could boost the local economy.

Cultural & Heritage Organizations – They may need to adjust partnerships, exhibitions, or funding allocations.

Transport & Infrastructure Agencies – The new location may require upgrades in roads, public transit, or facilities.

Artists & Researchers – Those collaborating with the museum may face disruptions or new opportunities depending on the move.

(iii)

A model could be developed to support decision-making by comparing different scenarios and outcomes for each potential city. Here's how it could work:

* **Step 1: Identify Criteria**  
  Define key factors to evaluate, such as expected visitor numbers, accessibility, regional economic impact, cultural benefits, costs of relocation, and available infrastructure.
* **Step 2: Gather Data**  
  Collect relevant data for each city and museum—e.g. current tourism levels, transport links, population demographics, available buildings or land, and local interest in culture.
* **Step 3: Assign Weights**  
  Give different importance levels (weights) to each criterion based on government priorities (e.g. access to underserved areas might be weighted more heavily).
* **Step 4: Score Each Option**  
  Score each possible relocation (each museum to each city) against the criteria.
* **Step 5: Calculate Totals**  
  Multiply scores by weights and sum them for each option to find the best-scoring city-museum combination.
* **Step 6: Test Sensitivity**  
  Adjust weights and assumptions to test how robust the decision is under different scenarios.

This model helps the government make an informed, transparent, and balanced decision.

1. Define Goals

Spread cultural benefits across the country.

Minimize disruption and costs.

Boost tourism and local economies in the new location.

2. Key Factors to Consider

For Museums:

Who visits it? (Tourists vs. locals)

Can it be moved easily? (Size, cost, importance)

Will moving it upset people?

For Cities:

Can they handle more visitors? (Transport, hotels, safety)

Do they need economic/cultural boosts?

Are local leaders and communities supportive?

3. Score and Compare Options

Give each museum and city a score (e.g., 1-10) for each factor.

Weigh factors based on priorities (e.g., if regional development matters most, give it more importance).

Add up scores to find the best museum-city match.

4. Test Different Scenarios

Check how changes (e.g., higher costs or different visitor numbers) affect the best choice.

5. Pick the Best Option

The highest-scoring combination is the most balanced choice.

Why This Works

Fair – Decisions are based on facts, not opinions.

Flexible – Adjust weights if priorities change.

Clear – Everyone understands how the decision was made.

(iv)

Risks associated with moving the objects from one museum to another include:

* **Physical Damage**: Objects may be fragile or valuable and can be damaged due to vibrations, mishandling, or accidents during transport.
* **Theft or Loss**: There is a risk of theft or loss while in transit or during loading and unloading.
* **Environmental Exposure**: Changes in temperature, humidity, or light levels during the move could damage sensitive materials like paintings, textiles, or manuscripts.
* **Delays and Disruptions**: Transport issues such as vehicle breakdowns, road closures, or customs delays (if applicable) could disrupt the move and increase risk.
* **Incorrect Handling or Packing**: Improper packing methods or untrained handlers could lead to breakage or deterioration.
* **Accidents or Natural Disasters**: Road accidents, fires, floods, or other unforeseen events could affect the safety of the objects.
* **Security Breaches**: Poor security arrangements could leave objects vulnerable to intentional damage or criminal activity.

(v)

The insurance company could determine the premium by assessing the overall risk and estimating the potential cost of claims. This would involve the following steps:

* **Valuation of the Objects**  
  Assess the total value of the objects being moved, considering their historical, cultural, and market worth. Higher-value items will increase the potential liability and, therefore, the premium.
* **Risk Assessment**  
  Evaluate the likelihood and severity of possible risks such as damage, theft, loss, or environmental harm during the move. This includes reviewing the transport method, distance, route safety, and security arrangements.
* **Object Type and Condition**  
  Consider the fragility, age, and condition of the items. More delicate or irreplaceable objects carry higher risk.
* **Packaging and Handling Measures**  
  Examine how the objects will be packed and handled. Use of professional art movers and high-quality packing materials may reduce the risk and lower the premium.
* **Transport Arrangements**  
  Evaluate the type of transport (e.g. climate-controlled trucks), duration of the move, and experience of the logistics company.
* **Security Provisions**  
  Assess the strength of security measures, including tracking systems, escort vehicles, and secure holding areas.
* **Previous Claims History**  
  Review the museum's or contractor’s past claims or incidents during previous moves to understand the likelihood of future issues.
* **Policy Terms and Coverage**  
  Decide on the coverage scope—whether it includes all risks, only specific perils, or limited liability. The more comprehensive the coverage, the higher the premium.
* **Administrative Costs and Profit Margin**  
  Factor in the insurer’s own operational costs and desired profit.

By combining all these elements, the insurer can calculate a fair premium that reflects the level of risk and the value of the items being insured.

(vi)

If the insurance company decides to write this business, it can manage the retained risk (the portion of risk it keeps rather than transfers) in several ways:

* **Reinsurance**  
  Transfer part of the risk to another insurance company (a reinsurer) to reduce the financial impact of a large claim. This helps spread the exposure and protect against high losses.
* **Risk Limits**  
  Set limits on the maximum payout per item or per event to cap potential losses. This can be written into the policy terms.
* **Policy Conditions and Exclusions**  
  Include clear conditions that must be met (e.g. use of approved transport companies, climate-controlled vehicles, professional handlers) and exclude specific high-risk scenarios (e.g. war, terrorism) to reduce exposure.
* **Risk Assessment and Loss Prevention**  
  Conduct a thorough risk assessment and advise the museum on loss prevention strategies—like enhanced packaging, security escorts, and real-time tracking. Encouraging best practices lowers the chance of a claim.
* **Deductibles/Excess**  
  Require the museum to pay a portion of any claim (the deductible), which reduces the insurer’s financial burden and discourages minor claims.
* **Diversification**  
  Avoid overexposure by not concentrating too much insurance capacity in a single type of risk (e.g. fine art transport) or a single client.
* **Claims Monitoring and Response Plans**  
  Establish strong claims procedures and emergency response plans in case of an incident during the move, helping to limit loss severity.
* **Internal Reserves and Capital Planning**  
  Maintain sufficient financial reserves to cover potential claims, supported by sound actuarial and capital management practices.

These strategies help the insurance company stay financially stable while still offering meaningful coverage to the client.

(vii)

An actuary could provide valuable advice in several areas to support the effective and sustainable running of the country’s museums:

* **Visitor Forecasting**  
  Use statistical models to project future visitor numbers based on trends, demographics, and external factors like tourism levels or economic conditions. This helps with staffing, resource planning, and capacity management.
* **Financial Planning and Budgeting**  
  Assist in long-term financial planning by forecasting income (e.g. from government funding or donations) and expenses (e.g. maintenance, staffing, exhibitions). This supports sustainable budgeting and resource allocation.
* **Risk Management**  
  Identify and evaluate risks faced by museums, such as fire, theft, cyberattacks, or reputational damage. Propose mitigation strategies and help prioritise risk controls.
* **Cost-Benefit Analysis**  
  Evaluate the costs and benefits of major decisions—such as renovations, new exhibitions, or digital initiatives—to ensure efficient use of public funds.
* **Insurance and Risk Transfer**  
  Advise on appropriate insurance coverage levels for collections, buildings, staff liability, and public events. Help compare quotes and assess cost-effectiveness.
* **Asset Valuation and Preservation Planning**  
  Support valuation models for museum collections, which is important for insurance, reporting, and strategic planning. Help forecast future preservation costs and optimal timing for conservation work.
* **Performance Metrics and KPIs**  
  Develop performance indicators to monitor visitor engagement, operational efficiency, and the effectiveness of outreach or educational programmes.
* **Pension and Staff Benefit Schemes**  
  Provide expertise in designing and managing pension plans or staff benefits, ensuring long-term affordability and compliance.

By applying analytical skills and long-term planning tools, actuaries can help museums become more resilient, financially stable, and responsive to changing conditions.

(viii)

The actuarial control cycle is a structured, continuous process consisting of three main stages: **Define the problem**, **Design the solution**, and **Monitor the outcomes**. It can be applied to evaluate the success of the first museum move and assess the feasibility of a second move as follows:

* **Define the Problem**
  + Set clear objectives for evaluating success—e.g. maintaining or increasing visitor numbers, improving regional access to culture, supporting local economies, and preserving the quality of museum services.
  + Identify specific questions: Did the move meet its goals? Were costs reasonable? What lessons were learned?
* **Design the Solution**
  + Develop a framework to measure success using key performance indicators (KPIs), such as visitor statistics, economic impact in the new city, public feedback, operational efficiency, and condition of moved artefacts.
  + Use statistical and financial models to analyse data, forecast the impact of a second move, and compare potential cities and museums for relocation.
* **Monitor the Outcomes**
  + Collect and analyse actual data from the relocated museum over time—e.g. visitor trends, local engagement, operating costs, maintenance of collections, and revenue impact on local businesses.
  + Compare outcomes against expectations and refine the models based on real-world results.
  + Assess whether the first move delivered the intended value and whether the experience reduces risk or improves strategy for a second relocation.
* **Feedback Loop**
  + Use insights from monitoring to inform the next cycle of decision-making.
  + Adjust criteria, models, and assumptions based on evidence, ensuring that any future museum move is better planned and more likely to succeed.

By following the actuarial control cycle, the government can take a data-driven, adaptive approach to managing cultural policy and investment decisions.

**2**

(i)

Here are some insurance products that may be suitable for a pensioner aged over the SPA, along with reasons for their suitability:

**1. Lifetime Annuity**

* Provides a guaranteed income for life, helping manage the risk of outliving retirement savings.
* Particularly useful for individuals with limited or no defined benefit pension income.
* Reduces the need for financial management in later life.

**2. Enhanced or Impaired Life Annuity**

* Suitable for pensioners with medical conditions or lifestyle factors that reduce life expectancy.
* Offers higher income than a standard annuity due to shorter expected payout period.
* Helps increase income in cases where health conditions limit working or other income options.

**3. Long-Term Care Insurance**

* Covers the cost of care services such as residential or in-home care.
* Helps protect assets and savings from being depleted by care costs.
* Provides peace of mind for pensioners concerned about future dependency.

**4. Whole of Life Insurance**

* Pays a lump sum on death, which can help with funeral costs or leave an inheritance.
* Can also be used for estate planning or to cover potential inheritance tax liabilities.
* Particularly relevant for those with dependents or bequest motives.

**5. Home Insurance (Buildings and Contents)**

* Essential for homeowners to protect the value of their property and possessions.
* Especially important for pensioners who may be asset rich but unable to afford large unexpected repair or replacement costs.

**6. Private Medical Insurance**

* Provides faster access to treatment, which may be important in countries with long public healthcare waiting times.
* Particularly useful for those with specific medical needs or concerns about quality or timing of care in the public system.
* May supplement healthcare already provided by the state.

Would you like a separate list for those with limited income or health conditions?

(ii)

An employed individual with private healthcare insurance may decide to stop renewing their policy after retirement for several reasons:

**1. Loss of Employer Subsidy**

* Many private healthcare policies are subsidized or fully funded by employers.
* Upon retirement, individuals may be required to pay the full premium themselves, which can be significantly more expensive.

**2. Reduced Income in Retirement**

* After retiring, individuals often experience a drop in regular income.
* They may prioritise essential living costs such as food, utilities, and housing over private insurance premiums.

**3. Access to State-Provided Healthcare**

* In developed countries, pensioners often have access to comprehensive state-funded healthcare.
* Retirees may feel that the public system provides sufficient coverage for their needs, making private insurance redundant.

**4. Reduced Need for Certain Services**

* Retired individuals may have more time to wait for non-urgent treatments or procedures, reducing the perceived value of quicker access through private care.
* They may also experience fewer work-related health issues that previously justified having private cover.

**5. Health-Related Exclusions or Premium Increases**

* With age, individuals may develop chronic conditions that are excluded or result in higher premiums.
* Insurers may also impose higher co-payments or reduce coverage, making the policy less attractive.

**6. Alternative Use of Funds**

* Retirees may prefer to allocate funds toward other financial goals, such as travel, helping family members, or increasing savings.
* Some may choose to self-insure by setting aside money for potential healthcare costs.

Would you like this written up in a more formal or summarised format for a report or presentation?

(iii)

Here are issues that could arise if a government removes universal state social security benefits from citizens of all ages:

**1. Increased Inequality**

* Universal benefits help reduce income inequality by supporting all citizens regardless of income.
* Removing them could widen the gap between rich and poor, especially affecting low- and middle-income households.

**2. Higher Administrative Costs**

* Targeted benefits require means-testing, which increases complexity and administrative costs.
* There is a risk of errors, delays, and non-take-up by eligible individuals due to stigma or lack of awareness.

**3. Political and Public Opposition**

* Universal benefits are often popular due to their simplicity and fairness.
* Removal could lead to widespread dissatisfaction and loss of trust in government.

**4. Impact on Vulnerable Groups**

* Some citizens just above the eligibility threshold may lose support despite being in financial need.
* Vulnerable groups (e.g., disabled, elderly, single parents) may be disproportionately affected if they lose automatic access to key services.

**5. Risk of Intergenerational Tension**

* Younger generations may feel they are contributing more in taxes without receiving equivalent benefits.
* Older generations may feel they are being unfairly targeted if benefits like the state pension or heating allowances are removed.

**6. Reduced Social Cohesion**

* Universal benefits promote solidarity and shared interest across the population.
* Their removal may weaken the social contract and increase perceptions of unfairness.

**7. Economic Consequences**

* Reducing benefits could lower consumer spending, especially among lower-income households who are more likely to spend than save.
* This could have a knock-on effect on economic growth.

Would you like this adapted for a policy briefing or debate summary?

(iv)

Imposing a minimum compulsory rate of retirement savings for employed and self-employed individuals below the SPA could affect the future cost of social security benefits in the following ways:

**1. Reduction in Means-Tested Benefit Claims**

* With higher mandatory retirement savings, more individuals may reach retirement with adequate personal pension wealth.
* Fewer pensioners would need to rely on additional means-tested social security benefits, reducing government expenditure.

**2. Lower Risk of Pensioner Poverty**

* Compulsory savings can help ensure a more consistent minimum standard of living in retirement.
* This reduces the need for government intervention to support individuals who might otherwise fall below poverty thresholds.

**3. Delayed or Avoided Depletion of Retirement Funds**

* Larger retirement savings pots are less likely to be exhausted during retirement.
* This limits the number of individuals who turn to the state later in life for financial assistance.

**4. Encouragement of Financial Independence**

* A culture of self-provision for retirement may emerge, reducing long-term dependency on the state.
* This supports the sustainability of the public benefit system amid an ageing population.

**5. Possible Offset of Future Pension Increases**

* If personal savings make up a larger share of retirement income, political pressure to maintain generous state pension increases may decline.
* This could reduce the overall growth in public pension expenditure.

However, the impact would depend on the adequacy of the compulsory rate, compliance, investment performance, and whether the measure is introduced early enough to accumulate meaningful savings before retirement.

(v)

Increasing inheritance taxes could have several effects on intergenerational fairness, both positive and negative:

**Positive Impacts on Intergenerational Fairness:**

**1. Redistribution of Wealth**

* Higher inheritance taxes can reduce the concentration of wealth among a small number of families.
* This promotes a more level playing field for younger generations, especially those who do not stand to inherit large sums.

**2. Funding for Public Services or Youth Support**

* Additional revenue from inheritance tax could be used to fund education, housing support, or pension contributions for younger citizens.
* This supports the younger generation and may offset disadvantages they face in housing markets or employment.

**3. Encouragement of Lifetime Transfers**

* Individuals may choose to gift assets earlier in life, when recipients (often younger family members) need financial help most.
* This improves resource allocation across the life course and may ease financial pressures on younger generations.

**Negative Impacts on Intergenerational Fairness:**

**1. Perceived Punishment of Saving and Asset Building**

* Older individuals who have worked to accumulate wealth may view increased inheritance tax as unfair or punitive.
* This could be seen as undermining the principle of rewarding thrift and hard work.

**2. Unequal Impact on Asset-Rich, Income-Poor Individuals**

* Individuals with high-value assets (e.g. property) but low income may struggle to plan around increased inheritance tax.
* This could be especially challenging for those wanting to leave the family home to descendants.

**3. Distortions in Behaviour**

* Families with access to tax planning advice may avoid higher taxes, while others bear the full cost.
* This may reduce fairness if wealthier families can legally sidestep the tax while middle-income families cannot.

**4. Potential Reduction in Capital for Younger Beneficiaries**

* Inheritance often helps younger generations with large expenses such as buying a home or starting a business.
* Higher inheritance tax could limit this support and slow social mobility for some.

The overall impact on intergenerational fairness would depend on how the increased tax revenue is used, the structure of exemptions or thresholds, and the broader economic context facing both younger and older citizens.

**(vi)**

**Impact on the Country’s Finances:**

**1. Reduced State Pension Expenditure**

* Increasing the SPA delays eligibility, meaning fewer years of pension payments per person.
* Reducing the minimum rate of increase and removing the link to average earnings growth slows the rise in pension costs over time.
* Together, these measures significantly reduce the long-term liability associated with an ageing population.

**2. Improved Fiscal Sustainability**

* Lower pension costs ease the pressure on public finances, allowing funds to be reallocated to other services or used to reduce deficits.
* Helps contain the rising pension dependency ratio by reducing the per-capita cost of retirees.

**Impact on the Government:**

**1. Potential Political Backlash**

* Pension reforms are often unpopular, particularly among older voters or those close to retirement.
* The government may face public protests, loss of political support, or pressure to reverse changes.

**2. Perceived Commitment to Fiscal Responsibility**

* Supporters may view the reform as a responsible step toward long-term sustainability and intergenerational fairness.
* Could enhance the government’s reputation among international financial institutions or credit rating agencies.

**3. Implementation and Communication Challenges**

* The government must clearly explain and justify the changes to avoid confusion and unrest.
* Transitional support or exemptions may be needed to ease the impact on those nearing the current SPA.

**Impact on Citizens:**

**1. Later Access to State Pension**

* Individuals will need to work longer or bridge the income gap before reaching the higher SPA.
* Could disproportionately affect manual workers or those in poor health who may find it harder to extend working life.

**2. Lower Real Incomes in Retirement**

* Removing the earnings link means pensions may grow more slowly than working-age incomes over time.
* This could lead to a decline in the relative living standards of future pensioners.

**3. Greater Need for Private Retirement Saving**

* Citizens may need to save more to maintain their desired standard of living in retirement.
* Increases the importance of financial literacy and access to effective retirement savings vehicles.

**4. Intergenerational Impact**

* Younger generations may benefit from a more sustainable system, with less tax burden in future.
* However, they also face delayed retirement age and possibly reduced pension value, raising concerns about fairness.

Would you like a summary suitable for use in a consultation response or policy paper?

**(viii)**

**(a)**

**Assessment of Effectiveness in Addressing Intergenerational Fairness:**

**Positive Effects:**

**1. Encourages Downsizing Among Older Citizens**

* The refund provides a financial incentive for older homeowners to move into smaller, more suitable housing.
* This can help free up larger homes for younger families, who often face difficulties entering the housing market due to limited supply.

**2. Eases the ‘Asset Rich but Cash Poor’ Problem**

* Older citizens selling higher-value homes and moving to cheaper properties can unlock housing wealth for other purposes, such as funding retirement or care costs.
* This promotes greater self-sufficiency in older age and reduces pressure on the state.

**3. More Efficient Use of Housing Stock**

* By encouraging older citizens to release under-occupied homes, the policy promotes better allocation of housing resources.
* This can improve access to housing for younger generations and ease intergenerational tensions over home ownership.

**Limitations and Potential Concerns:**

**1. Benefits Only a Subset of Older Citizens**

* Only pensioners who choose to downsize and meet the “less than 50%” price condition benefit.
* This excludes many older individuals who are unable or unwilling to move due to emotional ties, location preferences, or health constraints.

**2. May Appear Unequal to Younger Citizens**

* Younger citizens still face high property taxes when buying a home, while older citizens are being given tax relief.
* This could be viewed as unfair by younger generations struggling to enter the housing market.

**3. Uncertain Impact on Overall Housing Affordability**

* The number of older citizens willing to downsize may be limited, so the overall supply increase in family homes may be modest.
* Without broader housing policy reforms, the measure alone may not significantly improve affordability or access.

**Conclusion:**  
The policy has potential to **partially support intergenerational fairness** by improving housing mobility and resource allocation. However, its **effectiveness is limited by its narrow scope and perception of unequal treatment**, and it would need to be **paired with broader housing and tax reforms** to deliver substantial fairness across generations.

**(vii) (b)**

**Assessment of Effectiveness in Addressing Inadequate Retirement Savings and State Burden:**

**Positive Effects:**

**1. Unlocks Housing Wealth for Retirement Use**

* By incentivising older citizens to downsize, the refund helps them release equity tied up in property.
* Proceeds from the sale can be used to supplement income, reducing reliance on means-tested social security benefits.

**2. Reduces Likelihood of Financial Hardship in Later Life**

* Asset-rich but cash-poor pensioners may gain improved liquidity, allowing them to meet essential expenses (e.g. healthcare, heating) without needing state support.
* This can lessen the financial strain on the government, especially as the population ages.

**3. Encourages Proactive Financial Behaviour**

* The tax refund may motivate older individuals to plan more effectively for later-life needs.
* Downsizing to more affordable, lower-maintenance homes could also reduce future outgoings.

**Limitations and Concerns:**

**1. Not a Direct Retirement Savings Policy**

* The measure does not increase actual retirement savings before SPA or encourage savings habits during working life.
* It is a reactive, not preventative, solution—targeting symptoms of inadequate savings rather than root causes.

**2. Limited Applicability**

* Only helps homeowners who are willing and able to downsize.
* Renters and lower-income individuals with little or no property wealth will not benefit, yet they are more likely to depend on social security.

**3. May Not Significantly Offset Future State Support Costs**

* Proceeds from downsizing may be modest, especially in lower-value housing markets.
* If not managed properly, funds released from housing could be spent quickly, leaving individuals still in need of support later.

**Conclusion:**  
The policy may provide **modest and targeted relief for some pensioners**, particularly those with insufficient liquid assets but valuable homes. However, it is **not a comprehensive solution** to the broader issue of inadequate retirement savings and is **unlikely to significantly reduce long-term state benefit costs** without being part of a wider set of reforms that promote retirement savings earlier in life.

**(vii) (c)**

**Assessment of Effectiveness in Addressing the Risk of Individuals Over the SPA Exhausting Their Retirement Savings:**

**Positive Effects:**

**1. Provides Access to Additional Funds**

* By encouraging older homeowners to downsize, the refund enables them to convert housing equity into accessible cash.
* These additional funds can help extend the longevity of retirement income, reducing the risk of outliving savings.

**2. Supports Sustainable Financial Planning**

* Downsizing may reduce ongoing costs such as maintenance, utilities, and property taxes.
* Lower living costs combined with increased liquid assets may help retirees manage their budgets more sustainably over time.

**3. Helps Mitigate the ‘Asset Rich, Cash Poor’ Problem**

* Many retirees hold substantial value in their homes but have limited access to cash.
* This policy helps unlock that value without relying on more complex or costly solutions like equity release.

**Limitations and Concerns:**

**1. Not All Pensioners Will Downsize**

* Many older individuals may resist moving due to emotional attachment, health issues, or lack of suitable smaller housing in their area.
* The policy will not help those who remain in their current homes and face financial shortfalls.

**2. Risk of Poor Financial Decisions After Downsizing**

* Proceeds from selling a property may not be used wisely or may be spent too quickly, particularly if individuals lack financial literacy or advice.
* Without mechanisms to encourage long-term income planning, the policy might only delay, rather than prevent, financial exhaustion.

**3. Doesn’t Address Those Without Property Wealth**

* Renters and low-income homeowners may have little to gain from the tax refund, yet they may be at higher risk of exhausting retirement savings.
* The measure does not provide a safety net for these vulnerable groups.

**Conclusion:**  
The policy can **help certain pensioners stretch their resources and reduce the risk of depleting savings**, especially those with high housing equity and low income. However, its **effectiveness is limited** by the voluntary nature of downsizing, the narrow group it supports, and the lack of safeguards to ensure funds are managed over the long term. Broader financial education and retirement income strategies would be needed for a more comprehensive solution.

**(vii) (d)**

**Assessment of Effectiveness in Addressing the ‘Asset Rich but Cash Poor’ Concern:**

**Positive Effects:**

**1. Converts Housing Wealth into Usable Cash**

* The tax refund incentivises older homeowners to sell high-value properties and purchase cheaper ones.
* This enables them to access the equity in their homes without relying on complex financial products like equity release.

**2. Reduces Financial Strain in Retirement**

* Cash released from downsizing can be used to cover daily living expenses, healthcare, or care costs, helping improve the financial wellbeing of pensioners with limited income.
* This may reduce the need for government-provided support in the future.

**3. Encourages Right-Sizing**

* Moving to a smaller, more manageable, and more energy-efficient home can reduce ongoing costs such as maintenance, heating, and insurance.
* This can increase available cash flow and improve quality of life.

**4. Offers a Voluntary and Simple Mechanism**

* Compared to financial products like equity release, a refund of property tax is straightforward, easier to understand, and less likely to be viewed with suspicion.
* This can encourage broader uptake among older homeowners.

**Limitations and Concerns:**

**1. Depends on Willingness and Ability to Move**

* Many pensioners may be reluctant or unable to move due to emotional attachment, lack of suitable smaller housing, or health/mobility issues.
* Those who remain in their current homes will not benefit, even if they are cash poor.

**2. Doesn’t Support Non-Homeowners**

* Only benefits those who own property.
* Pensioners who rent or who have already downsized will not receive any help, even if they are experiencing financial hardship.

**3. Risk of Misuse or Short-Term Thinking**

* Without financial guidance, some individuals may spend the lump sum quickly, providing only short-term relief rather than long-term financial security.
* The policy does not include safeguards or incentives to promote responsible use of the released funds.

**Conclusion:**  
The proposal is a **targeted and practical way to help some asset-rich, cash-poor pensioners improve their financial flexibility**. However, its **effectiveness is limited to those willing and able to move**, and it lacks mechanisms to ensure long-term financial stability. Broader support measures, such as tailored financial advice or equity release alternatives, would improve its impact.

**(viii)**

Here are potential changes to the employer’s retirement pension scheme that could improve intergenerational fairness, along with supporting reasons and the use of insurance and benefit scheme products:

**1. Introduce Flat-Rate Employer Contributions**

* **Suggestion:** Replace percentage-based contributions with a fixed flat-rate amount (e.g. same monetary value per employee).
* **Reason:** Flat contributions benefit lower earners (typically younger employees) proportionally more than higher earners, reducing inequality between generations.
* **Effect:** Helps younger or lower-income workers build more meaningful pension savings early in their careers.

**2. Offer Target Date Funds or Lifecycle Investment Strategies**

* **Suggestion:** Automatically invest contributions into target date funds that adjust asset allocation based on the employee’s age.
* **Reason:** These funds provide appropriate investment risk levels over time, protecting older employees while giving younger ones higher growth potential.
* **Effect:** Encourages fair accumulation of returns across generations, reflecting their differing time horizons.

**3. Provide Longevity Protection Products at Retirement**

* **Suggestion:** Offer access to **deferred annuities** or **longevity insurance** funded by a portion of the defined contribution pot.
* **Reason:** Protects individuals from outliving their retirement savings, particularly important as life expectancy rises.
* **Effect:** Ensures fairness by reducing the risk burden on future pensioners without increasing reliance on state support.

**4. Introduce Salary Sacrifice with Matching Employer Contributions**

* **Suggestion:** Allow employees to contribute through salary sacrifice, with the employer offering matched contributions.
* **Reason:** Matching incentivises higher saving rates among younger employees who might otherwise under-contribute.
* **Effect:** Encourages early engagement with pension saving and spreads benefit more evenly between generations.

**5. Cap High Benefits or Introduce Tiered Benefit Structures in Defined Benefit (DB) Schemes**

* **Suggestion:** In legacy DB schemes, apply caps or reduced accrual rates for high earners while preserving base benefits for all.
* **Reason:** Older or long-serving employees may have accumulated disproportionately large DB entitlements.
* **Effect:** Helps address fairness by ensuring newer entrants aren’t funding generous legacy benefits they won't receive.

**6. Include Group Income Protection and Critical Illness Insurance**

* **Suggestion:** Bundle insurance products such as income protection or critical illness cover into the pension scheme offering.
* **Reason:** These provide security to younger employees who face unexpected health or income risks before retirement.
* **Effect:** Makes the scheme more attractive and equitable for younger generations who value broader financial protection.

**7. Improve Portability and Flexibility of Benefits**

* **Suggestion:** Design schemes that allow easier transfer of pension benefits across jobs, with options for partial withdrawals or phased retirement.
* **Reason:** Younger workers increasingly have varied careers and value flexible retirement planning.
* **Effect:** Enhances fairness by aligning benefits with modern work patterns and promoting financial inclusion across age groups.