

REVIEW

Pensions. By DAVID WAINMAN (Sweet & Maxwell, 1992) £55.00

David Wainman in his preface to *Pensions* states "My one objective has been to identify, for the not-yet expert, what this complex subject is all about". He has more than achieved this objective in this excellent book. The content and clarity of the text is such that the book merits a read by all those actuaries involved in pensions, be they designing pension products or advising on pensions.

David Wainman, C.A., is a Tax Consultant with Waltons & Morse, Solicitors. He was formerly a partner in Ernst & Young, Chartered Accountants, for 22 years and a Tax Correspondent for the *Financial Times* for six of those years.

The book is divided into three main parts. The first three chapters form a general introduction to the pensions scene, the next five chapters a more detailed examination of the main pensions sources and the following five chapters consider the stand-point of the pensioner, prospective and actual. The final chapters of the book consider the arrangements available for controlling directors, top-up arrangements, small self-administered schemes and it is rounded off with pensions on emigration and immigration.

The first three chapters are the building blocks, and the author refers to many of the 'rules of thumb' and approximations used by actuaries and accountants to determine required investment returns, such as Rule of 72 for determining the interest rate required to double the value of a unit invested at time 0 over a given period of time (the author refers to the more approximate Rule of 70). For example, an annual interest rate of 14.4% will almost double the value of a unit of investment over 5 years (72/5); similarly an annual interest rate of 7.2% is required to double a unit of investment over 10 years (72/10).

Chapters 2 and 3 cover the funding and valuation of defined benefit schemes. The basic mathematics involved are explained in a comprehensive manner with some very good examples. Yet at no time does the author step into the actuarial realm of the assumptions to be adopted and the more complicated mathematics. This is an example of how the accounting and actuarial professions can work together.

Chapters 4 to 8 concentrate on money purchase arrangements covering defined contribution schemes, AVCs, FSAVCs and personal pensions, as well as revisiting the defined benefit scheme. Inland Revenue limits on contributions, transfer values, retained benefits and the complexities of contracting out are also covered. The differences and peculiarities of the various arrangements are discussed. Here and throughout the book the author signposts the reader to the relevant legislation, regulatory authorities and professional experts, if further information is required.

The next five chapters cover the accumulation of pension rights from the individual's point of view. The author covers the level of benefits he or she can seek to acquire throughout their working lives and the arrangements that can be entered into to mitigate any deficiencies for those who have left pension provision to later in life. The various rules and options for drawing benefits are considered, as well as ancillary benefits such as widow(er)'s pensions, ill-health benefits and pension increases.

This book can be recommended both for office reference and educational reading. It is a source of information for all those taking the Institute and Faculty pensions examination, being complementary to the courses available. The author provides the information to develop an understanding of the social aspects of pensions and the variations in pension arrangements currently available. The only aspect not covered is that of personal savings which is, of course, the subject of other voluminous texts.

ROSE WALKLING