



PUBLIC SECTOR PENSIONS: HOSTAGES TO FORTUNE

19 October 2005 - "Whilst private sector employers and their employees, pursued by the Pensions Regulator, are having to adjust pension arrangements to reflect changed economic conditions at speed, it would appear no such strictures are placed on those in charge of the government's pension arrangements for its growing number of staff," says Adrian Waddingham, Chairman of the Association of Consulting Actuaries (ACA).

"The bland assumption is made that the taxpayer or, rather, tomorrow's taxpayers will pay up, no matter the circumstances. However, there can be no certainty in 10, 20 or 30 years time that this will happen. Economic growth, as we have seen this year, is not 'inevitable'.

The UK - challenged as it is by the lower-cost 'lean' economies of Eastern Europe and the Far East - may not be in any economic shape in the future to meet the tax burdens required to support rising public sector pension costs, as well as the on-going demands of that time for better education, better healthcare etc. Worse still, in a very few years due to demographic changes, the relative number of working taxpayers supporting those not working, due to old age or youth, will be far fewer.

"In such a situation, despite the assurances given by Ministers this week, that these public sector pensions can be afforded into the future, the likelihood is that tomorrow's taxpayers will simply reject through the ballot box tax levels that they deem to be 'unacceptable'. Certainly, private sector employees will find it unacceptable that they must work for many more years to better fund their market-related pensions **and** pay more taxes for public sector employees to retire at 60 or - eventually - 65.

"This week, Ministers have not been prepared to take difficult decisions to reform public sector pensions in the way private employers are having to do, leaving future public sector pensioners and tomorrow's taxpayers as 'hostages to (a very uncertain) fortune'. The inequitable gulf this is opening up between State and private sector workers is bad enough. Ironically, looking to the longer-term, a Pension Protection Fund for public sector pensions - where pension benefits have to be restricted - probably moved a step closer this week," added Adrian Waddingham.

Further comment:

Adrian Waddingham 01494 788100 (Mobile: 07973 219678)

Andrew Vaughan 020 7178 6927
David Robertson 020 7382 4594