



PPI Public Sector Pensions Event

Time for some transparency?

Neil Carberry

Head of Pensions and Employment

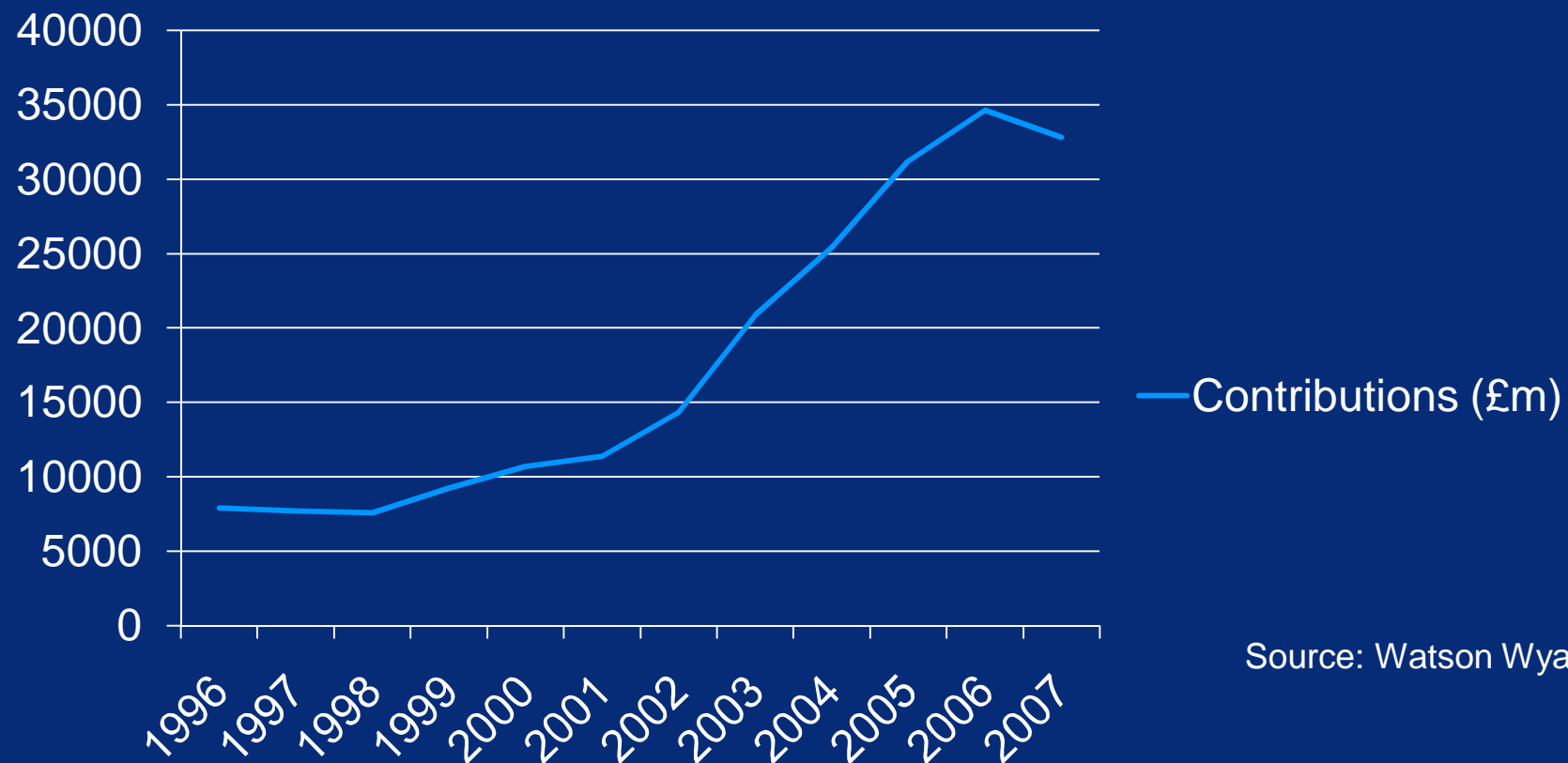
15 October 2008

Outline

- Public sector pensions liability is growing...
- ...but the extent of the growth is masked by the treatment of the liabilities
- Taxpayers – business and employees – need to understand what they are guaranteeing...
- ...we can then debate what the right form of provision is
- At the very least, Government should be applying the same disciplines to itself it expects of firms!

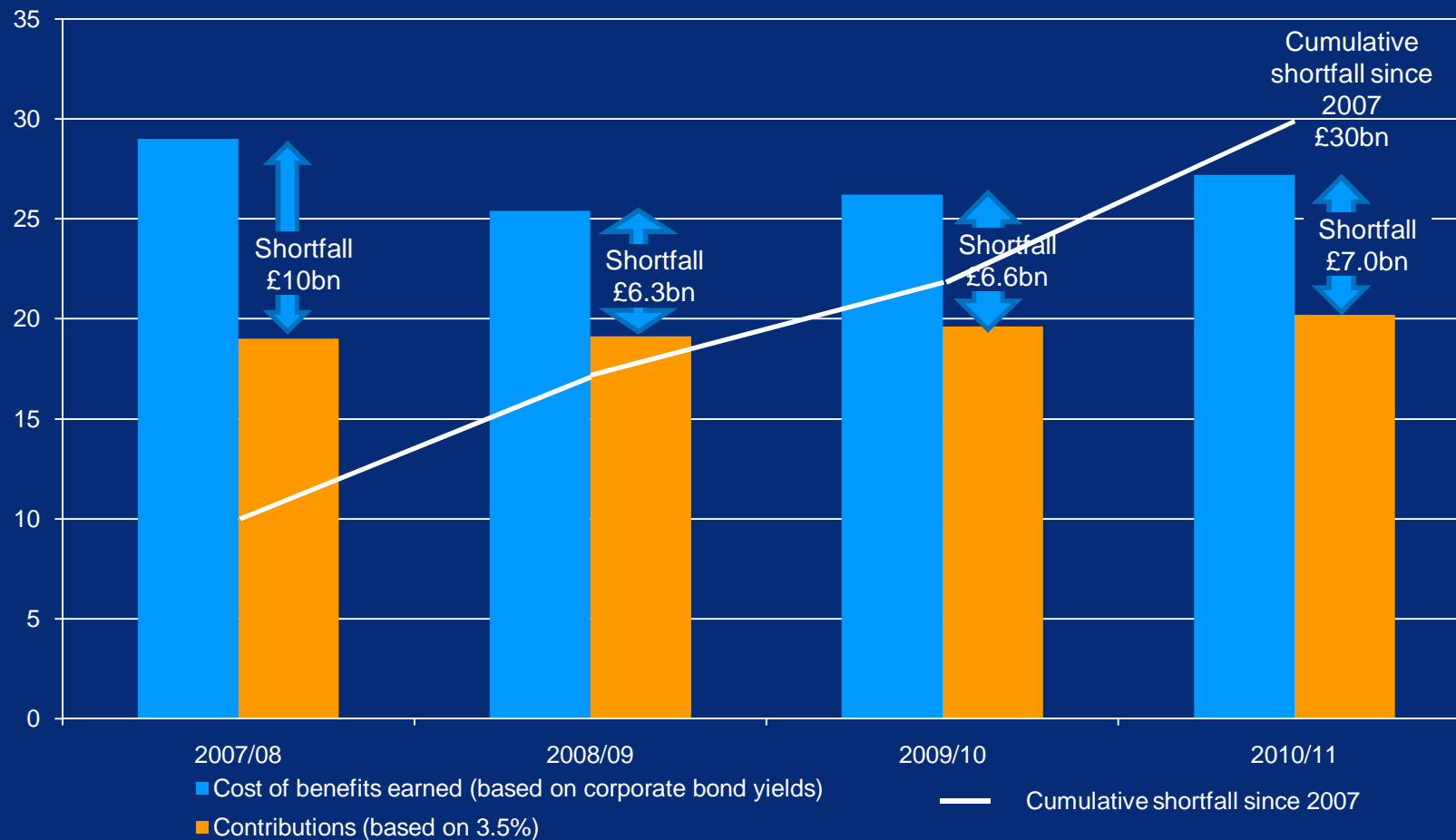
We all know private sector DB is getting more expensive due to longer lives and funding rules

Contributions (£m)



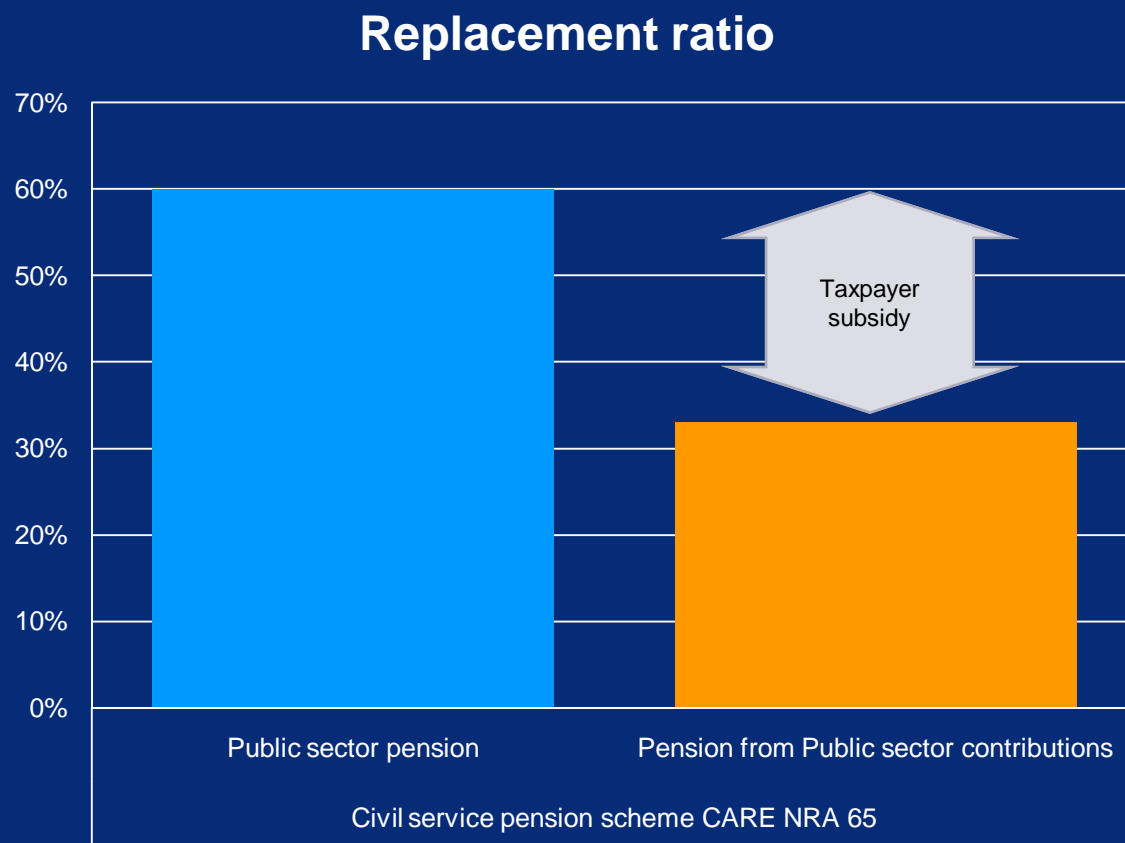
Source: Watson Wyatt

In the public sector costs are rising and the shortfall is growing...



Source: Public Expenditure Statistical Analyses (PESA) 2008 report

...but the cost people see is not



Source: CBI analysis, employee earning £24,000
Assumptions are based on a Pensions Regulator approved funding basis

Total liability is sizable

Date	Change	Liability	Source
31 March 2006		£650bn	GAD estimate
	Accrual	+£60bn	PESA 2008
	Interest on liability	+£80bn	PESA 2008
	Benefits Paid	-£45bn	PESA 2008
	Realistic discount rate	+£80bn	CBI estimate
	Realistic mortality	+£90bn	CBI estimate
31 August 2008		£915bn	CBI estimate