

**“Public sector pensions still better after the reforms”
says Pensions Policy Institute**

The Pensions Policy Institute (PPI) today publishes a detailed report on *Occupational pension provision in the public sector*. The report has been prepared to give an independent set of facts on the level of pension benefits, their cost, and how the proposed reforms will change them.

Alison O’Connell, Director of the PPI said:

“Media reports tend to make out that public sector pensions are too generous and too expensive. With this report, the PPI sets out to give factual background to this important debate, without making any such judgements.

“The report finds that, typically, public sector pensions are better than private sector pensions. And in the private sector, there are more workers on low pay, and with no or low pension.

“All types of pension provision have to react to the fact that people are living longer. The current proposals for public sector pension reform are a more modest reaction than the cutbacks we have seen in private sector occupational pensions. Public sector pensions will still be better than pensions in the private sector after the reform.

“The cost of public sector pensions will increase, even after the reforms, but the government is improving financial discipline on the management of the unfunded schemes”.

ENDS

A summary of conclusions from the report follows on the next page.

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The report can be downloaded from www.pensionspolicyinstitute.org.uk

Notes for editors

The PPI is an independent research organisation, focused on pension provision. Its aim is to improve information and understanding about pensions (state and private) through research and analysis, discussion and publication. It does not lobby for any particular issue, but works to make the pension policy debate better informed.

Occupational pension provision in the public sector

Summary of conclusions

This paper investigates the six main unfunded public sector pension schemes, the funded Local Government scheme and other quasi-public schemes. The main conclusions are summarised as follows:

1. The public sector schemes are a significant and growing cost:
 - The current liability of around £550bn indicates the large future cost of the unfunded public sector pension schemes.
 - Of more practical short-term relevance is the £18bn annual cost of public sector pension payments, which is now managed with better financial discipline than it used to be.
 - This cost is expected to grow over the next 30 years, even taking into account proposed reforms.
2. Occupational pension provision in the public sector is better than in the private sector, because:
 - Public sector employees are twice as likely to be in an occupational pension as private sector workers.
 - Public sector employees are more likely to be in a Defined Benefit scheme with better benefits than private sector DB schemes.
 - The higher public sector pension benefits are typically worth an additional 5% to 20% of salary compared to those in the private sector.
 - Members' benefits are more secure in public sector schemes than in private sector schemes.
3. There appears to be no conclusive evidence that there is generally lower pay in the public sector compared to the private sector. However:
 - The problem of low paid workers being 'under-pensioned' is less acute in the public sector than in the private sector, where there are more low paid workers who are less likely to receive any occupational pension.
 - While the lower pay rationale for better public sector pensions is not proven, total remuneration in the private sector is more valuable at the highest pay levels because of better non-pension additional benefits.
4. The proposed reforms will still leave public sector pensions better than private sector pensions:
 - After the full impact of the reforms, public sector pensions will typically be worth an extra 3% to 18% of salary, compared to private sector pensions. Benefit improvements make up for much of the reduction in benefit value from the change in Normal Retirement Age.
 - Although the reforms move public sector pensions closer to private sector practice in some respects, the reforms are more modest than the changes happening in the private sector.
 - The pace of reform is always likely to be slower in the public sector.