

**14 January 2010**

**Submission to the Public Sector Pensions Commission from John Hopwood,  
Cambridgeshire County Council Pension Fund**

I give below my submission for your consideration and uploading. I am responsible for the Cambridgeshire County Council pension fund, and I am dismayed at how there seems to be so little appreciation by the Government and others with a knowledge of public sector pensions for the urgent need of reform. I have had several letters on this subject published in Public Finance over the last seven years, starting with a call to replace DB schemes with DC in July 2002. I was delighted to hear of your existence courtesy of the Daily Express, and I would be pleased to assist you further in any way I can.

**Submission**

The present arrangements for public sector pensions are not sustainable. It is unlikely that the deficits on funded schemes are going to be eliminated by an increase in investment values, and it would be unreasonable to expect taxpayers to make up the shortfall. Actuarial projections for the Local Government Pension Scheme suggest employer contributions in the region of 30% of salaries for the next twenty years will be required to restore full funding, and that is on the assumption that a significant real investment return will be achieved over the period.

The liabilities of unfunded pension schemes are only affordable on the Treasury's assumption that there will be an indefinite increase in GDP to generate sufficient tax revenues, but there must eventually be a limit on how much growth the world's finite resources can support. There should not be a pensions apartheid between employees in different parts of the public sector, and therefore I believe there must be an immediate reduction in the future cost of all public sector pensions.

If DB schemes are to be retained it is essential that retirement ages and the level of employee contributions are kept under constant review, but this will only generate long-term savings. The only affordable arrangement for pensions in both the public and private sectors is DC. This should be implemented for all new and existing public sector employees.

In order to contain the cost of existing public sector pension commitments there should be a review of pensions increases. These should be determined in each annual Public Spending Review instead of a commitment to increase all benefits annually by RPI. In the long term it may be necessary to convert the benefits of existing and deferred pensioners to a DC scheme.