

14 May 2010

Submission to the Public Sector Pensions Commission by Tim Bentley

I am pleased that the Public Pensions Commissions is looking into this very serious problem. Clearly the existing system is grossly unfair to the majority of the public. At the moment we have the situation when many people are not in any sort of pension scheme because they cannot afford to do so but are then forced into paying (via the tax system) for generous pensions for the public sector.

The existing system is unfair and unsustainable and needs reforming as a matter of urgency. Every day new staff are being recruited and being offered generous final salary pensions.

I would like to propose the follow solution:

- 1) No new final salary pensions are offered with immediate effect.
- 2) A new 'Money Purchase' scheme is started with immediate effect with the employer contributing 5% of wages/salary into the scheme. Employees must pay also pay a minimum amount of 5% but are free to pay up to 25% of their wages/salary into the scheme.
- 3) Public service retirement dates are aligned with the State Retirement age with immediate effect. There shall be no 'early' retirements on full pensions.
- 4) For people in the existing system a valuation is made of the accrued value of their pension pots and their pension will be based on that.
- 5) The subsidy which the tax payer (both local and national) pays at present shall be added together. This figure shall be divided in two and the amount of money shall be used to increase the State Pension for ALL pensioners. This way the tax payer makes a massive saving plus all pensioners benefit from higher pensions. This idea would, I am sure help soften the blow for public sector retirees and might help reduce the likelihood of industrial action.

Note:

It would also be interesting to do some calculations on the effect of putting all the public sector into 'private pensions'. There would be a massive boost to large private pension schemes who would be looking to invest this new money which I believe could provide a valuable boost to the economy.