

PRESS RELEASE

Thursday 17 December 2009 – for immediate release

Public Sector Pensions Commission launches

The Public Sector Pensions Commission, an independent body comprised of experts in pensions policy, is being launched today. The Commission has been set up to present solutions to the growing problem of unfunded public sector pensions. It is increasingly clear that, with ever increasing longevity, reform is necessary to ensure that public sector pensions remain financially sustainable for the long term.

On the same day as the Government set out cost-capping measures for public sector pensions in the Pre-Budget Report, further Treasury documents revealed that the official estimate of unfunded liabilities (on the Government's own figures, which are much lower than the £1.1 trillion estimated by independent experts) has increased to £770 billion, up from the Government's last published estimate of £650 billion. Although this is not a figure that will have to be paid off in one go, it is equivalent to around £30,000 per household in the UK, and is almost as high as the official national debt.

The Commission has been set up as a result of an initiative from the Institute of Economic Affairs, the Institute of Directors and other groups and is chaired by an independent actuary. It is seeking evidence on the potential for reform, and will produce a final report in the summer of 2010, following extensive consultation with experts from across the pensions spectrum.

The Commission will be focusing on several key issues for the future of public sector pensions in the UK, including:

- the emerging “pensions apartheid” between public sector workers with final salary benefits and private sector employees with more moderate defined contribution benefits if any;
- whether the recent reforms to public sector pensions, and the cost-capping announced in the Pre-Budget Report, are sufficient to put them on a sustainable footing;
- whether it is reasonable for the taxpayer to continue to support defined benefit (DB) provision in the public sector, when the private sector has largely withdrawn from DB provision; and
- the most practical ways to reform public sector pensions.

The Commissioners will be carrying out detailed modelling work to analyse the options for reform, and will be recommending to the new Government a range of potential policy changes. The aim is not to attack the public sector, but to find a

realistic way forward that recognises the reality of the situation the country finds itself in.

Peter Tompkins, Fellow of the Institute of Actuaries and Chairman of the Commission, said:

“Never has the contrast between the retirement prospects of public sector workers and their private sector counterparts been more stark. Faced with much increased costs, a new Government will need to look hard at public sector pensions policy early on after the election if it is to manage and control the costs for future generations.”

NOTES TO EDITORS

1. The Public Sector Pensions Commission team comprises seven Commissioners and one Secretary. Its views do not necessarily reflect those of the organisations to which the individual Commissioners are affiliated:

- Peter Tompkins, Fellow of the Institute of Actuaries, Chairman
- Philip Booth, Institute of Economic Affairs, Vice Chairman
- David Acland CBE DL, CHK Charities Ltd
- Graeme Leach, Institute of Directors
- Andrew Lilico, Policy Exchange
- Neil Record, Institute of Economic Affairs
- Malcolm Small, Tax Incentivised Savings Association
- Corin Taylor, Institute of Directors, Secretary

2. The Public Sector Pensions Commission welcomes submissions from anyone with knowledge of and an interest in public sector pensions. To submit evidence, please contact the Commission through its website www.public-sector-pensions-commission.org.uk. Submissions will be made available on the website – please make clear if you would prefer your submission *not* to be uploaded in this way.

3. For media enquiries, please call Peter Tompkins, Chairman, on 07711 445 401 or Corin Taylor on 020 7451 3263 or 07866 141 110.

4. HM Treasury published the *Long-term public finance report* on 9 December. Box 6.B reveals that gross liabilities of the unfunded public sector pension schemes were £770 billion as at 31 March 2008. The previous *Long-term public finance report* was published in March 2008. Box 4.3 revealed that gross liabilities of the unfunded public sector pension schemes were £650 billion as at 31 March 2006.