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78,000 Public Sector Workers on Annual Pensions of more than £25,900 (more than Britain's average wage)

78,000 retired public sector employees are receiving pensions of at least £25,900 per annum, more than the average annual British wage, according to new research from the Intergenerational Foundation (www.if.org.uk) launched today.

The taxpayer's total liability for public sector pensions, revealed in IF's latest report, ***Are Government Pensions Unfair on the Younger Generation?***, is equivalent to £45,000 per UK household and totals £1.2 trillion (£1,200,000,000,000).

IF's report demonstrates the true scale of "pension apartheid" in the UK with news that 88% of public sector workers are currently entitled to pensions related to their final salaries, which are typically the most generous type of pension, compared to just 10% of workers in the private sector.

Most private sector employers have closed their final salary (defined benefit) schemes because they were becoming too expensive as people lived longer. Currently, 13 million private sector workers have no pension provision other than the state pension. The typical private sector worker who has a personal pension pot is only able to save an average of £24,330 by the time they retire, according to the Pensions Policy Institute (PPI), which because of historically low annuity rates means they only receive £3,700 per year in retirement, compared to the average public sector pension of £7,000 p.a.

Angus Hanton, IF Co-founder, comments, "This is not a matter of party politics but a matter of rising longevity, a demographic bulge and successive governments' continued assurances that public sector pensions are affordable, realistic and sustainable. Hutton clearly stated in 2011 that a crisis was on the way. It is here. Younger generations are facing unemployment of more than 1 million, having to pay through the nose for their education, and have little hope of affording homes of their own, yet somehow they will be expected to find £45k per household to fund these unaffordable pensions."

Ed Howker, Co-founder of IF and author of *Jilted Generation*, adds, "This paper shows that the pension prospects of public and private sectors workers are out of whack, and that future taxpayers face the difficult prospect of paying large public sector pension bills of a size and scale which is much larger than they are likely to receive themselves."

IF used a series of Freedom of Information requests to investigate the major unfunded public sector pension schemes – the NHS, the civil service, teachers and the armed forces - in order to illustrate the yawning divide between public sector and private sector pensions and the intergenerational implications of not facing up to their lack of affordability.

The public seem unaware that the UK public sector pension scheme is run like an enormous “Ponzi” scheme, relying on new members coming into the scheme, to pay those further up. There is no “pot of money” being saved in the UK; instead each member’s contributions are used to pay a current retiree’s pension. Any shortfall has to be made up from already overstretched public spending. This explains the outrage from private sector workers who have seen that government workers have been paying 6-12% contributions and receiving pensions worth 36%.

IF calls for the phasing out of public sector final salary schemes, more frequent and transparent publication of pension liabilities, and the ring-fencing of pension contributions in a “funded” public sector pension scheme. In addition, an annual cap of 2% of GDP could be considered (based on the Japanese system). Such action would ensure the sustainability of public sector pension provision for the future and prevent successive governments from raiding the likes of the Royal Mail pension fund. These measures urgently need to be taken if we are to ensure the sustainability of public sector pension provision for the future.

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Note to Editors:

The Hutton Report anticipated that the typical person retiring in 2011 from a professional occupation can now expect to live for 28-30 years.

The average public sector pension of £7,000 is equivalent in cost to a private sector worker having accumulated a personal pension fund worth £140,000 by the time he or she retires. To achieve an annual pension close to the national minimum wage of £12,646 they would need £250,000 saved, and for the average annual salary of £25,900 they would need a pension pot of £518,000.

Average UK earnings of £25,900 taken from 2010 Annual Survey of Hours and Earnings, ONS, 2010.

IF used a combination of Freedom of Information (FOI) requests to government departments and a Parliamentary Question in the House of Commons to find the following figures.

No of public sector retirees collecting in excess of £25k annual pension:	78,186
Number of public sector retirees collecting in excess of £50k annual pension:	12,263
Number of public sector retirees collecting in excess of £100k annual pension:	148

Of those collecting over £50k, doctors dominate with 8,714 (72%) irrespective of private practice work undertaken

NHS official liabilities:	£257.7 billion	Official funds available: None
Civil Service pension liabilities:	£153 billion	Official funds available: None
Teachers pension liabilities:	£192.4 billion	Official funds available: None
Armed Forces pension liabilities:	£120.7 billion	Official funds available: None

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