

PRESS RELEASE
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“A career average scheme is likely to be fairer for public sector employees with different career paths” says Pensions Policy Institute

Currently most public sector employees have defined benefit pensions – with benefits often linked to an employee’s final salary. Lord Hutton of Furness’s Independent Public Service Pensions Commission has today recommended to the Government that in future the structure of the benefits from public sector pensions should be linked to an individual’s average salary over the course of their whole career instead of being linked to their final salary – a career average pension scheme.

Commenting on the publication of Lord Hutton’s final report, Niki Cleal, PPI Director said:

“Until the Government has responded to Lord Hutton’s recommendations and key details of the new public sector pension schemes are determined it isn’t possible to say exactly who will gain and who will lose from a change to a career average pension scheme in the public sector or what the overall cost to the Government will be.”

“However, if the Government accepts Lord Hutton’s recommendation to move to career average pensions for public sector workers in the future, then pensions in the public sector are likely to become fairer because high fliers with fast pay progression will no longer benefit disproportionately from the schemes over employees with slower pay progression.”

“Career average schemes also remove the unfairness that arises in a final salary scheme between scheme members who remain in the scheme for a full career, and those who leave early.”

“Lord Hutton has also recommended that the public sector pension schemes should increase the age at which pension benefits become payable in line with changes to the State Pension Age. If adopted by the Government, this change would mean that in the future most public sector workers will need to work longer than under the current schemes before receiving their public sector pension.”

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Notes for editors

1. The PPI is an independent research organisation, which aims to provide facts and evidence to inform public policy on pensions and retirement provision. Its aim is to improve information and understanding about pensions and retirement provision through research and analysis, discussion and publication. It does not lobby for any particular policy, but works to make the policy debate better informed.
2. In June 2010, the Chancellor invited Lord Hutton of Furness to Chair the Independent Public Service Pensions Commission to undertake a fundamental structural review of public service pension provision and to produce its final report by Budget 2011. The IPSPC has today (10th March 2011) published its final report.
3. The PPI has prepared a technical note which explains the implications of a final salary scheme and a career average scheme with earnings indexation which offer equivalent values of benefit for public sector pension scheme members with different salary progressions and different lengths of service. Please contact John Adams E-mail: john@pensionspolicyinstitute.org.uk or 020 7848 3675 to request a copy of this note.