Further to my recent article about the government's "stealth tax" on low income families as a result of the failure to raise the personal allowance since 2010/11, I would then query the continuing catastrophe of
public sector pensions. The public sector pension scheme was revamped just over a year ago, after tortuous negotiations with the unions and their members (and at a cost of well over £1 million, paid to the consultants Hymans Robertson). Shortly afterwards, it was proclaimed by government spin as a major success story, quite forgetting that it remains "unaffordable, unsustainable, and unfair to the taxpayer" (to quote Lord Hutton's review of equivalent UK schemes). I would add that it now constitutes a desperately sad situation of "pensions apartheid" - dividing the public sector (where 90% of workers will have a final salary pension heavily subsidised by the taxpayer) against the private sector where only 25% now apparently have any form of pension scheme applicable at all.

And in the private sector, a pension is almost certainly unlikely to be a final salary scheme but more probably a defined contributions scheme with significantly lower benefits. Essentially, these are "pension pots" - the contributions saved by the individual and his employer go into the "pot" and are then paid out as an annuity on retirement - but a pension pot of £100,000 currently gains at best an annuity of £5,500 per year - meaning that a "good pension" of (say) £25,000 per year requires savings in a pension pot in excess of £450,000..... and how likely is that for the average wage earner ?

By comparison and currently, public sector employees contribute approx £20 million per year in pension contributions, but take out over £60 million in benefits - the difference of £40 million+ being courtesy of the taxpayer. Having a job in the public sector is now the equivalent of being born with the proverbial silver spoon. Broadly, many public sector worker will pay in two years salary (5% of salary per year over 40 years) in pension contributions, but then benefit to the extent of half salary (index linked, and with some very important other side benefits) after retirement - which is now expected to be the next 25 years or so - a phenomenal rate of return for a very modest investment. Those pensions are reckoned to be worth the equivalent of another 40% on top of already generous government salaries – and the bulk of those pensions is paid for by the taxpayer, 80% of whom have neither the certainty nor generosity of such a pension. Can that really be considered to be affordable, sustainable, and fair to the average taxpayer ?

At the same time, this is creating an inter-generational divide - with a growing percentage of our population going into retirement as a result of ageing, leaving our younger population effectively to pay all the (rapidly increasing) pension bills. The electorate broadly trusts government to make the right decisions for society as a whole, but on public sector pensions, I fear the trust is sadly (and badly) misplaced - it remains an area dominated by the self-interest of those in receipt of these overly generous, under-contributed, and unfair pensions - which clearly includes our elected representatives......