

Public sector pensions - a tarnished reputation?

Every now and again a newspaper gets a bee in its bonnet about public sector pensions, which they often describe as being "gold plated", because of the way in which they are guaranteed.

The fact that they are guaranteed certainly is true - the LGPS has been around since 1922 and in all that time every LGPS pension has been paid in full. Public sector pensions also benefit from the yearly addition of pensions increase which protects them against inflation.

But the press uses the term gold plated, to somehow suggest that the Scheme is over generous, or even some kind of 'free benefit'. Of course as you will know, our scheme isn't free - we are all paying into it as members every month - something the papers omit to mention.

They are also keen on focusing on those that have retired from the top paid jobs, such as chief executives. It is no surprise then that after many years of service these people have large pensions.

They are however in the minority, with the average GMPF retirement pension in 2008/9 being, including pensions increase, the equivalent of £83 a week. So worthwhile, but hardly excessive.

It is true though that final salary schemes (like ours) are on offer less and less in the private sector, but some firms still offer good pension schemes such as Tesco and John Lewis.

Nowadays there are more people than ever in retirement. And it's worth remembering that many of these people will either have never paid into any kind of pension scheme, or will only have very small benefits. As a result they are dependant on the State to support them in retirement. Whereas a good pension scheme like the LGPS provides good benefits for you, as well as providing family benefits for spouses, partners and dependant children. So you could argue that schemes like ours actually reduce the strain on the Government's finances down the line.

GMPF is part of the LGPS - the Local Government Pension Scheme. A key difference between this and the other public sector pension schemes is that we have a pension fund that has been built up over many years, made up of various investments.



But other public sector pension schemes, for example the Civil Service scheme, do not work in this way, as they aren't backed by a fund of investments. Instead, they rely on contributions being paid in by existing staff, plus 'top up payments' from the Government to fund the benefits they pay out.

That's why you may see stories in the press reporting that public sector pensions are going to cost the Government many billions because their pension promises are not matched by a corresponding value of investments. These references are to the *other* public sector schemes, rather than the LGPS, of which you are a member. The principle of the LGPS is that we, and our employers, pay in whilst we are working, so that when we retire, the money is there to pay our pensions.

So the next time you read about enormous public sector pensions to be paid at a staggering future cost to the Government, you can rest assured that your pension is safe and the Fund is building up assets to match future pension promises.