

# Time to grasp the pensions nettle before it's too late

## PRIVATE VIEW



### EDMUND TRUELL

**D**ealing with the current economic crisis and its aftermath will undoubtedly top government's priority list over the coming decade. This will be closely followed by healthcare policy and reform of the pension system in its totality: public sector, corporate provision, private provision and the basic state pension.

As a first step in this process it is essential that we have a national debate around provision for our old age, specifically looking at the levels of systemic risk, how this is distributed and ultimately who bears the cost.

The current reallocation of the financial burden of pensions among government, businesses and individuals, which at best is unplanned, is significantly affecting the future welfare of large chunks of the population.

If there is no coherent strategy, it will inevitably be the taxpayer of the future, our children and grandchildren, who picks up the tab.

Current liabilities are huge. There is a total of approximately £1 trillion of private defined benefit pension liabilities in the UK. According to one recent report, unfunded public sector pension schemes have an accumulated liability of £1.1 trillion. Add in the state pension, defined contribution, local government and other assorted occupational pension liabilities and these numbers mushroom.

The underlying drivers pushing this issue comprise increased longevity, ongoing ad-hoc regulatory changes, economic crisis and more general societal changes, including the ageing of the baby boomers.

Over the past decade, policymakers in many countries have shifted the longevity risk in future pension provision away from the state and on to firms and individuals.

As firms move away from pension provision, this risk is by default pushed down on to the part of the system least able to deal with it – the individual. It is all but certain that this unplanned move will haunt future generations.

Many corporate sponsors of final salary schemes have pension-related problems. In 2007, British companies were putting £33.6bn into their pension schemes to help plug deficits, so it is hardly surprising that companies are looking to offload pension risk.

We cannot afford to brush this under the carpet, nor can we afford to get it wrong. A national debate is the right place to start.

This Government, or the next, needs to grasp the nettle without any further procrastination.

■ Edmund Truell is group chief executive of Pension Corporation