



Research Note 98<sup>1</sup> | 28 November 2011

## Public sector pensions 1: How the number of people drawing pensions will soon overtake the number paying in

On 30 November public sector workers will take part in one of the biggest strikes ever seen in the UK. The walk-out is over pension reform, with unions unwilling to accept changes like increased employee contributions. Failure to reform public sector pensions would be unfair on taxpayers. We have an ageing population and final salary schemes mean taxpayers are funding more expensive deals for much longer. It may even be possible for some public sector retirees to draw a pension for longer than they paid into it. This is why trade unions have made significant reforms to their own schemes, some of which are Government proposals they themselves are fighting.<sup>2</sup>

This note exposes how small the gap is between the number of people paying into unfunded public sector pension schemes ('active members') and the number drawing their pension ('pension recipients'). With the high number of 'deferred members' – those owed a pension but who haven't started drawing it yet, and are not paying into a scheme anymore – this problem is set to get far worse over the years.

The key findings of this research note are:

- For every five active members of unfunded public sector pension schemes, there are four people drawing their pension.
- Already, the amount paid out each year in pensions from these unfunded schemes (£25.9 billion) is considerably more than employee and employer contributions paid in (£21.4 billion).<sup>3</sup> When the number of pension recipients outstrips active members, this shortfall will increase further still. Since 2006-07, the shortfall has increased from £1 billion to £4.5 billion – without reform, this will accelerate even faster.
- Were it not for the NHS, which has a relative young workforce following recent expansion, there would now be more pension recipients than active members in the public sector.
- In Whitehall, the Civil Service pension scheme now has more pension recipients than active members.

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<sup>2</sup> James Kirkup, [Union tells own staff to pay in more for pensions](#), Daily Telegraph, 26 October 2011

<sup>3</sup> HM Treasury, [Public Expenditure Statistical Analyses 2011](#), Annex D

- There are over 1.7 million deferred members of unfunded public sector pension schemes. As more of these members begin drawing their pension, the gap between pension recipients (currently 2.9 million) active members (currently 2.4 million) will close even quicker.

## Unfunded Public sector pension schemes: Number of active members and number of pension recipients

Pension Scheme	Active Members	Pension Recipients	Difference	Deferred Members
Armed Forces	199,239	400,742	-201,503	371,673
Civil Service	574,000	592,000	-18,000	345,000
Firefighters	45,000	36,000	9,000	2,000
NHS	1,320,479	669,060	729,605	560,332
Police	143,626	104,044	39,582	20,086
Teachers	658,351	588,441	69,910	426,496
<b>Total</b>	<b>2,940,695</b>	<b>2,390,317</b>	<b>550,378</b>	<b>1,725,587</b>

### Sources and methodology

- This note was compiled using the individual annual resource accounts (2010-11) of the Teachers, Armed Forces and NHS pension schemes.
- Cabinet Office: Superannuation Resource Accounts 2009-10* was used for the Civil Service figures. The 2010-11 accounts are still not available yet.
- The Police pension scheme does not have aggregated accounts; it is administered locally by individual forces. The figures for the Police pension scheme are sourced from a Parliamentary Question from February 2011. The figures are from 2008.
- The Firefighters pension scheme is also administered locally by individual service. These figures were taken from a 2010 BBC report.
- This note only looks at major unfunded public sector pension schemes. The Local Government Pension Scheme is funded. Unfunded schemes are particularly important for this note because current workers and taxpayers pay for current pensioners.

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