



## **The pension timebomb**

*Final salary pension schemes*

### **Charles Ryan**

"The Final Salary Pension Scheme essentially says that you will retire on two-thirds your final income.

You work for the same company for 40 years and that's what you'll get, two-thirds your final salary."

### **Narrator**

For those who weren't provided with final salary pension schemes through their company, the other option was a Defined Contribution scheme.

### **Jonquil Lowe**

Defined Contribution pension scheme is like building up your own personal pot of savings.

You, as the person building up the pension are bearing lots of risks there, because you don't know how well your pension fund is going to grow and you don't know what the conversion rate will be when you actually reach retirement."

### **Narrator**

By the 80's, this was coming under fire.

The golden age of pensions was about to come to an end.

### **David Blake**

"Round about the 1980's, you had the beginning of a demographic imbalance with the dependency ratio rising - making the state pension unsustainable."

### **Charles Ryan**

"When they introduced the state pension, there was a working population of 20 to 1.

So that's 20 people working for every one person who's retired.

By 2020 that's going to be 2 to 1.

The maths doesn't work."

### **Narrator**

Guided by a political ideology that favoured personal over collective responsibility, pension provision would shift decisively from the State to the individual under the Thatcher Government.

### **Thatcher Pensions Archive**

"There are now some 600,000 more pensioners than there were when we came in."

### **David Blake**

"Thatcher was one of the first politicians to realize the demographic problems.

She said that the only way that we can make the state pension system sustainable is to rebase pensions to prices rather than earnings."

### **Narrator**

Before this link was broken by the Thatcher government, the state pension was equivalent to 26% of average earnings. In 2009 it stood at just 16%.

In the international league table of basic state pensions, the UK has been placed near the bottom of all developed nations.

Many are now forced to continue working past retirement age.

Urmila Barwell and Roberta Whyley are both in their 60's and work in a Manchester nursing home.