

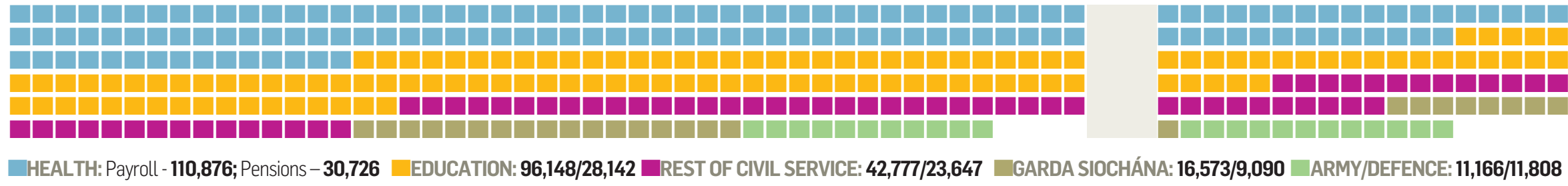
# Opinion & Analysis

## GRAPHIC OF THE WEEK THE RISE OF PUBLIC SERVICE PENSIONS

### PUBLIC SERVICE NUMBERS

On the payroll: 277,540

On the pension books: 103,413



## Only way is up for pension burden

MICHAEL ROSS

**T**HE VOLUMINOUS, closely argued report of the Commission on Public Service Pensions, published 10 years ago this month, forecast an Ireland in which the public service pension bill would quadruple in the 50 years from 1997. In 2012, it said, the country would spend €1.737 billion on public pensions; by 2017 the pension bill would rise to €2.261 billion, on its way to a projected 2047 figure of €3.34 billion.

The commission warned of the demographic bulge in the public service, with numbers reaching retirement age swelling until 2026, and it recommended the establishment of a fund partly to meet the cost of pensions currently paid from the exchequer under the pay-as-you-go system. A funded system, it argued, would not only enhance pension security but would also concentrate the minds of the relevant stakeholders on the real cost of pensions.

The commission based its predictions on benign economic assumptions that turned out to be wrong, notably an assumed annual growth in gross national product of 5 per cent until 2006 and 3 per cent for a decade thereafter. These, along with the demographic factors and the Government's sparing of pensions from budget cuts until now, have yielded a public service pension bill that has soared over the past decade, accelerating over the last couple of years as the pay bill declined.

Whereas the public service pay bill has almost doubled over the past decade, the pension bill has increased almost threefold, from €750 million to €2.23 billion, a figure close to that predicted for 2017 by the pension commission. As a proportion of GNP, as well as in absolute terms, the country is spending significantly more on public service pay and pensions than it did a decade ago, €17.3 billion this year (13.4 per cent of GNP), according to Department of Finance estimates, as opposed to €8.6 billion 10 years ago (9.8 per cent of GNP).

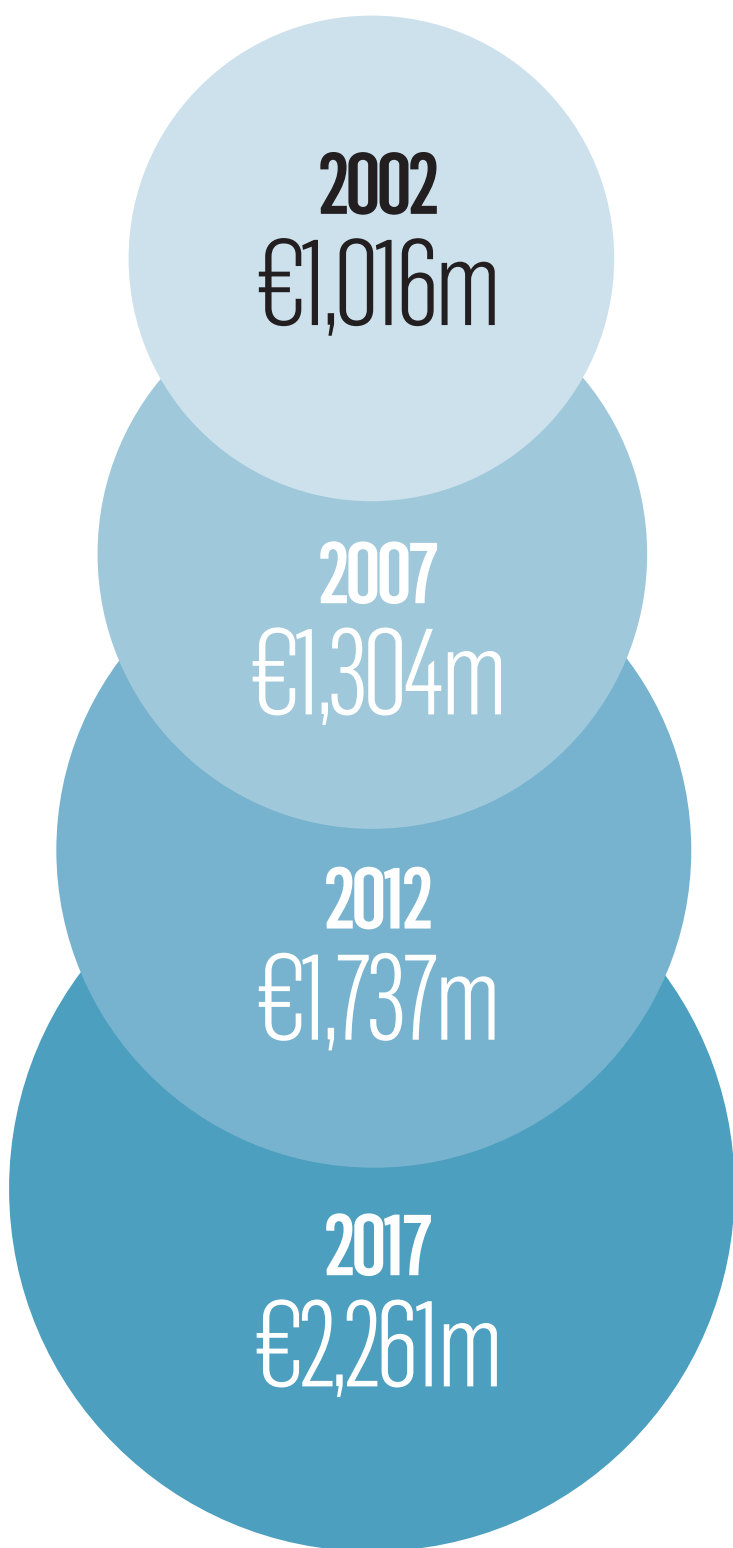
While the pay bill has fallen over the past two years by €2 billion, or 11.7 per cent, due to increased levies and pay cuts, the pension bill has increased by €577 million, or 35 per cent.

Public service pensioners have prospered over the past decade in relation to those still on the public payroll, the average pension increasing by 86 per cent in nominal terms, 36.5 per cent in real terms (inflation-adjusted to the end of 2009), from €11,612 in 2000 to €21,612 this year, while average public sector pay increased 42 per cent nominally but just 4 per cent in real terms, from €38,311 to €54,338 this year.

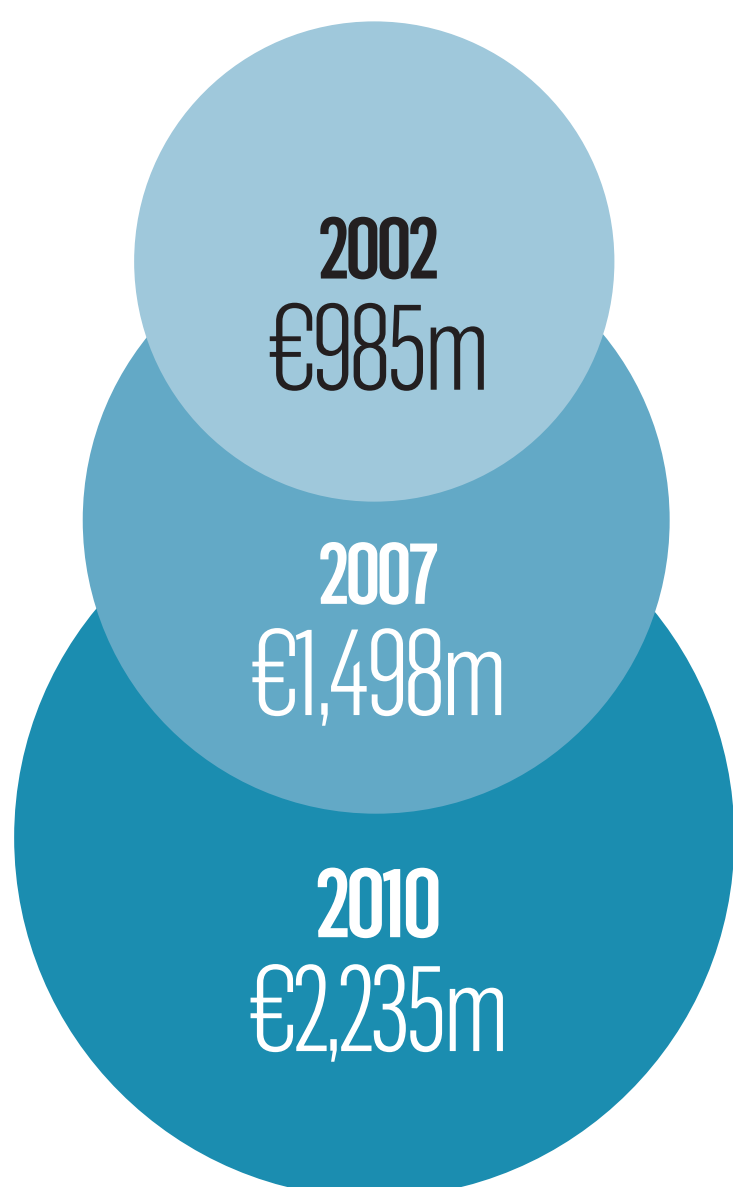
Ireland's demographic bulge has had significant consequences for the pension bill, which early retirement schemes and greater longevity can only accentuate. When the pension commission graphed the public service membership by age profile, its table resembled a python that had swallowed a hippo, with a hump of middle-aged workers due to retire by 2030.

Public service pensioner numbers have risen by 63.7 per cent over past 10 years, 36 per cent over the past four years alone. Public service payroll numbers, by contrast, have risen by 35 per cent in that time, and by 6 per cent over the past four years. As a percentage of the public service pay bill, the pension bill increased from 30.3 per cent in 2000 to 39.7 per cent this year.

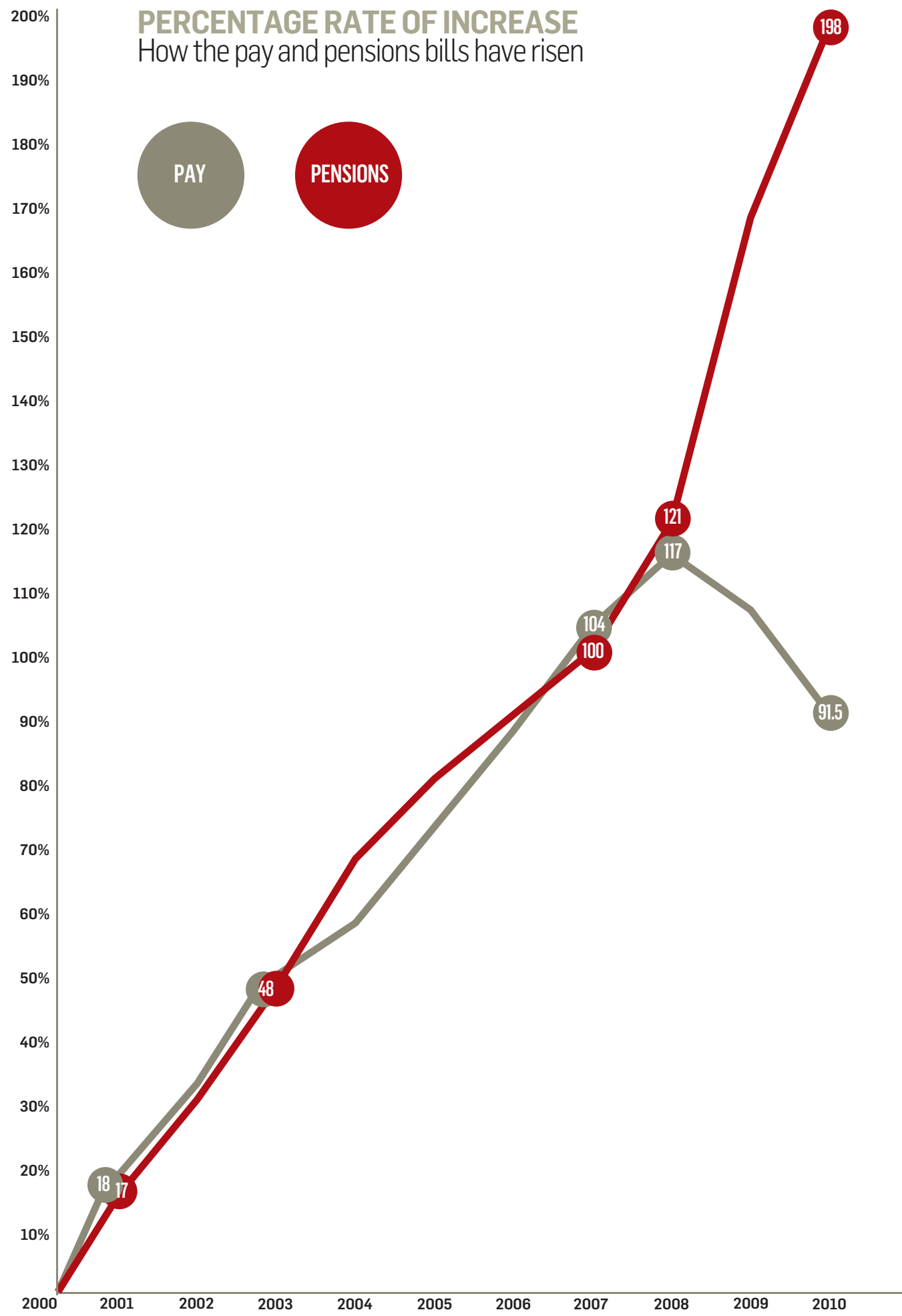
### HOW PUBLIC PENSIONS WERE PREDICTED TO INCREASE ...



### ...AND WHAT ACTUALLY HAPPENED

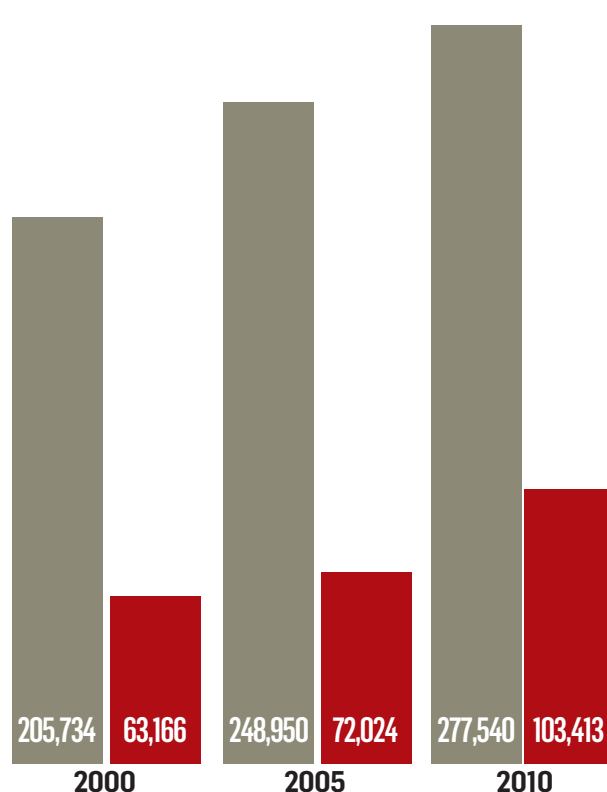


### PERCENTAGE RATE OF INCREASE How the pay and pensions bills have risen



### BY THE NUMBERS

Public service employees & public service pensioners



### AVERAGE PENSION 2010

