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£5.09 of the £145.50 colour TV licence fee we pay goes towards providing the BBC's employees with a pension. The BBC has speculated that this could rise to £14.55 if no action is taken to address their pension scheme's funding issues (Source: *BBC Business*).

The majority of final salary pension schemes are operating with a funding deficit, and the BBC is no different. A combination of woeful investment performance and higher life expectancies for members has made these schemes an expensive retirement solution for an employer. Especially in these economic times where it is diverting much needed resources away from their core business objectives.

It was only 3 months ago that AA Patrol staff proposed a strike after their employer called for a greater burden of the retirement funding to be placed upon the employee. Strike action was subsequently averted.

The BBC recently announced that it would no longer base an employee's pension on their final salary, but instead would use their current salary and increase this at 1% per annum until their retirement age. A percentage that is lower than the increases in national average earnings and inflation.

Those nearing retirement are least affected as the prospects for wage increases are low during an economic downturn.

As an example, if you had a deferred pension of £10,000 per annum in 1990 and this was increased by the retail prices index annually, it would give a projected income of £17,717 per annum in 2010.

Under the new rules, a deferred pension of £10,000 per annum in 1990 would only have increased to £12,202 per annum.

Einstein once said "The most powerful force in the universe is compound interest". The move to introduce a capped interest rate means that members with a lengthy time until retirement may no longer be left with a relatively special pension.

Just under a quarter of the working population in Wales are employed in the public sector. Will the BBC's changes to pension benefits become the overall template for future cuts to public sector pensions?

If you are concerned about any of these issues, it may be worthwhile discussing this article with your own pensions adviser.

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