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## Pensions group says final-salary schemes doomed

By David Smith

FINAL-SALARY pension schemes have "passed the point of no return", according to the Pensions Reform Group (PRG), chaired by Frank Field, the former welfare reform minister.

In a submission to be published this week, it warns that a return to the days when most private-sector schemes provided defined benefits to members "is not a viable policy option".

Even the restoration of advanced corporation tax, abolished by Gordon Brown in his £5billion annual raid on pension funds, would not produce a switch back to final-salary schemes, it says.

The PRG, in a submission to Adair Turner's Pensions Commission, which will report to the government after the general election, said that compulsory pension contributions were the only way to close Britain's savings gap, with 9m people facing an inadequate income in retirement. Turner has said he will consider the question of compulsion before making his recommendations.

The group, which includes Simon Linnett of Rothschilds and former senior Treasury official Sir Steve Robson, rejects the Citizen's Pension proposal thought to be favoured by Alan Johnson, the work and pensions secretary. This would further reduce savings in funded pension provision, it warns.

It also attacks the pension credit championed by Gordon Brown. The cost of the credit will rise to £33billion in today's prices over the next 40 years, it said, while total means-tested support for pensioners will increase to £59billion.

Instead it proposes a universal protected pension (UPP), which would provide a defined benefit of 25% to 30% of average earnings throughout retirement between £125 and £150 a week in today's prices. The UPP would be funded by compulsory contributions of up to 5% of income, although the amount could be much smaller if Britain moved towards a later retirement age.

"It is demonstrably not enough to leave pension provisions to choice," the PRG said. "Many simply do not make rational decisions and many simply cannot afford to provide for themselves. Some element of compulsion ... is essential."

\*David Norgrove, the government's new pensions regulator, has warned he will not stand for companies downgrading the importance of their pensions schemes. In an interview with The Sunday Times, he said he would be monitoring the effect on schemes of mergers, acquisitions and other transactions.

"It's not just about takeovers," he said, "it's about a company borrowing lots of money in a way that pushes the pension scheme down the pecking order."