

The  
SUNDAY POST  
OPINION

## Japan images are a real life horror show

**WHO among us can put their hand on their heart and say they weren't fascinated by the TV footage of the Japanese tsunami?**

And then felt just a little bit guilty?

It's like any horror. You know you should look away, but you can't. Something on this scale is so outwith our normal experience we have to keep watching, just to convince ourselves that it is really happening.

But it is real, not a movie, and that small figure desperately trying to outrun the relentless wave is not an actor. And today is probably not alive.

That's where the guilt comes in — as it should. Because it's the start of the fellow-feeling that means we will respond to calls for help in any way we can, as we always do.

Because a tragedy on this scale affects it all.

### Lorraine is on Page 21



“Child killer Riggi is mad or pure evil”

## Comic legends 75 years young

**1936 was a memorable year. Britain had three kings. Jesse Owens spoiled Hitler's party at the Berlin Olympics.**

And in Dundee, a genius called Watkins created a small boy who sat on a bucket and a family of 10 who lived up a close.

They've had a profound and lasting effect on Scottish life because they tapped into the soul of every Scottish child and every Scottish family.

That's why Oor Wullie and The Broons have lasted 75 years. Happy birthday, ane an' a'.

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By Ros  
Altman

**THESE** are worrying times for those contemplating retirement.

First, influential think tank Chatham House warned that middle class households face a considerable drop in their income on retirement and that there's only a limited window of opportunity for the Government to act.

Then Lord Hutton's report on public sector pensions, which recommended linking public sector pension age to state pension age and a proper cap on costs to the taxpayer led to calls for industrial action by public sector unions.

I fear there is far too much misunderstanding of pensions.

The truth is that under Lord Hutton's proposals public sector pensions would still be generous, even if less so than in the past.

As individuals and as a nation we've been deluding ourselves about the cost of preparing for retirement.

There has been an air of unreality about many of the forecasts made some years ago about how much pensions were going to cost.

That's partly because circumstances have changed and partly because some of the assumptions were unrealistic.

The complexity of pensions and the uncertainty of long-term investing have both conspired to mislead people about what they can expect.

To some extent what we're going through now is a bit of a reality check.

It's not just individuals who find pensions a difficult subject. It's a problem for governments too.

The cost of public sector pensions has risen and even though government tried to make forecasts about what they would be, they were all pretty wide of the mark.

In the past public sector pay was lower than the private sector and this was balanced somewhat by more generous public sector pensions.

However, pay in the public sector is no longer lower than in the private sector. The official figures from the Office of National Statistics show that UK public sector pay is at least five per cent higher than for those in equivalent private sector roles, on top of which they have a pension worth 25 or 30 per cent extra on their salary.

That's something private sector workers generally wouldn't have.

The direction Lord Hutton's proposals are moving in are not nearly as tough as one might have expected.

Hutton's proposals retain the promise of a particular



■ We need to accept that in the future we may have to pay more in to our pensions or even work longer.

level of pension and still shield public sector workers from the kind of investment risks most private sector pensions are exposed to.

Their pensions won't depend on the performance of a pension fund or annuity rates.

They will still receive a defined pension with 100 per cent inflation linking.

“In the past pensions were like magic, you put money in, one day a pension appeared and would be paid as long as you lived”

It may be watered down, but is still unlimited inflation linking with no cap, whereas in the private sector there is a cap on inflation protection — or none at all.

Most of the benefits accrued so far will still be related to workers' actual final salary and in future they will be related to the

average salary over your career, which for many women or lower earners could actually give them more pension than they would have had otherwise.

Say you are a woman in your 20s working in the public sector who takes a break to have a child then comes back to work part-time. There's no credit in your final salary

calculation for the years you worked full-time at a higher salary.

If, as proposed, you have a career average scheme, each of your full-time years will count towards your pension in the end.

Of course, for high flyers and those getting promoted towards the end

of their career, a final salary scheme is much more generous, so they could lose out with this method.

The Treasury now has to decide whether to accept the proposals and discuss the details of how they can be implemented with workers' representatives.

I think it's very wise of Hutton to suggest an independent body to oversee public sector pensions, and it's essential to have a proper cap on pension costs for the future.

The Chatham House report was yet another wake-up call to help people understand that if they want to enjoy a traditional retirement of 25 years or more then that will come at an increasingly high cost as we are living longer.

That means you will have to save more money to enjoy the same kind of pension, or else think about working longer, perhaps part-time.

The report also highlighted that the forecasts you get when you contribute to a pension are only estimates. You can't rely on them and you have to check them periodically to see if they are on track and perhaps put more money in if they are not.

In the past pensions were like some kind of magic, you put money in, one day a pension appeared and would be paid as long as you lived.

People trusted the experts to get it right, but they didn't.

Whether it's individuals or governments, when thinking about pensions we all need to be more flexible.

We have to take the best decisions we can now, but bear in mind that in the future we may have to adjust, whether that's how much we save or how long we work.

■ Ros Altmann is Director General of the Saga Group.