

WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

PUBLIC SECTOR PENSIONS COMMISSION

1. EXECUTIVE SUMMARY

- 1.1. This report informs Members that the Government has created an independent Commission, headed by John Hutton, to undertake a “fundamental, structural review of public service pensions” and consider the case for short-term savings by September 2010 in time for the Government Spending Review.

2. BACKGROUND

- 2.1. The Public Sector Pensions Commission has been tasked with conducting a fundamental structural review of public service pension provision and has been asked to make recommendations to the Chancellor and Chief Secretary on pension arrangements that:

are sustainable and affordable in the long term,
are fair to both the public service workforce and the taxpayer
are consistent with the fiscal challenges ahead,
protect existing scheme members’ accrued rights

- 2.2. A copy of the letter dated 28 June 2010 from the Chair of the Commission John Hutton is attached for information at appendix 1.

- 2.3. In undertaking the review, the Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;
- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes; implementation and transitional arrangements for any recommendations;
- wider Government policy to encourage adequate saving for retirement and longer working lives.

2.4. The Merseyside Pension Fund has been asked by the Secretary to the Independent Public Service Pensions Commission to supply information to assist with the Hutton review. The Pensions Commission has requested both quantitative and descriptive information about the pension scheme.

2.5. The information required falls into five categories with scheme membership broken down by gender, age, and earnings:

- Scheme membership;
- Pensions in payment;
- Scheme rules;
- Financial information; and
- Scheme administration including governance.

2.6. A response to the consultation submitted to the Commission on behalf of the Merseyside Pension Fund is attached at appendix 2. All of the technical information requested by the Pensions Commission has been provided by the Fund.

2.7. As part of the review, the Commission has been invited to produce an interim report by the end of September 2010. This should consider the case for delivering savings on public service pensions within the spending review period – consistent with the Government commitment to protect those on low incomes – to contribute towards the reduction of the structural deficit. The Commission has been invited to produce the final report in time for the Budget 2011.

3. FINANCIAL IMPLICATIONS

3.1. The outcome of the Hutton review is likely to have significant financial implications for all stakeholders in the Local Government Pension Scheme and other public sector pension schemes should the Government accept and act upon the recommendations.

4. STAFFING IMPLICATIONS

4.1. There are no staffing implications.

5. EQUAL OPPORTUNITY/EQUALITY IMPACT ASSESSMENT

5.1. The Pension Commission is required to have regard to equal opportunity implications and equality impact assessment requirements as part of its work.

6. HEALTH IMPACT ASSESSMENT

6.1. Any proposals to reduce the value or scope of benefits available under the occupational pension scheme could have negative impacts upon individuals due to the links between income levels and the incidence of ill health.

7. HUMAN RIGHTS IMPLICATIONS

7.1. There are no human rights implications.

8. COMMUNITY SAFETY IMPLICATIONS

8.1. There are no community safety implications.

9. LOCAL MEMBER SUPPORT IMPLICATIONS

9.1. There are no Member support implications.

10. LOCAL AGENDA 21 IMPLICATIONS.

10.1. There are no agenda 21 implications.

11. PLANNING IMPLICATIONS

11.1. There are no planning implications.

12. BACKGROUND PAPERS

12.1 Letter from the Independent Public Service Pensions Commission – 28 June 2010.

12.2. The submissions made to the Pension Commission by:

- a. Local Government Employers Organisation (LGE) - 30 July 2010
- b. Hymans Robertson LLP Actuaries - July 2010
- c. Audit Commission - July 2010.

13. RECOMMENDATION

13.1 That Members note the report.

IAN COLEMAN
DIRECTOR OF FINANCE.

FNCE/151/10