

WIRRAL COUNCIL
PENSIONS COMMITTEE
29 MARCH 2011

SUBJECT:	PUBLIC SERVICE PENSIONS COMMISSION
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR GEOFFREY WATT
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The report informs Members of the recommendations of the inquiry conducted by Lord Hutton into the future provision of public service pension schemes including the Local Government Pension Scheme.
- 1.2 The objectives of the review undertaken by Lord Hutton were to ensure that pension provision in the public sector was affordable and sustainable in the long term and to identify any short term cost savings.
- 1.3 Provision of the Pensions Administration service by the Council in its role as Administering Authority of the Merseyside Pension Fund under Regulation 30 and Schedule 4 of the LGPS (Administration) Regulations 2008 is a statutory duty.

2.0 RECOMMENDATION

- 2.1 That Members note the report.

3.0 REASON/S FOR RECOMMENDATION

- 3.1 There is a requirement for Members of the Pensions Committee to be kept up to date with legislative developments to carry out their decision making role in order to enable them to make informed decisions.
- 3.2. The Department for Communities and Local Government (DCLG) will be carrying out consultation to determine how the recommendations made in the report should be implemented in respect of the LGPS.

4. BACKGROUND AND KEY ISSUES

4.1. The Commission's final report has 27 recommendations to the Government as regards the future of Public Service Pensions. The headline recommendations are: -

- Any new scheme should be based on career average revalued earnings (CARE) not final salary.
- The normal retirement age should be linked to the State Pension, the exception being uniformed public service schemes which would have a normal pension age of 60.
- For contributing members the revaluation of benefits accrued under the CARE arrangement should be linked to earnings, with price indexation being retained post retirement.
- The Government should honour the existing pension promise maintaining a link to final salary for service accrued up to the introduction of a new scheme.
- The Commission is not proposing a single public service pension scheme, but over time the individual schemes should move to a common framework.
- Schemes should have tiered contribution rates to address the differing characteristics of high and low earners.
- The Local Government Pension Scheme should remain funded. Other major public sector schemes will remain unfunded.
- Every public sector scheme and each individual LGPS Fund should have a properly constituted, trained and competent pension board, with member nominees. Each scheme should also have a national pension policy group for considering major changes to scheme rules.
- Centrally collated comprehensive data, covering all LGPS Funds should be published including Fund comparisons, on such things as assumptions about investment growth and differences in deficit recovery plans.
- Central and local government should monitor the benefits of current co-operative projects within the LGPS, with a view to encouraging the extension of this approach.
- The Government should introduce primary legislation to adopt a new common UK legal framework for public sector schemes.
- It is in principal undesirable for future non-public service workers to have access to public service pension schemes. This relates to separate consultation on the Fair Deal approach to pensions when outsourcing public sector work.

- Consultation on the changes whilst centrally co-ordinated to set cost ceilings and timetables for implementation will require local consultation on details which are scheme specific involving employees and their representatives.
- It should be possible to introduce the new schemes before the end of this Parliament in 2015.

5.0 RELEVANT RISKS

- 5.1 The objectives of the Pensions Commission included ensuring the long term affordability of the benefits provided by the various public sector pension schemes.
- 5.2 Any proposals to reduce the value of pensions provision or to substantially increase employee contribution rates may result in large numbers of existing members opting out and new starters choosing not to join the LGPS. This could accelerate the maturity of the current scheme and result in the scheme becoming cash negative; with greater benefits being paid out than contributions received.
- 5.3. Such a move would also be likely to result in a reduction in the future pension provision made by employees and a potential increase in the demands on state welfare benefits in retirement.
- 5.4 A significant level of opt outs would result in a serious and detrimental impact on the future sustainability and viability of the LGPS.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The Commission considered a range of options for future public sector pensions provision as set out in its letter dated 28 June 2010, the interim report dated 7 October 2010 and the final report dated 10 March 2011.

7.0 CONSULTATION

- 7.1 The Commission has carried out a wide range of consultation with stakeholders over the period since June 2010 including requests for written submissions and a series of round table meetings with different interested parties. The Merseyside Pension Fund has also carried out consultation with scheme employers and members and the results of this consultation were used in drawing up the MPF response to the Pensions Commission.
- 7.2. The Government is expected to consult all interested parties on the recommendations contained in the report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 A number of voluntary organisations are admitted bodies within MPF and, as scheme employers, have been and will be included in any future consultation on proposed changes to the LGPS.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 The changes proposed in the Pensions Commission report are intended to reduce the costs to employers of pension provision.

10.0 LEGAL IMPLICATIONS

10.1 None arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 None arising from this report.

11.2 Equality Impact Assessment (EIA)

(a) Is an EIA required? Yes

12.0 CARBON REDUCTION IMPLICATIONS

12.1 None arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None arising from this report.

FNCE/59/11

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APPENDICES

Merseyside Pension Fund Factsheet 14: The Hutton Report: Questions & Answers

REFERENCE MATERIAL

Public Service Pensions Commission Interim Report – 7 October 2010

Public Service Pensions Commission Final Report – 10 March 2011

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	27 September 2010
Pensions Committee	16 November 2010
Pensions Committee	13 January 2011