

WIRRAL COUNCIL

PENSIONS COMMITTEE

11 JANUARY 2011

REPORT OF THE DIRECTOR OF FINANCE

PUBLIC SERVICE PENSIONS COMMISSION

1. EXECUTIVE SUMMARY

- 1.1. This report informs Members of the submission made by MPF to the Public Service Pensions Commission in response to the call for evidence dated 1 November 2010.

2. BACKGROUND

- 2.1 The Pensions Committee last considered this matter on 16 November 2010 (Minute 29 refers), at which time the interim report produced on 7 October 2010 by the Commission and the invitation to submit further evidence was discussed. As agreed at the last meeting of the Committee a draft submission in response to the Commission's letter of 1 November 2010 was circulated to all Pension Committee Members for comments.
- 2.2 The Public Service Pensions Commission has been tasked with conducting a fundamental review of public service pension provision and has been asked to make recommendations to the Chancellor and Chief Secretary on pension arrangements. The Commission has been invited to produce a final report in time for the Budget 2011.

3. CONSULTATION UNDERTAKEN

- 3.1. MPF circulated details of the invitation to submit evidence for consideration by Lord Hutton in drawing up his final report to all scheme employers. The responses received from a number of scheme employers were taken into account in preparing the response submitted by MPF (Appendix 1 attached).
- 3.2 To obtain scheme members views on a number of questions raised by the Commission MPF also carried out a web-based survey to answer a number of the questions asked by the Commission. Details of the survey were posted on the members and employers websites and an e-mail alert circulated to all those held on the electronic email circulation list.
- 3.3. The survey ran for five working days during which time 1,952 people (4% of the active membership) responded. Details of the responses received are summarised in Appendix 2. MPF received 526 individual comments from members who completed the survey which have been submitted to the Commission as an appendix to the response.

4. FAIR DEAL

- 4.1. The Commission has previously confirmed that it believes that the current pension structures, combined with the requirement to provide comparable pension ("Fair Deal") are a barrier to outsourcing public service provision. The Commission does not appear to accept that the LGPS approach to this by offering admitted body status to contractors provides a long-term, sustainable solution for the public sector. The Commission will address this issue in its final report. The Government is expected to carry out a further separate consultation on the Fair Deal policy.
- 4.2. Following recent speculation that the Government planned to withdraw the Cabinet Office statement of practice on workforce matters, the "Two-Tier Code", in an announcement on 14 December 2010, Cabinet Office Minister, Francis Maude, confirmed that the Code applicable to outsourcing from Central Government (the Code of Practice on Workforce Matters in Public Sector Service Contracts 2003) is to be withdrawn with immediate effect.
- 4.3. Clarification of the position in Local Government (i.e. the possible withdrawal of the Code of Practice on Workforce Matters in Local Authority Service Contracts 2003) is awaited from the Department for Communities and Local Government (DCLG).

5. UNFUNDED PUBLIC SERVICE SCHEMES DISCOUNT RATE CONSULTATION

- 5.1. On 9 December 2010 the Government launched a consultation on the discount rate used to set contribution rates in the unfunded public service pension schemes. The consultation will run until 3 March 2011.

6. NEXT STEPS

- 6.1. The Commission is expected in its final report in March 2011 to set out a broad framework for reform of the public sector pension schemes as a whole but specific proposals for changes to be made to the individual schemes will then be a matter for the relevant stakeholders and Government department (DCLG in respect of the LGPS).

7. FINANCIAL IMPLICATIONS

- 7.1 The outcome of this 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.

8. STAFFING IMPLICATIONS

- 8.1. There are none directly arising from this report.

9. **EQUAL OPPORTUNITY /EQUALITY IMPACT ASSESSMENT**

9.1. There are none arising from this report.

10 **COMMUNITY SAFETY IMPLICATIONS**

10.1 There are none arising from this report.

11 **HUMAN RIGHTS IMPLICATIONS**

11.1 There are none arising from this report.

12 **LOCAL AGENDA 21 IMPLICATIONS**

12.1. There are none arising from this report.

13. **PLANNING IMPLICATIONS**

13.1. There are none arising from this report.

14. **MEMBER SUPPORT IMPLICATIONS**

14.1. There are none arising from this report.

15. **BACKGROUND PAPERS**

15.1. Letter dated 1 November 2010 from the Public Service Pensions Commission

16. **RECOMMENDATION**

16.1 That Members agree the response submitted to the Commission attached at appendix 1.

IAN COLEMAN
DIRECTOR OF FINANCE