

Independent Public Service Pensions Commission

Lord Hutton's second call for evidence, December 2010

To inform its response to Lord Hutton's second call for evidence, Merseyside Pension Fund created an online survey of its membership to gauge "*employee understanding and choice*"

The survey ran for five day's and consisted of a series eight questions.

1a Number of members who responded to the survey **1,952** **4% Fund active membership**

1b Age ranges of members

39 or under	23%
40-49	31%
50-59	36%
60 or over	7%
did not specify	3%

2a Rank in order, the following benefits/attributes of the LGPS

Benefits being based on Final Salary	1st
Being fully index-linked	} 2nd
Tax-free lump sum at retirement	
Death-in-service payment of 3 times pay	4th
Survivors' Pensions	5th

2b Value of LGPS benefits, particularly when making career decisions?

Very valuable to the member	55%	} 87% value the LGPS
Valuable to the member	32%	
Member shows no preference	11%	
of little or no value to the member	2%	

2c In principle, should a full state pension for along with an LGPS pension ensure an adequate level of income in a person's retirement?

Yes	81%
Didn't answer	18%
No	1%

3a Rank your preference in controlling future public sector pension costs?

An increase in how much I contribute towards the pension	1st
Increasing the normal retirement age from 65	2nd
A reduction in the level of benefits payable by the Scheme	3rd

3b Preference for any new pension Scheme to replace the current LGPS

Pension benefits based upon an average of my pay whilst in the scheme, adjusted by inflation [CARE]	15%	
Pension benefits based upon my final years pay for which I would be willing to pay additional contributions [FINAL SALARY]	39%	
Pension benefits based upon my contributions and the investment return on them.	8%	
Ability for me to pick & choose which benefits I want to pay for.. example, no ill health cover, no survivor benefits	21%	17% no answer

3c How would you like your existing pension benefits protected?

Calculated as a deferred or "frozen" pension, linked to pay inflation.	14%	
Calculated as a deferred or "frozen" pension, linked to price inflation.	35%	
An option to transfer benefits into the new scheme by means of an actuarial calculation.	23%	
Other suggestion from the member:	5%	23% no answer

>> The other suggestions from members breakdown into two specific themes:

Deferred pension linked to Final Pay at retirement	36%
The member doesn't understand enough of the possible options to make an informed choice....	64%

The survey also allowed members to submit a narrative under the heading of "*any further comment on the value of an occupational pension...*"

The Fund received **526** individual comments from the members who completed the survey. Attached are some selected comments that summarise the general response, and the full responses are within an appendix - please note that these are verbatim and may not necessarily present the view of the Fund"

Generally the comments followed a select number of themes:

- 1 'they are unhappy that the pension promise is under threat, negating their retirement planning'
- 2 'they chose to work (and stayed) in Local Government on the value of the pension and its integral part of the remuneration package'
- 3 'a good occupational pension is essential as state benefits are inadequate alone - it means less drain on the state in the long term (means tested benefits)'
- 4 'the LGPS is well managed well by trustworthy people, this gives a feeling of future security'
- 5 'young people losing confidence in LGPS and just deciding to not have any occupational pension'

Selected comments from the membership of Merseyside Pension Fund

[2010]

id *"any further comment on the value of an occupational pension..."*

29	I consider the pension as an integral part of the remuneration package and would strongly resist any detrimental changes to benefits because I believe that it would be a false economy in the long term.(i.e.cost more to recruit and retain if pensions get reduced)
30	If my pension is to be reduced or altered to the detriment then the salary difference between what I have earned in the public sector and what I could have earned in the private sector should be paid to me on my retirement.
46	the ease of use of the lccal government pension, the ability to begin contributions as soon as joining local government, as well as the trustworthiness and dedication of the people controlling the funds has been a significant factor in removing one of the main worries of working and being prepared to live after retirement.
47	An occupational pension scheme gives an individual an independant income in their retirement, for a lot of individuals it offers a structured savings plan that they would probably never make if it was left to an individual to choose, plan and organise. At a time when welfare benefits are subject to the political whims of the government of the day it offers an independance for the member of the scheme.
48	I have invested 27 years of my working life paying into a pension fund which has been established on the principle of "Defined benefits". Moreover, this is a "funded" scheme with clearly defined Assets. I have accepted, less than industry standard pay (I work in IT, and the public service IT worker has received considerably less salary than their Private sector Counterpart) because, I have chosen to value my Defined income for my retirement future, more essential than a immediate "gain" of higher pay. In good faith, I have chosen to supplement my contributions, by paying an additional 14% to buy in the maximum allowable years under the scheme. This is because, I have a strong desire to be able to support myself independent of State benefits (except the state OAP for which I have paid) in my old age. If I had known that my agreed benefits would be eroded, at the outset, I would have not chosen to contribute. Younger Generations will be making that decision now. If the security of the occupational pension is removed, then expect less people to take an active role in providing for their old age - and more choosing to relie exclusively on state benefits.
85	higher pay withini my area of work (Architecture) traditionally has been higher in the private sector than public; i chose to work for the PS for the right pension at the end of muy working life, and furthermore provide a profesional service to my community.
89	I believed when I joined the Pension Scheme over 20 years ago That this Pension would make me comfortable in my old age. Over the years this seems less and less likely. The Pension Scheme should not be messed about with and the benefits that you sign up for when you join shold be there as your right.
137	It is unfair for members to contribute during their working life and then find that the goal posts have been moved as they draw nearer to retirement age.
169	This occupational pension is extremely valuable, I think the most important thing about it is the fact it is managed by an organisation I trust to keep my pension safe. It is almost like having a centralised pension service.
188	I think that if adequate pension provision is not safeguarded within the public sector it will invariably impact socially when our members come to take their pension entitlement at the point of retirement, this will have a knock on effect on the taxpayer, and the provision and cost to support social care to those who suffer from poor health as a result of low income. The two are closely linked. The LGPS is fully funded and with the sliding scale of employee contributions currently in force, we make adequate provision as it is. The other unfunded pension schemes such as the TPA their contribution rate is set at 6.4% the principal civil service non contrib, so how is it fair to increase pension contributions accross the board without taking our current rate of contributions into account.
190	I feel that when you sign up to a pension scheme of any kind, a commitment is made made by both parties. I understand that people are living longer, but surely commitments made should be honoured. If any changes are to be made, the current scheme should be closed and a new scheme opened.
221	Occupational pension should allow a comfortable level of income. whereas a state pension should ensure an adequate level of income.

224	My parents are only surviving because of my fathers LGPS pension.Any changes to the entitlements would be devastating. I am dreading the propect of how i will live on my LG pension and state pension.Quality of life, & stanadard of living is being eroded not improved. Future changes will have a detrimental effect to the LG workers like myself who are already being squeezed as a result of economic carnage caused by others who have the luxury of huge pensions & bonus's. They are completely out of touch with those who are struggling.
255	In my opinion this is a key recruitment tool for our organisation.
268	It provides certainty in an uncertain futture
456	The state pension should provide an adequate level of income in retirement - LGPS should be reflect contributions made to it, length of service and other financial benefits it offerred at the time of joining and paying in to such a voluntary pension scheme. In my case I joined this scheme 22 years ago due to the benefits it offerred. These benefits are slowly being withdrawn which is suggesting to me that it has been mis-sold to me and other members alike. No one has compensated me or made any mention of compensations for this other than to change amounts of money paid as a death benefit - what use it this to me? Its money while I am alive (in retirement) that matters!! I joined this scheme to look after me financially over and above the state pension in my retirement.
461	Unlike many other public sector organisations I make a contribution towards my pension, which following the last review was increased. It is my understanding that through prudent investment the Merseyside pension fund is fully financed and well managed. This is one of the reasons why I continue to choose to be employed (at the moment) in Local Government. I value my pension, as I hope it will provide my family and I with sufficient resources to live reasonably in my retirement and feel that despite doing all of the things asked of and imposed on me I am in constant fear that by the time I retire my pension will be of little value when I compare it to the terms and conditions when I originally joined the scheme.
464	I am very concerned about the way pensions have gone and are going. A lot of the problems encountered were due to companies taking advantage of "pension holidays" and not due to individuals milking the system as some would have us believe.
626	I have been with this pension since 1983 when I first started working. During that time I have seen so many people lose their pensions through private pensions going bust, economic downfalls, and the government telling business's to take a 'pension holiday'. Most of the above caused by the Tories. Now in 2010 they are doing the same. It is the low paid workers losing out yet again. People who work hard are penalised time and time again. I bet the MP'S who put these policies into operation make sure that they are all right when it comes to their retirement. It always I'm all right Jack but the rest of us can go to hell.When I retire I know my pension will not be much but it will probably be the difference between poverty & living above the bread line.
684	In relation to the question "In principle, should a full state pension along with an LGPS pension, ensure an adequate level of income in a person's retirement?" Of course it should! Having contributed a four figure sum each year over a period of what will hopefully amount to 40+ years, we have a right to adequate pension provision. WE HAVE PAID FOR IT!! Why should be be penalised or jeopardised in any way, when there are millions in this country who pay nothing for the duration of their working lives, and worse still, those who contribute nothing to society and are too work-shy to get out of bed in the morning. These individuals serve simply to drain the nations resources. This begs the question, "Should they be ensured an adequate level in their retirement?" That's if they bothered to to go out and find work in the first place and didn't retire at 16!
1002	Pensions are unnecessarily confusing and given government and scheme changes over a 50 year working life, a real gamble. As a 30-something I have no idea if the government and economics will ever let me retire (I'm anticipating 70+). Pensions have to be affordable otherwise people opt out and worry about it when it is too late. As a young person should I worry about a pension I may never be able to claim (or won't provide a sufficient income) or just buy property because I need somewhere to live now and can sell it when I get old? It's a tough choice for low-paid people. Occupational pensions do at least remove some of the confusion, as long as your employer looks after it properly it should be one less thing to worry about. I feel the days of compulsory pension scheme membership is not far off - whether you can afford it or not.
1007	It is only fair that people who have worked for most or all of thier life and also paid into a pension scheme can look forward to a decent and relevant income on retirement - otherwise what is the incentive to work/ prepare for that day if in old age you stand to receive the same or similar to those who have not worked through choice or contributed - it is effectively being taxed twice -once while you work and then again in old age if a decent occupational pension is not available.

New-look Local Government Pension Scheme from April 2008

During summer 2006, Merseyside Pension Fund conducted a postal survey to all of the membership in regard the government (DCLG) consultation on a New-look LGPS.

5% of the active membership responded with the following results:

1.1 Four options of future pension arrangement, members were asked to pick a preference.

Scheme A	Final salary 1/80 pension & 3/80 auto lumpsum	59%
Scheme B	Final salary 1/60 pension with 12:1 commutation to lumpsum	25%
Scheme C	Career average with 12:1 commutation to lumpsum	9%
Scheme D	Hybrid, default Career average, pay 3% more for Final Salary	7%

1.2 Would you support an increase in employee contributions for a better benefit package?

Yes	70%
No	30%

1.3 Do you support the introduction of tiered employee contribution rates?

Yes	45%
No	55%

1.4 Do you support the introduction of tiered ill health retirement rules?

Yes	39%
No	61%
