



Councillor Pensions
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Please ask for: Yvonne Caddock

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TAXPAYER-FUNDED PENSIONS FOR COUNCILLORS CONSULTATION RESPONSE

Wirral Council is responsible for the administration of the Merseyside Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils, and over 130 other employers on Merseyside and elsewhere throughout the UK.

I refer to the formal consultation on 'Taxpayer-funded pensions for councillors and other elected local office holders' launched in April 2013. This response is made solely in the Fund's role as the administrator of the LGPS; consequently it is of a 'technical nature' in regards the options presented within the consultation.

As the provision of Councillor Pensions is discretionary within the LGPS, the Fund has ensured that each council has been made aware of this consultation in order for them to consider their preferred option and respond accordingly. Currently four of the councils within Merseyside offer their Councillors access to the LGPS.

MERSEYSIDE MEMBERSHIP STATISTICS

Active Contributors	64
Deferred Pensions	17
Pensions in Payment	13
Survivor/Dependants Pensions	3

OPTION 1 - NO ACCESS TO THE LGPS FROM APRIL 2014

In the event of the Councillors' pension scheme becoming 'closed' on 31 March 2014, Funds will require clear guidance and communication material as to the treatment of existing contributors. A national consistent message should be advised across Funds on how to treat contributing members; for instance, should benefits come into payment automatically for those members who are of an eligible age to receive a pension but remain in elected office?

Recent policy initiatives have encouraged the public to commit to pension savings and take personal responsibility towards providing for retirement. Option 1, would seem contrary to the policy intent of these Government initiatives.

OPTION 2 - 'FRONT BENCH' COUNCILLORS ONLY

It has been clear in political statements and also within related correspondence that the government considers local politicians operating within 'two-tiers'. Specifically, the consultation document references elected Mayors and elected leaders.

From a technical standpoint, the Fund would question the equity of such an arrangement and would anticipate legal challenges to any restrictions to any specific description of a 'Front Bench' Councillor.

Given the transitory nature of some political appointments, a real consideration for scheme administration is the potential increase in trivial pension accruals; as members become eligible and then ineligible for access.

The Fund would also question the affordability of continuing to provide pension provision to such a small cohort of potential members. If this option did become the favoured way forward, it would be sensible to move the 'qualifying' members into the main LGPS 2014 scheme with the necessary regulatory arrangements.

The continuation of a separate Councillor scheme on a massively reduced active membership would be unviable.

OPTION 3 - NO CHANGE [ACCESS PROVIDED ON CONTINUING BASIS]

In the event of councillors retaining their right to remain as members of the LGPS, the Fund consider it essential that the regulations governing their entitlements mirror the benefit structure and definitions as prescribed by the LGPS 2014 Regulations.

In order to protect accrued rights up to April 2014 it is necessary for the transitional regulations to ensure that the current scheme provisions are preserved in respect of the current CARE variant to the LGPS.

Although councillors are not by definition 'employed workers', the time commitment towards civic duties can exceed that of part-time employees within the same employing authority. In addition, allowances received by Councillors are taxable by the Government as earnings via the Pay As You Earn (PAYE) system.

In essence, this will simplify administration of Councillors' pensions and avoid further complexity of administering two Career Average benefit structures.

Given the small number of Councillor Members in relation to the overall employing authority membership, their inclusion into the main Scheme would have a marginal effect on funding positions and employer contribution rates. Furthermore, for simplicity of both administration and communication the Fund would also propose the use of the same member contribution bands as the main Scheme.

CONCLUSION

The Fund's primary objective is to provide valuable pension savings to people providing local public services and would advocate the continuation of Councillor participation in the LGPS.

Councillor participation should be included within the general scope of the 2014 Scheme, including the same member contribution rate bandings – thus bring a closure to the current separate Councillors' scheme. Participation should also be maintained as a 'discretion' of the employing authority in recognition of the Localism agenda.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'Y' followed by the name 'Caddock' in a cursive script.

Yvonne Caddock

Principal Pensions Officer