

**Decision maker:** Full Council - 11 June 2013

**Subject:** Councillor Pensions Consultation

**Report by:** Chief Executive

**Wards affected:** N/A

**Key decision (over £250k):** No

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## 1. Purpose of report and Background

As part of wider public service pension reform, the Government has been considering whether councillors and other directly elected local office holders should continue to have access to the taxpayer-funded Local Government Pension Scheme.

To inform its consideration, the Department for Communities and Local Government is consulting on the proposed changes to the availability of the local government pension scheme to elected members. This report brings the content of the consultation to Members' attention and seeks the Council's views on the options and questions within the consultation document. The three options are set out immediately below and the questions are detailed under 2 (1) to 2(3) within the recommendations.

**Option 1:** No access to the new Local Government Pension Scheme from April 2014 through being directly elected to local office. Thus, councillors, elected mayors, the Mayor of London, and members of the London Assembly would be excluded from active Scheme membership – this is the government's preferred position;

**Option 2:** Two-tier membership - continued access for 'front bench' councillors only. This option could include only elected mayors (including the Mayor of London) and elected leaders or could encompass all those with a special responsibility allowance (including members of the London Assembly) – the government would welcome views on which councillors and elected local office holders should be eligible if this option were to be pursued;

**Option 3:** No change. Access to the taxpayer-funded Local Government Pension Scheme remains for all councillors and elected local office holders on the same basis as at present.

## 2. Recommendations

Council is recommended to make the following response to the consultation:

(1) **Question 1: Taking account of the issues raised in this consultation document and any other considerations, what option do you prefer and why?**

The Consultation Paper on Taxpayer-funded pensions for councillors and other elected local office holders has been considered by councillors at Portsmouth City Council and Council's view is that option 3 with continuing access to the Local Government Pension Scheme (LGPS) is the preferred option for the following reasons:

- Access to the LGPS defined benefit pension scheme for councillors should continue to be available where this has been approved by respective Independent Remuneration Panels. The provision of LGPS benefits is an important factor for councillors who are considering standing for election. In our view, it is a valuable recruitment and retention provision for current and prospective councillors.
- The current levels of allowances for elected public duties do not reflect the level of effort involved in delivering local democracy. Although the levels of councillor's allowances remain with the remit of remuneration panels, with subsequent approval by full council, there is no appetite at a local political level for increases in councillors' allowances. The public sector has been subject to considerable budgeting cutbacks and staff have had no inflationary pay increase since 2009. Further, the recession has had a marked effect on residents. To accept higher levels of allowances would not be popular with the local electorate and staff. Councillors in Portsmouth have therefore exercised similar restraint and where the Remuneration Panel have recommended increases these have been declined. Access to the LGPS provides some form of safety net to improve the overall package available to councillors.
- The consultation paper suggests that councillors could secure alternative pension provision through the personal pension route. This is not supported due to the fact that personal pensions are not defined benefit schemes and provide no employer contributions. Although councillors are viewed as volunteers, it is nevertheless critical that a reasonable level of allowances and recruitment package (including LGPS membership) is offered to ensure the quality of local councillors remains at its current high level.
- Councillors who have elected to join the LGPS regard benefits as an important and planned part of their pension retirement income. With the government increasingly targeting pension provision in retirement, particularly with the introduction of auto enrolment, the government's preferred option to deny LGPS membership to councillors after 01/04/2013 appears to be at odds with government policy.

In coming to this view it is also recognised nationally that there is a need to attract well qualified candidates and councillors, regardless of politics and from a broad cross section of the community and pension arrangements are one element of this.

(2) **Question 2: Do you have any alternative proposals on councillors and other elected office holders access to the Scheme.**

Although the Council considers that continuing membership of the LGPS should be available to existing and newly elected councillors, protection could be offered to enable current scheme members to remain in the LGPS until they leave political office.

If this proposal was adopted, the Council could provide a limited window between now and 1<sup>st</sup> April 2014 for councillors who are not currently scheme members to join. It is believed that providing this option will not significantly increase membership but will protect existing councillor scheme members.

(3) **Question 3: If councillors continue to have access, do you agree with the proposed change in contribution rate? If not, what contribution rate would you recommend?**

Following Lord Hutton's review of public sector pension provision and the general move towards higher pension contributions for scheme members, the level of proposed tiered contributions appears reasonable. This will have virtually no impact on the pension contributions for Portsmouth councillors due to the relatively low allowances that are paid.

**Appendices:**

Department for Communities and Local Government: Consultation on Taxpayer- funded pensions for councillors and other elected local office holders.

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location