



CONSTITUTION COMMITTEE – 12 JUNE 2013

**JOINT REPORT OF THE CHIEF EXECUTIVE AND DIRECTOR OF
CORPORATE RESOURCES**

**GOVERNMENT CONSULTATION PAPER ON PENSIONS FOR
COUNCILLORS**

Purpose

1. The purpose of this report is to draw attention to the publication by the Department of Communities and Local Government of a consultation paper entitled “Taxpayer –Funded Pensions for Councillors and other elected office holders” and to invite the Committee to consider the form of any County Council response.

Background

2. Since 2003, Councillors in England have been eligible to join the Local Government Pension Scheme on the recommendation of the Local Independent Remuneration Panel. The County Council’s own Panel made a recommendation that all eligible members should be offered the opportunity of joining the Pension Scheme and that contributions should be based on both the basic and any special responsibility allowances. That recommendation was supported by the Constitution Committee and subsequently approved by the County Council at its meeting on 26 March 2003.
3. Prior to the recent elections, roughly 50% of the members of the Council had opted to join the Scheme.
4. On 16 April 2013, interested parties to the Local Government Pension Scheme received a communication indicating that consultation on access by councillors and other elected local office holders in the Local Government Pension Scheme 2014 had begun on 10 April. A copy of the consultation paper is attached as Appendix A to this report. The deadline for comments is 5 July 2013.
5. The consultation paper indicates that the Government does not believe as a matter of principle that elected members should have access to a “taxpayer-funded pension scheme designed for employees”. It implies that the cost of pensions of elected members is wholly borne by the taxpayer and fails to recognise that local government pensions are managed through funded schemes.

Options

6. The government has identified three options for consultation as follows:-

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 just 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.

7. The consultation paper poses the following questions:-

Question 1

Taking account of the issues raised in this consultation document and any other considerations, what option do you prefer and why?

Question 2

Do you have any alternative proposals on councillors and other elected office holders access to the Scheme?

Contribution Rates

8. If elected members are to continue to have access to the Scheme, the Government believes that the current flat rate local authority contribution of 6% should be changed to be brought in line with the rest of the Scheme. Current proposals would allow for the following contribution rate:-

<u>Pensionable Allowance Range</u>	<u>Contribution Rate</u>
Up to £21,000	6%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
£150,001 or more	12.5%

9. The Government is seeking answers to the following question:-

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?

10. It is suggested that an appropriate response to this particular question is that in the future any pension scheme arrangements for elected members should be absorbed with the new 2014 main Local Government Pension Scheme with the contribution bandings which apply to that Scheme. At the moment, councillor pensions are covered by a separate annexe to the Scheme.

Comment

11. The Councillors' Commission which was established inter alia to seek ways of encouraging able qualified and representative people to put themselves forward for election as councillors, reported in 2007 making the following comments:-

"The main advantage of the scheme for councillors is that it offers a predictable benefit guaranteed by the Council. It needs no set up costs and only marginal administrative costs, as the Scheme is already in place for Local Government employees."

"Granting access to the Scheme is intended to remove one more barrier to service as a councillor. Councillors of working age may lose pension rights in respect of their employment, either by working part-time or by loss of promotion prospects. Access to the Scheme can make good this loss. It is argued that service as a councillor ought not to impose any further financial

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disadvantage. If a substantial part of their working time is devoted to council duties at the expenses of their job or promotion prospects, then it seems reasonable that they should be able to treat their allowances as pensionable.

Because of the age profile of councillors, many councillors decline membership of the Scheme; they already have their own provision for

pensions. Those who envisage a short term of membership might not believe it worthwhile. The relative inflexibility of the Local Government Pension Scheme may also be a problem. It might be more attractive to enable councillors to have access to an employer's or private pension scheme without loss of the Council's contribution.

The Commission received evidence supporting automatic access to the Local Government Pension Scheme, as is the position in Scotland. In Wales, the National Assembly has allowed all councils to decide whether to allow councillors access to the Scheme. In its submission to the commission, the Local Government Information Unit argued that pension schemes should be obligatory. Given that many councillors already receive a pension this does not seem sensible. Councillors should be able to opt out of entry to a pension scheme. However, there is certainly a case for all councillors to have access to a pension scheme if they wish to join one, having regard to the desirability of widening the representativeness of membership of councils.

Given the intention to make service as a councillor attractive to a wider selection of people, it does seem unnecessarily restrictive to confine councillors to the Local Government Pension Scheme. It should be possible for them to opt out of the Local Government Scheme, should they so wish, and make additional contributions into their employers' schemes or to contribute to their own private pension plan without losing the benefit of the employers' contribution".

12. This is in marked contrast to the Government's proposals which also seem to lack consistency with its action on the auto-enrolment of people generally into pension schemes.
13. It is open to all interested parties to make representations on this matter. Indeed the Leader of the Conservative Group has already done so on behalf of that Group, in the following terms:-
 - strongly objecting to the misleading way in which the consultation paper has presented the position;
 - expressing concern that the paper fails to recognise the increasingly complex and demanding landscape in which councillors have to operate, pointing to a more rather than less professional approach being required to fulfil the role of a councillor;
 - criticising the Government for continuing to undervalue Local Government and those who serve at grass roots level;
 - expressing support for Option 3, namely that the current system should not be changed.

Views of Leicestershire County Council's Independent Remuneration Panel

14. The Government's Consultation Paper has been drawn to the attention of the Council's Independent Remuneration Panel and the Panel invited to express its opinion. Members of the Panel responded that they remained united in their belief that it is entirely fair and reasonable for members' allowances to be treated as pensionable. The Panel asked that the County Council be advised accordingly.

Recommendations

15. The Committee is recommended to determine how the County Council should respond to the consultation paper.

Background Papers

16. Consultation Paper. Taxpayer-Funded Pensions for Councillors and other Elected Local Office Holders (see Appendix A attached).

Councillors Commission Report on Members' Remuneration, Models, Issues, Incentives and Barriers, December 2007 (Department of Communities and Local Government).

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