



Department for
Communities and
Local Government

Taxpayer-funded pensions for councillors and other elected local office holders

Government response to the Consultation

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Introduction

1. On 19 December 2012, the Local Government Minister Brandon Lewis, made a Written Ministerial Statement to Parliament, setting out government proposals to limit access by councillors and other locally elected officers to the Local Government Pension Scheme in England from April 2014. This, the Minister argued, would strengthen the integrity and independence of councils and councillors, and ensure value for money for local taxpayers.
2. On 10 April 2013, the Department for Communities and Local Government published *Taxpayer-funded pensions for councillors and other elected local office holders*, which set out reform proposals on a range of options on councillors' access to the Scheme and sought views on the way forward. The consultation formed part of the process of wider reform of the Scheme to ensure long-term affordability, sustainability and fairness for both members and taxpayers.
3. The consultation laid out three options on access to the Scheme, requesting respondents gave a preferred choice and asking if they had alternative suggestions. The consultation also asked for views on contribution rates that should apply to any persons that remain active members of the Scheme.
4. In addition, the consultation requested evidence whether withdrawal of continued access to the Scheme would cause hardship to individual cases and whether anything could or should be done to mitigate this.
5. The consultation closed on 5 July 2013. A copy of the paper can be found at: <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/local-government-pensions>
6. This document summarises the responses to the consultation and sets out the next steps on access to the Scheme.

Overview of the responses received

7. The consultation received 687 responses. Not all respondents answered every question and in a number of cases responses did not fit neatly to particular questions and required some interpretation. Respondents expressed a wide range of views, from strong opposition to enthusiastic support for the proposals.
8. 82 per cent (566) of responses were from councillors; 8 per cent (55) were from councils. The final 10 per cent (66) of responses were mainly made up from representative bodies, pension funds, pension committees and panels, and members of the public.
9. The breakdown of respondents can be found in the table below, grouped in accordance to type. The group 'Other' includes responses that did not easily fit into one of the other categories.

Origin of response	Total
Councillors	566
Councils	55
Councillor Groups and Councillor Representative Bodies	17
Pension Funds	11
Pension Committees and Independent Remuneration Panels	11
Other Representative Bodies	4
Trade Unions	2
MPs and Peers	6
Members of the Public	11
Other	4
Total	687

10. The consultation sought responses to three questions. The first question invited respondents to choose from three given options with regard to councillor access to the Local Government Pension Scheme: no access, a two-tier model and no change. The second question asked for alternative proposals. Lastly, the consultation asked whether respondents agreed with the proposed contribution rates for any councillors or locally elected office holders remaining in the Scheme.

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

11. 646 respondents indicated a preferred option. Of those who specified a choice, 566 (87 per cent) preferred to keep access the same, 75 (12 per cent) wanted to end access and 5 (1 per cent) chose a two tier model.
12. The following table breaks down the results by group. 83 per cent of councillors and 78 per cent of councils preferred to keep access as the same. 12 per cent of councillors and 13 per cent of councils were in favour of ending access. 54 per cent

of members of the public preferred to keep access as the same; 27 per cent supported change. All councillor groups, representative bodies and trade unions were in favour of no change.

Type / Option	No Access	Two-tier model	No Change	Did not state preference	Total
Councillors	66	1	472	27	566
Councils	7	3	43	2	55
Councillor Groups and Councillor Representative Bodies	-	-	17	-	17
Pension Funds	-	-	7	4	11
Pension Committees and Independent Remuneration Panels	-	-	9	2	11
Other Representative Bodies	-	-	4	-	4
Trade Unions	-	-	2	-	2
MPs and Peers	-	-	3	3	6
Members of the Public	2	1	6	2	11
Other	-	-	3	1	4
Total	75	5	566	41	687

13. The majority of respondents made further comment on the reasons behind their choice:

- 39 per cent of all respondents felt that the role of councillor had changed and had become more time consuming with greater responsibilities. The majority of these responses gave some indication that being a councillor had limited the time they could spend in paid employment and had impacted on their resulting income and private pension
- 13 per cent of all responses claimed that taking time off from other employment damaged their career prospects and limited promotion opportunities
- one fifth of all respondents highlighted that councillors pay tax and NI on their allowances and therefore believed they should be classed as 'employees' and receive a pension. A number of those commented that councillors should be included in the auto enrolment process where employees are automatically enrolled into a workplace pension
- 31 respondents were directly opposed to the creation of a two-tier model on councillor access; stating that it would be divisive and create a perception of a two-tier regime in local government. Some claimed that a two-tier model will impact

negatively on backbenchers and that councillors may compete for front bench roles only for financial gain

- 12 per cent of all respondents claimed that the proposed reform contradicts current Government policy encouraging everyone to invest in their retirement
- two fifths of all respondents were concerned with the lack of high calibre, diverse, young talent coming forward to be councillors. A number commented that ending access to the Scheme will limit councillors to those already retired
- 12 respondents asserted that women will be disproportionately affected by any reform as they were less likely to have built up a private pension
- 42 per cent of all respondents made a direct comparison with MPs' pensions, claiming all elected representatives should be treated the same. Some also argued that police and crime commissioners should not be treated differently
- 22 respondents highlighted that councillors also make contributions towards the Scheme and that the pension is not entirely funded by taxpayers
- 10 respondents stressed that councillors are not employees but are volunteers
- 4 respondents commented that continued membership of the Scheme will contribute to a public belief that locally elected representatives are motivated by money rather than public service
- 2 respondents commented that it was morally wrong for taxpayers to have to contribute to pensions for councillors.

Question 2: Do you have any alternative proposals on councillors' and other elected office holders' access to the scheme?

14. 13 per cent (91) of respondents addressed this question. The suggested alternatives included:

- pensions should only be eligible for those who work a certain number of hours
- independent remuneration panels should make the final decision on whether local councillors should receive a pension , independent of the local council
- councillors should have a bespoke pension scheme or join the MPs' pension scheme
- the retirement age for councillors should be reduced from 75 down to state retirement age or councillors should only be allowed to contribute until the state retirement age
- keep access for existing members but end the scheme for new entrants
- councillors should be auto-enrolled

- set a minimum starting allowance before being able to join, a suggested figure was £8,000
- cap the ability of very high earners to contribute
- to save on administration costs allow councillors to be part of the main scheme
- limit access to those who are not contributing to another occupational scheme
- allow access to those who hold defined positions, i.e. mayors, leaders, executive members or chairs of statutory committees
- allow access to members of fire authorities who are currently exempt
- allow access to the Mayor of London and members of the London Assembly
- all councillors should have access; the decision should not be dependent on the local council or the independent remuneration panel
- police and crime commissioners should also be excluded
- councillors should retain access until the next local election.

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?

15. The consultation proposed that councillor contributions be brought in line with the rest of the Scheme with a floor limit of 6 per cent. The proposals for the new Scheme would allow for the following councillor contribution rate:

<i>Pensionable allowance range</i>	<i>Contribution rate</i>
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%

16. Just under a quarter of respondents (166) answered this question. Of those who responded, 71 per cent were in favour of the contribution rates proposed, 9 per cent disagreed and 20 per cent proposed alternatives.

17. The proposed alternatives included:

- councillor pensions should only have personal contributions and no contributions or fixed contributions from the employer

- personal contributions should be higher than the proposals, a suggested figure is 9 per cent
- the proposed contribution rate is accepted as long as benefits align with the main Scheme
- councillor contribution rate should be a fixed percentage of allowance and not tiered
- the contribution rate should be in line with the rest of the members and not have a starting floor of 6 per cent.

In addition to these three questions, the Government requested any evidence to assist the consideration of whether withdrawal of continued access to the Scheme will cause hardship in any individual cases and whether anything could or should be done to mitigate this.

18. 22 per cent of respondents referred to financial hardships they or other councillors incurred or might incur in the future. These respondents indicated that reducing work hours from their main employment not only reduced their income significantly but also reduced their workplace pension contributions. Many of these respondents expected to be compensated for this by retaining access to the Local Government Pension Scheme.
19. 11 respondents stated that the Local Government Pension Scheme was their only private pension, hence removing access to the Scheme would cause them hardship.
20. One respondent asserted that they would have no pension as they have not been contributing to the state pension or any other pension.

Government response

After consideration of all responses to the consultation, the Government has decided to proceed to exclude membership in England of new councillors and other elected local office holders in the new Local Government Pension Scheme, which comes into effect on 1 April 2014. For existing members of the current Scheme, membership will be protected until the end of the term of office which members are serving on 1st April 2014.

In deciding to exclude any new membership from 1 April 2014, the Government recognises the strength of feeling from individual councillors and other elected local office holders who have been eligible to join the Local Government Pension Scheme on the recommendation of local independent remuneration panels since 2003. However, the Government remains firmly of the view that councillors are not full-time politicians or salaried town hall staff, and that continuing membership of the Local Government Pension Scheme would only serve to exacerbate the blurring between elected volunteers and paid employees. The Mayor of London and members of the London Assembly are in a different position by being paid a salary, but as a matter of principle, the Government's position remains that membership of the taxpayer funded Local Government Pension Scheme should extend to paid employees only.

In reaching this decision, the Government does not believe, as some have argued, that councillors are employed by local authorities or that they are workers or part-time workers. The Government therefore remains of the view that taxpayers, via the Local Government Pension Scheme, should not be funding pensions for councillors or other elected local office-holders.

A proportion of those who responded to the consultation (22 per cent) claimed that the withdrawal of access to the Scheme would cause financial hardship. It is certainly the case that the Government had proposed to withdraw access on the basis that some other form of pension provision would be available. The Government therefore remains of the view that closing off access to the new Scheme for councillors and other elected local office-holders would not put their long term pension plans at risk. However, in recognising that time may be needed to make alternative provision, the Government will take steps to ensure that access for existing members can continue until the end of the term of office which members are serving on 1 April 2014.

In agreeing to bring forward this limited transitional protection into the new Scheme, the Government has decided that it would be inappropriate to bring forward at the same time, the proposal to replace the existing flat rate of 6 per cent with a tiered tariff based on the level of allowances received.

Based on membership numbers, average employer contribution rates and level of allowances, it is estimated that this change will save local government in the region of £7 million per annum in employer contributions.

The Government wishes to make it clear that this decision relates only to councillors and other elected local office-holders in England. It does not apply to police and crime commissioners or to councillors in Wales.

Next steps

The Government will shortly be introducing the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, which will include provision for removing access in England for councillors and other elected office-holders from April 2014 and introducing transitional protection for members in the current Scheme for the term of office which members are serving on 1 April 2014. It is expected that these Regulations will come into force on 1 April 2014.

These Regulations will also amend the Local Government Pension Scheme Regulations 2013 (SI 2013 No 2356) to remove access to the new Scheme for the Mayor of London and members of the London Assembly after April 2014, subject to the transitional protection described above.

We will be consulting on the technical amendments to regulations relating to the switch from the current scheme to the reformed 2014 scheme. The Government will also be consulting on the status of Welsh councillors in the Scheme.