

**Decision Maker:**        **General Purposes and Licensing Committee**

**Date:**                    **27<sup>th</sup> July 2011**

**Decision Type:**        Non-Urgent                    Non-Executive                    Non-Key

**Title:**                    **REFERENCE FROM THE PENSIONS INVESTMENT SUB  
COMMITTEE**

**Contact Officer:**        Keith Pringle, Democratic Services Officer  
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**Chief Officer:**         Mark Bowen, Director of Resources

**Ward:**                    N/A

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1. Reason for report

1.1 This report highlights a reference from the Pensions Investment Sub Committee made at their meeting on 10<sup>th</sup> May 2011 (see paragraph 3.3 below). The Sub-Committee considered a report on changes that would have an impact on the pension fund, and requested that this Committee, or Executive and Resources PDS Committee, as appropriate, consider the overall impact on the pension scheme of any high earning staff wishing to take early retirement.

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2. **RECOMMENDATION**

2.1 **The Committee is asked to consider the reference and to indicate how it wishes to take the matter forward.**

### Corporate Policy

1. Policy Status: N/A.
  2. BBB Priority: Excellent Council.
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### Financial

1. Cost of proposal: No cost . See attached reference report.
  2. Ongoing costs: N/A.
  3. Budget head/performance centre: Democratic Services
  4. Total current budget for this head: £344,054
  5. Source of funding: Existing 2011/12 budget
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### Staff

1. Number of staff (current and additional): There are 10 posts (9.22 fte) in the Democratic Services Team
  2. If from existing staff resources, number of staff hours: Production of a report such as this can take up to a few hours
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### Legal

1. Legal Requirement: No statutory requirement or Government guidance.
  2. Call-in: Call-in is not applicable.
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of General Purposes and Licensing Committee Members.
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: N/A

### 3. COMMENTARY

- 3.1 At the Pensions Investment Sub Committee meeting on 10<sup>th</sup> May 2011 Members considered a general update report which included a summary of key changes arising from the Hutton Commission and their impact on the Council's Pension Fund.
- 3.2 During discussion Members considered possible affects that the proposed changes might have for younger staff and for both lower and higher paid staff. For the latter it was "*suggested that Human Resources consult confidentially with high earning staff so that an overall position on early retirement could be obtained which could affect succession planning*".
- 3.3 The resolution to the minute of discussion stated that:
- "(1) the report be noted; and*
- (2) the General Purposes and Licensing Committee or the Executive and Resources PDS Committee, as appropriate, consider the overall impact of any high earning staff wishing to take early retirement."*
- 3.4 The relevant minute from the meeting is attached at **Appendix A** and the general update report is at **Appendix B**. Members are asked to consider how they wish to take the reference forward.

#### Comments from the Assistant Chief Executive (Human Resources) and the Pensions Monitoring Officer

- 3.5 In commenting on the reference, the Assistant Chief Executive (Human Resources) has referred to the proposed pension scheme changes giving rise to industrial action and national coordinated strikes. Within the next five years there are 375 employees due to reach age 60 and 214 employees due to reach age 65.
- 3.6 The Pensions Monitoring Officer has also commented. She explained that numbers of potential opt outs are not available and the number who would opt out when contributions rise is not known. At present it was anecdotal evidence from employees in saying they would opt out due to pay freezes, higher contributions etc. There have been a few opt outs recently - some saying that they would opt in again when their financial position improves. There have been no firm proposals from the Government on contribution rates other than various policy discussion papers. However, at the Local Government Association (LGA) Conference on 28th June, the Prime Minister acknowledged that the Local Government Pension Scheme was different from other public sector pension schemes as it is a funded scheme and consequently there would be more in-depth discussion with the local government unions and the TUC about taking this into account.

<b>Non-Applicable Sections:</b>	Policy, Financial, Legal and Personnel
Background Documents: (Access via Contact Officer)	Report RES11009 to Pensions Investment Sub-Committee, 10 <sup>th</sup> May 2011 entitled "General Update".

Relevant extract from the minutes of the Pensions Investment Sub Committee meeting held on 10<sup>th</sup> May 2011

### **42. GENERAL UPDATE Report RES11009**

A general update was provided on changes that will impact on the Pension Fund and Council finances including: (1) those arising from the commission headed by John Hutton into public sector pensions; (2) plans to change the state pension scheme; and (3) the introduction of legislation to restrict pension tax relief for individuals.

Concerning the Hutton recommendations and introduction – possibly this summer - of legislation to implement them, Councillor Stephen Wells enquired whether sufficient detail would be available to make budgetary decisions. The Director of Finance indicated that costs of the proposals would be known by the end of the summer and budgeted for 2012/13.

Councillor Wells was concerned that staff could opt out of the Local Government Pension Scheme particularly at the lower end of salary scales; a scenario was also suggested where a number of high earning staff might wish to retire early. Councillor Wells asked whether it was possible to predict the impact of proposals for staff. The Director of Finance indicated that any fall-out was unknown; in the longer term if sufficient pension savers were lost it would not be advisable to opt for high risks and the viability of the fund could be affected.

The Vice-Chairman suggested there might be a temptation for younger people not to save for a pension preferring instead to have the money now. To help prevent lower paid staff opting out of the Scheme the Chairman felt that it was necessary to emphasise contributions by the employer; it was also necessary to advise young people on the relevance of saving for a pension. Councillor Grainger felt that a defined contribution scheme was easier to “sell” to younger people. Councillor Grainger also suggested that Human Resources consult confidentially with high earning staff so that an overall position on early retirement could be obtained which could affect succession planning. This was agreed and it was **RESOLVED that:**

**(1) the report be noted; and**

**(2) the General Purposes and Licensing Committee or the Executive and Resources PDS Committee, as appropriate, consider the overall impact of any high earning staff wishing to take early retirement.**