

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel
Date:	17 April 2011
Title:	Hutton Independent Public Service Pensions Commission review of public sector pensions
Reference:	3009
Report From:	County Treasurer

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1. Executive Summary

1.1 The purpose of this paper is to update the Panel on the progress of the Hutton Independent Public Service Pensions Commission's review of public sector pensions.

2. Hutton review of public sector pensions

2.1. Lord Hutton published an interim report into public sector pensions in October 2010, and the final report was published on 10 March 2011. The Government has accepted the recommendations in the report as a basis for consultation, and a full Government response is expected to be published later this year, in autumn 2011.

2.2. A summary report from the Fund's actuary, Aon Hewitt, was circulated to Panel members in March 2011, detailing the recommendations of the report, and highlighted the potential impact on the Local Government Pension Scheme. The Local Government Employers group wrote a letter on 20 May 2011 responding to the final report. Both the Aon Hewitt report and the Local Government Employers letter are attached to this report for information.

2.3. Key recommendations of the report were as follows:

- Existing final salary public service pension schemes should be replaced by new schemes, where an employee's pension entitlement is still linked to their salary (a "defined benefit scheme") but is related to their career average earnings, with appropriate adjustments in earlier years so that benefits maintain their value.

- That it should be possible to introduce these new schemes before the end of this Parliament, in 2015, while allowing a longer transition, where needed, for groups such as the armed forces and police.
 - Linking Normal Pension Age (NPA) in most public service pension schemes to the State Pension Age;
 - Introducing a Normal Pension Age of 60 for those members of the uniformed services – armed forces, police and firefighters – who currently have a NPA of less than 60;
 - Setting a clear cost ceiling for public service pension schemes – the proportion of pensionable pay that taxpayers will contribute to employees' pensions – with automatic stabilisers to keep future costs under more effective control;
 - Honouring, in full, the pension promises that have been earned by scheme members (their “accrued rights”) and maintaining the final salary link for past service for current members;
 - Introducing more independent oversight and much stronger governance of all public service pension schemes;
 - Encouraging greater member involvement in consultations about the setting up of new schemes, and in the running of schemes; and
 - Overhauling the current legal framework for public service pensions to make it simpler.
- 2.4. There was no specific recommendation for merging funds, or for regionalisation, but the report encouraged joint cooperation and sharing services, and suggested that this approach could be extended if appropriate.
- 2.5. This matter will be reported further to the Panel later in the year once the Government response has been published. No action is currently required at this stage.

3. Recommendation

- 3.1. That the Panel note the report.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because actions are required to continue the appropriate investment of the Hampshire Pension Fund’s alternative investments portfolio.

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.