

Response of the Joint Advisory Group and Investment Advisory Panel of the West Yorkshire Pension Fund to the Consultation on Taxpayer Funded Pensions for Councillors and other Elected Local Office Holders.

1. Background

- 1.1 This document has been prepared in response to the consultation issued by DCLG on 11 April 2013. In accordance with the request set out in paragraph 1.1 of the consultation, this document comments on paragraph 1.6 of the consultation document, as well as addressing the consultation questions.
- 1.2 In paragraph 1.6 the consultation informs consultees that Ministers have stated that councillors are not full time politicians. While in many cases this will indeed be true, this is not the universal position. There are many senior councillors in large councils who have significant responsibilities for budgets of many millions of tax payers' money, and therefore to discharge their duty to the tax payers who elected them find themselves as full time politicians. The continuing transfer of functions from central to local government, the most recent being public health, adds to these responsibilities. In drawing their conclusions from this consultation Ministers must take this into account.

2. Option 1

- 2.1 Councillors' allowances amount to quasi salaries, as HMRC insist that they are processed through the 'Pay as You Earn' system, and are subject to both national insurance and taxation deductions. Even if not deemed to be salary, they are there to compensate Councillors for loss of their normal income, which in turn means they lose the ability to make contributions to their current pension arrangement, and specifically will lose the employers' contribution (an element that will have to rise over the next few years in accordance with legislation, progressively increasing this loss).
- 2.2 Councillors in large councils with significant Public Health, Social Services and Education responsibilities are likely to find that they are required to commit significant time to their duties, and may find that their allowances become their only source of income.
- 2.3 It is government policy (and common sense) that all individuals make proper provision for their retirement, and do not rely on the (future) tax payer funded benefits for their retirement years. In fact, to allow councillors not to make proper provision for their retirement would not

only be against stated Government Policy it would also be a transfer of that pension liability from current tax payers, who benefit from their efforts, to future tax payers who will not derive any benefits at that time.

3. Option 2

- 3.1 This option is fundamentally unacceptable, as it is likely to be challenged under various equal rights laws, both UK and European.

4. Option 3

- 4.1 This is the preferred option, as it addresses all the concerns raised in paragraphs 2.1 to 2.3, but the contribution rates should be based on the same rising table as is applied to all members of the scheme, as amended from time to time, to ensure that councillor members pay their full share of the cost of the benefits that accrue to them.
- 4.2 This is the only option which fully addresses the Government's pensions policy and equality issues. By including councillor members on the common contribution table it also ensures that costs will be fairly shared in future as circumstances change.