

CYNGOR SIR POWYS COUNTY COUNCIL.

**Pensions and Investment Committee
25th November 2010**

REPORT BY: Strategic Director, Finance & Infrastructure

SUBJECT: Comprehensive Spending Review

REPORT FOR: Information

- 1 Members will be aware that the Chancellor made reference to pensions in the Comprehensive Spending Review published by the Government on 21st October 2010.
- 2 As a result of increasing longevity and demographic change the Government will speed up the pace of State Pension Age equalisation for women from April 2016 so that Women's State Pension Age reaches 65 in November 2018. The State Pension Age will then increase to 66 for both men and women from December 2018 to April 2020. Following the faster increase to 66, the Government is also considering future increases to the State Pension Age to manage the ongoing challenges posed by increasing longevity, and will bring forward proposals in due course. In addition, the Government will improve the quality and access to pensions in the Spending Review period.
- 3 The Spending Review also accepts the interim findings of the Hutton Commission. The Commission's report highlights the importance of providing good quality pensions to public servants, rejects a race to the bottom in pension provision, but concludes that there is a clear rationale for public servants to make a greater contribution if their pensions are to remain fair to taxpayers and employees, and affordable for the country. The Government accepts these conclusions. In response to the Commission's interim recommendations, the Government will:
 - commit to continue with a form of defined benefit pension;
 - await Lord Hutton's final recommendation before determining the nature of that benefit and the precise level of progressive contribution required;
 - carry out a public consultation on the discount rate used to set contribution rates in the public service pension schemes;

- implement progressive changes to the level of employee contributions that lead to an additional saving of £1.8 billion a year by 2014-15, equivalent to three percentage points on average, to be phased in from April 2012;
- exempt the armed forces from this increase in employee contributions;
- launch a consultation on the Fair Deal policy, which Lord Hutton noted can create a barrier to the plurality of public service provision and make it more difficult to achieve innovation, to report by Summer 2011, informed by Lord Hutton's final recommendations on structural reform; and
- seek engagement with all stakeholders including trade unions.

| | |
|--------------------------------|-----------------------------------|
| Recommendation: | Reason for Recommendation: |
| To note contents of the report | |

| | |
|--|--|
| Person(s) To Action Decision: | |
| Date By When Decision To Be Actioned: | |

| | | | |
|-------------------------------|-----|-----------------------|-----|
| Relevant Policy (ies): | N/A | | |
| Within Policy: | N/A | Within Budget: | N/A |

| | | | |
|------------------------------|--------------|--------------|-------------------------|
| Contact Officer Name: | Tel: | Fax: | Email: |
| Joe Rollin | 08708 510264 | 01597 826290 | joe.rollin@powys.gov.uk |

| | |
|--------------------------------------|------------------------|
| Relevant Portfolio Member(s): | Councillor Tony Thomas |
| Relevant Local Member(s): | |