



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Local Government Pension Scheme – Councillors’ Pensions
Date:	21 st January, 2011
Reporting Officer:	Stephen McCrory, Democratic Services Manager (ext 6314)

1	Relevant Background Information
1.1	The Local Government Division of the Department of the Environment has issued a consultation paper on the introduction of pension rights for elected Members of local Councils. The deadline for the submission of comments is 28 th January.

2	Key Issues
2.1	The consultation paper proposes to introduce legislation - the Local Government Pension Scheme (Councillors) (Amendment) Regulations (Northern Ireland) 2011 – which will come into effect from the date of the Local Government Elections in May.
2.2	The effect of the Regulations will be to automatically enrol every Councillor elected in May into the Local Government Pension Scheme. A Member may opt out of the scheme by notifying the Council in writing. The scheme will be based upon a contribution being made by both the individual Member and the Council, similar to that in place for Local Government officers.
2.3	The main difference between the scheme for Councillors and that for officers is that the Councillors’ pensions will be calculated on the basis of career average earnings rather than final salary. This is seen to be advantageous as the payments which are taken into account in calculating the pension payment are those made under the Local Government (Payments to Councillors) Regulations (Northern Ireland) 1999, namely basic allowance and the special responsibility allowance, and an individual Member may hold positions on the Council which attract higher payments at various times during their career. Therefore, the career average rather than a final salary calculation would more often than not

	<p>provide a higher pension payment. It should be noted that the Regulations do not make any provision for payments made to Members by outside bodies, such as the District Policing Partnership, or payments for acting as Lord Mayor, Deputy Lord Mayor or High Sheriff to be taken into account. The pension will be calculated on the basis of 1/60 of the pay received by the Member for each year of service. Each year's pension will then be up-rated with inflation and then aggregated. This figure will then be divided by the number of years' service to provide the "average" pay which will then be used to calculate the pension based upon the number of years' service. An example is included at Appendix 1.</p>
2.4	<p>The pension is payable for life and is normally paid when a Member reaches the age of 65. The proposals also include provisions for:</p> <ul style="list-style-type: none"> • The pension to be increased each year in line with the Consumer Price Index; • Members to opt to take a tax-free lump sum on retirement by converting up to 25% of the capital value of the pension at a conversion rate of £1 pension for £12 lump sum; • The opportunity for the Member to increase his or her membership by paying additional voluntary contributions; • The right for a Member, after 3 months' membership, to retire voluntarily at age 60 and receive a pension, albeit at a reduced rate; • The possibility of a Member retiring from age 55 and receiving benefits immediately if the Council gives its assent; • Ill health retirement rights following 1 years membership of the scheme; • Death in service benefits by way of a lump sum payment equivalent to 3 times the career average pay; • Widows', widowers', civil partners' or cohabiting partners' and childrens' pensions.
2.5	<p>The amount of contribution to the pension fund to be made by a Member is based on an increasing 7-tier scale with contributions based upon how much the Member receives in a year. For most Members, the contribution rate will be 5.5% of their allowance, although those Members receiving special responsibility allowances may pay a slightly higher rate.</p>
2.6	<p>The proposals also allow for different periods of Council membership to be aggregated when considering the total years which a Member has served for the purposes of the calculation of the pension. For example, a Member serving two terms from 2011 and then leaving the Council in 2019 and returning to serve a further two terms later would be able to claim 16 years membership of the Pension scheme, so long as he or she has kept making the appropriate contributions.</p>
2.7	<p>It should be noted that these proposals are separate from those which were being considered as part of the Review of Public Administration, where the possibility of the introduction of severance payments for outgoing Members was being discussed. The latest information available is that the Minister does not intend to act on this outside of agreement being reached on the overall reorganisation programme for Local Government.</p>
2.8	<p>A copy of the consultation document is attached at Appendix 2.</p>

3	Resource Implications
3.1	It is estimated that if 100% of Members decided to stay within the pension scheme, then the Council's contribution for a full financial year would be approximately £130k. Provision for this expenditure has not yet been included in the 2011/12 budgets but can be added if the legislation is passed and is applicable for 2011/12.

4	Equality and Good Relations Implications
4.1	The pension scheme will be open to all Members of Council and, accordingly, there are not considered to be any equality or good relations implications.

5	Recommendations
5.1	It is recommended that the Committee welcome the introduction of the Local Government Pension Scheme for Councillors.

6	Decision Tracking
<p>Stephen McCrory, Democratic Services Manager</p> <p>25th January, 2011</p>	

7	Documents Attached
<p>Appendix 1 – Example of Pension calculation</p> <p>Appendix 2 – Consultation Paper on the Local Government Pension Scheme – Councillors' Pensions</p>	