

To: Salaries & Wages Officers
Human Resource Officers
Pension Contacts
All Councils

Circular 07/2011
12 April 2011

Dear Colleagues

Admission of Councillors to the LGPS (NI)

1. Purpose of this circular

The purpose of this circular is to advise councils of the new regulations automatically enrolling newly elected councillors in the Local Government Pension Scheme (Northern Ireland), the Scheme, with effect from 9 May 2011.

The content outlines the benefits that will apply to councillors, the administrative requirements to run the new Scheme and training seminars for council staff and councillors. Councils will need to review their policy statements to ensure that councillors are included in those discretions that apply to councillors.

2. The Local Government Pension Scheme (Councillors) (Amendment) Regulations (Northern Ireland) 2011 – SRNI 2011 No. 117

The above regulations, made on 18 March 2011, allow councillors in Northern Ireland to become members of the Scheme from 9 May 2011.

These regulations amend the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009, the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 and the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

3. A summary of the Councillors' Scheme

The Councillors' Scheme is a tax approved, defined benefit occupational pension scheme administered by the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC).

The purpose of the Scheme is to provide a councillor with a pension in retirement. The benefits paid under the Scheme will be based on the length of a councillor's membership and his/her **career average pensionable pay**. The pensionable

pay of a councillor will consist of the Basic Allowance and Special Responsibility Allowance payments only. Each year's pensionable pay is increased in line with inflation and added before being divided by the length of membership to give a career average pay.

The benefits of the Scheme are summarised at Appendix 1.

4. Differences to note in the Councillors' Scheme

4.1 Career Average Scheme

The Councillors' Scheme is a career average scheme rather than a final salary scheme. This means that pension benefits are based on a career average pay and not the pensionable pay in the final year of employment.

4.2 Revaluation of pay

Revaluation of pay for each year is in line with the increase in the Consumer Price Index (CPI) from the last day of that year up to the last day of the month in which the membership ends. The CPI figure for any month is not usually issued until the third week of the next month.

4.3 Scheme features that do not apply to councillors

Some elements of the main Scheme do not apply to councillors. Councillors are ineligible for the following provisions:

- Shared Cost Additional Voluntary Contributions
- Awards of additional membership or pension
- Flexible Retirement
- Redundancy Retirement
- Efficiency Retirement
- Transfers in.

5. Administration of the Councillors' Scheme

5.1 New councillors

A new brief councillor's membership form will be available on the NILGOSC website at <http://www.nilgosc.org.uk/employers.htm> under NILGOSC forms, for councils to download from the end of April. This membership form should be given to elected councillors, along with the Councillors' Guide, for completion and return to the **council**. All newly elected councillors must automatically be brought into the Scheme on 9 May 2011. A councillor does have the right to opt out of the Scheme and, if he/she wishes to do so, an opt-out form should be completed. This opt-out form is also available on the same section of the NILGOSC website.

The council should complete the 'new councillors' spreadsheet with the details of all councillors and return this *securely* to NILGOSC as soon as possible after the 9 May 2011. The spreadsheet should be sent to pensionsadministration@nilgosc.org.uk. This spreadsheet will replace individual new member forms for each councillor. The brief membership form or opt-out form should be retained by the council.

Following receipt of the new member information, records will be created on the pensions administration system and membership certificates sent out to the home addresses of the councillors. Copy membership certificates, showing each councillor member's reference number, will be issued to the relevant council.

5.2 Allocation to Contribution Bands

It will be necessary for councils to determine the contribution band that applies to each councillor member and inform him/her of the applicable contribution rate. The same contribution band table applies to councillors as normal scheme members. Only the Basic Allowance and Special Responsibility Allowances are taken into account to set a councillor's contribution rate. The contribution band table for 2011/12 is shown below:

Band	Range 01.04.2011 – 31.03.2012	Contribution rates
1	£0 - £12,900	5.5%
2	£12,901-£15,100	5.8%
3	£15,101 -£19,400	5.9%
4	£19,401 -£32,400	6.5%
5	£32,401 -£43,300	6.8%
6	£43,301 -£81,100	7.2%
7	More than £81,100	7.5%

5.3 Maintenance of councillor records

We understand from informal conversations with a few councils that many of the regular communications between councils and NILGOSC will not apply to councillors e.g. notifications of maternity leave, sick leave, hour changes etc. We will include an amendment form on the website for changes of address, surname, title etc. Alternatively this information can be provided to NILGOSC using either Employer Internet or spreadsheet.

Employer Internet is a facility that allows employers to securely access NILGOSC's membership database, for that employer's members only, remotely and update information. Please contact Alison Hodgett (Alison.hodgett@nilgosc.org.uk) at NILGOSC if you are interested in a demonstration of this facility.

5.4 Annual Return requirements

Due to the different pay structure of councillors a new pre-populated annual return spreadsheet will be provided to each council in March 2012. NILGOSC will need to be advised, at year end, of the Basic Allowance, Special Responsibility Allowance, Total of Basic and Special Responsibility Allowance and AVCs paid during the year 2011/12 for each councillor. Please ensure that you are recording this information throughout the year.

5.5 Pension Benefit Statements

The councillors will require bespoke pension benefit statements as their benefits are calculated on a career average pay rather than a final pay. These statements will be designed early in 2012 and issued to the councillors' home addresses following reconciliation of the annual returns.

5.6 NILGOSC Website

A new councillors section is being added to the website. This will provide general Scheme information specifically for councillors.

5.7 Literature for councillors

A new Councillors' Guide to the LGPS (NI) is currently being printed. Batches of these guides will be provided to all councils at the training seminars. A copy should be given to each new councillor along with the membership form.

This is the only guide that NILGOSC will be producing for councillors and it includes a summary of the Scheme, information on joining and contributing, leaving or retiring, life cover and HMRC tax rules.

5.8 Policy statements

Councils are reminded that their policy statements will need to be updated to take account of the admission of councillors to the Scheme. Again it should be noted that the discretions of granting of additional membership and pension, introduction of a shared cost AVC arrangement and flexible retirement do not apply to councillors. However, you should review and update, if necessary, your statement on the discretion relating to early retirement.

6 Seminars for employers

We intend to hold two employer seminars to explain the Councillors' Scheme and its administration to council staff on the following dates:

Wednesday 20 April at the Council Chambers, Omagh District Council at 10.30 am

Thursday 21 April at NILGOSC's offices at 10.30 am

These seminars will be of most relevance to those staff who deal with councillors.

Michelle Duffy sent an email invite to the pension contacts at councils on Friday 8 April to advise of these sessions. If you have not been offered a place but think

that you may need to attend please contact Michelle at michelle.duffy@nilgosc.org.uk . If no-one from your council is able to attend please contact Michelle to make arrangements to receive copies of the Councillors' Guide and other relevant information.

7 Seminars for councillors

We are willing to provide some seminars for newly elected councillors in May/June, if requested. Please let Michelle (michelle.duffy@nilgosc.org.uk) know if this is of interest and if you could provide a venue for the seminar. It would be useful if councils could combine for these seminars.

Finally, I hope the above information and the attached summary are helpful but please let me know if there are any areas which I have omitted to cover or areas where you feel further clarification is needed.

Yours sincerely

A handwritten signature in black ink that reads "Zena Kee". The letters are cursive and slightly slanted to the right.

Zena Kee

Pensions Manager

Appendix 1

Summary of the Councillors' Scheme in Northern Ireland

Condition	Application
Joining	Automatic enrolment i.e. a Councillor is automatically brought into the Scheme but may opt out.
Age restrictions	Councillors must be younger than age 75 to join and pension benefits must be paid out before age 75.
Contribution Rate	The contributions rate is determined by the employer based on pensionable pay. Contribution rates are in the range 5.5%-7.5% (7 tiers)
Pensionable pay	Pensionable pay is the total of all Basic and Special Responsibility Allowance. This is the pay on which contributions are paid.
How pension is calculated	<p>Pension is calculated as:</p> $1/60 \times \text{Career average pay} \times \text{membership}$ <p>Career average pay is: Total of pays (increased by CPI as below) for each year or part year divided by total years or part years</p>
Rate at which pension builds up	1/60 th of career average pay for each year of membership is built up.
Calculation/Revaluation of pay	Pay for any year other than final year shall be increased in proportion to the increase in the Consumer Price Index (CPI) from the last day of that year up to the last day of the month in which the membership ends.
Additional Voluntary Contributions	AVCs can be paid through the in-house AVC provider, Prudential.
Shared Cost Additional Voluntary Contributions	Not applicable
Additional Regular Contributions	Councillors may elect to purchase additional pension in multiples of £250 up to a maximum of £5,000 per annum. Good health must be confirmed by the Committee's doctor prior to the purchase commencing. The medical fee is payable by the councillor.

Condition	Application
	given up.
Re-employed and rejoining deferred members	Councillors may only combine councillor membership with councillor membership. Requests to combine councillor memberships must be made within 12 months of rejoining and there is only one opportunity to combine pension records.
Transfer in requests	Not applicable
Transfer out requests	Yes, by application when the councillor has left active membership.
Death grants	<p>Active Councillor member – death grant is an amount of: 3 x career average pay</p> <p>Deferred Councillor member – death grant is an amount of: 5 x current value of pension</p> <p>Councillor Pensioner member – death grant is an amount of: 10 x annual pension less the amount of pension already paid</p>
Survivors' pensions	Survivors' pensions are payable to eligible spouses, civil partners, nominated cohabiting partners and children.