



Department of the
Environment

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Proposed Scheme Design for the Local Government Pension Scheme (Northern Ireland) 2014

**Belfast City Council
Consultation Response**

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Q.1. Do you agree with the proposed change to a career revalued earnings (CARE) scheme? If not, what alternative would you suggest?

Comment

Any change in scheme type will require careful communication with members. As each member has individual circumstances it is not possible for the Council to comment on the impact this will have on staff, however, the Council believes the move to a CARE scheme will make it more affordable for the ratepayers of Belfast. It should be noted that if non-contractual overtime and additional hours are included in pensionable pay then this will reduce the savings of moving to a CARE scheme.

Q.2. Do you agree with the proposed accrual rate? If not, what alternative would you suggest?

Comment

The setting of the Accrual Rate has a direct effect on the cost of the Scheme. The Council's only view on the cost of the Scheme is that it should be affordable for Employers and Employees in offering reasonable benefits for members.

Q.3. Do you agree with the proposal to include non-contractual overtime and additional hours in pensionable pay? If not, what alternative would you suggest?

Comment

The Council notes that including both non-contractual overtime and additional hours in pensionable pay will result in an increased cost to the Council as the employer's contribution rate, currently 20%, will be applied to both these elements.

Both elements are fluctuating in nature and therefore present two problems for payroll administration.

Firstly the Scheme is retaining the payment of Final Pay benefits for the period until all those members with pre-2014 service have retired, i.e. at least the next 45 years. If a pension is paid on the basis of fluctuating pay elements then the Final Pay on which benefits are calculated will not be representative of the pay on which contributions will have been paid. Members will have either overpaid or underpaid contributions. The same problem arises when Assumed Pension Pay has to be calculated (e.g. for maternity breaks), which if calculated on fluctuating pay will overstate the Pensionable pay.

Secondly, the employee contribution rate is set at the start of the year. If pay elements are fluctuating then the employee

contribution rate set, based on pay bands, will not be reflective of the pay actually received. Therefore at the year end you could have two different employees who have received the same pay but paid different pension contributions.

From a cost and administrative point of view it is the Councils view that fluctuating non-contractual pay elements should continue to be excluded from pensionable pay for as long as the Scheme retains a Final Pay link.

**Q.4. Do you agree with the proposed contribution bands?
If not, what alternative would you suggest?**

Comment

In general tiered contribution bands add to the administrative complexity of administering a payroll system.

As the 2009 scheme currently has tiered contribution bands the Council has no comment to make on the proposed bands for the 2014 scheme.

Q.5. Do you foresee any payroll or administrative difficulties from including non-contractual overtime and additional hours in pensionable pay?

Comment

The Council foresees administrative difficulties if non-contractual overtime and additional hours are included in pensionable pay.

The Council will have to hold double the number of pay figures for each member than it does at present. All of these pay figures will have to be provided to NILGOSC by the Council and therefore need to be held in our payroll system.

In order to provide members with annual pension forecasts or quotes NILGOSC will have to show all of these pay figures and we have no doubt that this will complicate the understanding of the entitlements by the members.

Q.6. Do you foresee any payroll or administrative difficulties from the change to the proposed contribution bands?

Comment

The proposed bands are no more difficult to operate than the existing contribution bands.

Q.7. Do you agree that there should be contribution flexibility in the LGPS (NI) 2014?

Comment

The Council welcomes contribution flexibility in order to increase scheme affordability for employees and therefore increase Scheme membership, as long as the overall Scheme remains sustainable and the mechanism is administratively simple.

Q.8. Do you agree with the proposed 50/50 option? If not, what alternative would you suggest?

Comment

The Council supports the 50:50 option as a mechanism to encourage staff to remain within the scheme. The Council believes that members should be able to choose the 50:50 option on a long-term basis, primarily on the basis that it would be administratively simpler. Otherwise a complex set of rules would be required setting out how long members could join 50:50, how long would pass before they could rejoin etc. However, restrictions need to be built in to regulate the number of times members are able to change from full membership to 50:50 and back again.

Q.9. Do you agree that the people who choose the 50/50 option should be brought back into the main scheme every three years, at the employer's automatic enrolment date? If not, what alternative would you suggest?

Comment

The Council disagrees that those who choose 50:50 should be auto-enrolled into the main scheme every three years.

Council believes that members should be able to choose the 50:50 option on a long-term basis, primarily on the basis that it would be administratively simpler. However, restrictions need to be built in to regulate the number of times members are able to change from full membership to 50:50 and back again.

**Q.10. Do you agree that there should be an 'underpin' for members aged 55 or over at 1 April 2012?
If not, what alternative would you suggest?**

Comment

The Council believes if "underpins" are to be put in place then they should run from the date the new Scheme comes into effect, i.e. 1 April 2014. The Council does not understand the rationale for setting the date at 1 April 2012.

Q.11. Should the proposed LGPS (NI) 2014 pension arrangements also apply to councillors? If not, what alternative arrangements would you suggest?

Comment

It is imperative that you consult directly with elected representatives, political parties and representative bodies to seek their views on this issue.

The Department would also welcome any other comments consultees may wish to make about the proposed scheme design and the draft regulations for the Local Government Pension Scheme from 1 April 2014.

Comment

The Council recommends that the Department extends its consultation to the Members of the Scheme. Although the Department has consulted with Trade Unions it should be aware that all members of the Scheme are not necessarily members of a Trade Union.

It is imperative that you consult directly with elected representatives, political parties and representative bodies to seek their views on this issue.