NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

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To: Chief Executives
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Circular 05/2013
24 April 2013

At: All Employing Authorities

Dear Colleagues,

Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2013

The Department of Environment made the above regulations (SRNI 2013 No. 71) on the 15 March 2013, coming into operation on the 8 April 2013.

The primary purpose of these amendments is to ensure that the Scheme is automatic enrolment compliant, to update the admission requirements for new employers and remove the requirement to state the specific amount of liabilities that transfer in an apportionment agreement (moving liabilities from one closing Scheme employer to another Scheme employer that has agreed to accept the liabilities).

In addition there are several minor clarification and technical amendments. It is important to note that some of the amendments have retrospective effect. The effective dates, key amendments and any necessary employer actions are detailed in the following sections.

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1. Joining the Local Government Pension Scheme (NI), (LGPS) (NI)

1.1 The Scheme's regulations needed amended to ensure that the Scheme was automatic enrolment compliant. Under automatic enrolment rules there can be no barrier to entry and it needed to be possible for employers to automatically enrol employees who had contracts of less than three months and met the automatic enrolment thresholds.

1.2 The amendments provide for the following:

- A new employee with a contract of more than three months' duration is immediately entered into the Scheme from his/her date of commencing employment – this is known as contractual enrolment.
- An employee with a contract of less than three months' duration but meeting the automatic enrolment thresholds can be automatically enrolled into the Scheme from his/her date of joining or the employer's staging date – this is automatic enrolment.
- An employee with a contract of less than three months' duration but earnings below the automatic enrolment thresholds can be given the option of applying for membership. In this case, if the employee elects to join the Scheme, the employee is brought into the Scheme from the first day of the next pay period.
- An existing employee, who has opted out and now chooses to join the Scheme is brought in from the first day of the next pay period.
- An employee with a contract of employment of less than three months who reaches three months in employment is brought into the Scheme from the first day after three months employment has been completed – this is contractual enrolment.
- The discretion for employers to determine whether to allow an employee who had opted out more than once to re-enter the Scheme has been deleted.

1.3 The above amendments have retrospective effect to 1 February 2013.

1.4 Actions for employers

Type	Action
New joiner procedure	Check that your procedure is compliant with the changes described above from 1 February 2013.
Employer Policy Statements	These will need updated to remove the discretion to determine whether to allow an employee who has opted out more than once to re-enter the Scheme. The revised Policy Statement must be sent to NILGOSC within one month from the date of revision and the revised statement must be published.

2. Flexible Retirement

2.1 The amendments clarify that on flexible retirement:
A member with 2002 and 2009 Scheme membership may
- draw all accrued benefits under the 2002 Scheme and
- may draw all, part or none of the benefits under the 2009 Scheme.

A member with 2009 Scheme membership may
- draw all or part of the benefits

Employers continue to have to consent to both the reduction in hours or grade and to the flexible retirement, however, policy statements may need amended to reflect the regulation wording.

2.2 Calculations of flexible retirement are in accordance with Government Actuary's Department (GAD) guidance. There are some outstanding issues on the application of the latest flexible retirement guidance that require further clarification from GAD.

2.3 Actions for employers

Type	Action
Policy Statement – discretion on flexible retirement	Check that the wording relating to different periods of membership complies with the regulations

3. Reduction in hours due to ill-health – active member who dies in service

3.1 The last set of amending regulations introduced a new regulation to protect the membership of someone who had to reduce his/her hours due to ill-health and that same ill-health condition later caused or contributed to the member's death. No account is taken of any reduction in membership as is attributable to that condition. The Department revised its Ill-Health Guidance and employers were asked to retain a dated copy of the medical evidence of that condition.

3.2 The latest regulatory amendments now extend this provision to cover the calculation of children's pensions.

3.3 Actions for employers

Type	Action
Reduction in hours due to ill-health	Ensure that a dated copy of the medical evidence of the condition that led to the reduction in hours is obtained and retained on the member's personnel file. This evidence must be provided to NILGOSC if the employer subsequently requests ill-health retirement of if the member dies in service.

4. Guarantors, Indemnities, Bonds and Apportionment Agreements

4.1 A minor amendment clarifies that NILGOSC can seek payment of liabilities from a guarantor of an outgoing employing authority in the event that that employer cannot meet its liabilities. This clarification is to limit the risk of liabilities falling on the other remaining employing authorities.

4.2 A further minor amendment has removed the requirement for Apportionment Agreements to state the specific amount of the liabilities, as calculated by an actuary, which transfer. Instead the type of liabilities can be described e.g. those relating to active, deferred and pensioner members.

5. Pension Savings Statements and Annual Allowance Charges

5.1 NILGOSC is obliged to issue a pension savings statement to any member who has exceeded the annual allowance, the amount by which pension savings can increase in a year (1 April to 31 March) without becoming subject to a tax charge. The annual allowance is currently set at £50,000 but reduces to £40,000 in 2014/15. Pension savings are calculated as:

[Pension value at year end – (pension value at start of year x pensions increase)] x 16
PLUS
Lump sum at year end – (lump sum at start of year x pensions increase)
PLUS
Amount of any AVC contributions made during the year

5.2 If a member has exceeded the annual allowance it is possible for the member to pay the tax charge via NILGOSC with a subsequent reduction in the value of the member's pension rights. This only applies to tax charges of greater than £2,000.

5.3 Actions for employers

Type	Action
Awards of additional pension, membership – particularly in respect of severance under the Review of Public Administration (RPA)	Highlight to employees that any awards which increase their annual pensions savings may, if they do not have sufficient carry forward allowance, cause them to exceed the annual allowance or lifetime allowance and, if close to the limits, should seek independent financial advice or specialist tax advice.
Large pensionable pay increases	Highlight to employees that these awards will increase their annual pensions savings and, if they do not have sufficient carry forward allowance, they may exceed the annual allowance or lifetime allowance and, if close to the limits, should seek independent financial advice or specialist tax advice.

6. Amendments to Admission Agreement Requirements for Community Admission Bodies and Transferee Admission Bodies

6.1 The amendments in relation to admission agreements only affect any new admission agreements made after 8 April 2013 and therefore are not detailed here as all current employers have admission agreements which pre-date the amendments.

Please do not hesitate to contact me if you have any queries.

Yours faithfully

Zena Kee

Zena Kee
Pensions Manager