NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

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Circular 06/2015
27 March 2015

At: All Employing Authorities

Dear Colleagues,

Local Government Pension Scheme for Northern Ireland 2015

This circular has been issued to update employers on the following:

- the changes to the Local Government Pension Scheme, effective from 1 April 2015
- the matters which employers must consider; and
- the actions being taken by NILGOSC to implement the new Scheme.

The information in this circular is based on NILGOSC's understanding of the new regulations and, while most of the Scheme description is similar to that issued in circular 09/2014, it has been updated to take account of amending regulations and clarification from the Department.

Content

1. The Regulatory Framework and a further consultation

The regulations introducing the new Scheme were made at the end of June 2014 and come into operation on 1 April 2015. The relevant Scheme benefit and administration regulations are:

- The Local Government Pension Scheme Regulations (Northern Ireland) 2014 (SRNI 2014 No. 188), and
- The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 (SRNI 2014 No.189)

The governance regulations were made on 23 February 2015 and are operational from 1 April 2015:

- The Local Government Pension Scheme (Governance) (Amendment) Regulations (Northern Ireland) 2015 (SRNI 2015 No. 77).

These regulations, in accordance with the Public Service Pensions Act (Northern Ireland) 2014 make provision for a Pension Board to assist the Committee in complying with its legal obligations. The Department intends to designate the NILGOSC Committee as the Pensions Board. In addition, there is also provision for the establishment of a Scheme Advisory Board to advise the Department on changes to the Scheme.

Further Scheme amendment and cost sharing regulations made on 16 March 2015 come into operation on 6 April 2015, with retrospective effect to 1 April 2015 for many of the minor technical amendments. These regulations are:

- The Local Government Pension Scheme (Amendment No. 2) Regulations (Northern Ireland) 2015 (SRNI 2015 No. 162).

The cost sharing element of these regulations provides for the Department to appoint a suitably qualified person to carry out valuations of the Scheme for cost sharing purposes. The employer cost cap for the Scheme is set at 17% of pensionable earnings of the Scheme. The regulations set out the steps required to achieve this target cost where the margins of two percentage points either side of the employer cost cap are breached.

It is expected that the Department will consult shortly on further regulatory amendments to the Scheme (Amendment No. 3 regulations), which when made will have retrospective effect to 1 April 2015.

2. An Overview of the LGPS (NI) 2015

The new Scheme will be a career average revalued earnings scheme which means that from 1 April 2015 all active members will ‘bank’ pension savings each year into their pension accounts. The amount of pension banked each year will equal 1/49th of the member’s pensionable pay.

All current active members will be moved to the new Scheme on 1 April 2015 and will therefore have a pension at retirement composed of two elements: a final salary pension (on either 1/80th accrual and/ or 1/60th accrual) and a career average revalued earnings pension. The final salary pension will be calculated on the final pay at retirement (less overtime and additional hours payments). This is known as the 'final salary link'. Those members who were within 10 years of retirement at 1 April 2012 have a protection called the statutory underpin (see section 3.24). This means that if they would have been better off under the old final salary scheme an additional amount of pension will be paid into their pension account at retirement or on reaching their old normal pension age (usually age 65).

The main features of the 2015 Scheme are set out below.

- An improved accrual rate (the rate at which pension builds up) of 1/49th of pensionable pay (previously 1/60th) for all new and existing members from 1 April 2015
- Benefits built up from 1 April 2015 will be calculated on a Career Average Revalued Earnings (CARE) basis meaning that an amount of pension savings equivalent to 1/49th of pensionable pay is banked each year into the member's pension account
- At the end of each Scheme year the total amount of pension in a member's account is adjusted to take into account the cost of living (currently measured by the Consumer Prices Index (CPI))
- Employee contribution rates are based on level of pay actually received
- A 50/50 section allows members to pay half the members' contributions and build up half the benefits i.e. the accrual rate is 1/98th
- Normal pension age becomes the same as the member's state pension age or age 65 if later
- Members can exchange pension at retirement for tax-free cash
- Two-tier ill-health pensions are payable to active members who meet the relevant criteria and are treated as having two years' membership or more
- Pension benefits are payable without actuarial reduction on redundancy or business efficiency retirements providing the member is aged 55 or over and is treated as having two years' membership or more
- Flexible retirement allowing a member to draw their pension benefits and continue contributing to the Scheme is available to those aged 55 or over when they reduce hours or move to a less senior position and the employer consents to the flexible retirement
- Members can buy additional pension up to £6,500 annual pension
- Employers can award additional pension of up to £6,500 annual pension
- Survivors' benefits are provided.

3. Detailed description of the new Scheme

This section details the main changes to the Scheme and has been updated from that in circular 09/2014 to take account of the recent amending regulations and Departmental advice.

3.1 Joining the Scheme

As under the current Scheme, new employees are immediately brought into the new Scheme from their first day of employment providing that they have a contract of employment for at least three months[1]. An employee with a contract of less than three months can apply to join the Scheme from the first day of the payment period following that application or may be automatically enrolled if he/she meets the automatic enrolment criteria on the automatic enrolment staging date or re-enrolment date.

3.2 Restrictions on joining the Scheme

The usual restrictions continue[2] - if an employee is entitled to belong to another public service pension scheme then they are ineligible for the LGPS (NI). No one can join the Scheme after the day before their 75th birthday. Those employees who are retained or voluntary firefighters are ineligible as are staff of the University of Ulster who are entitled to participate in the Universities' Superannuation Scheme.

3.3 Pensionable pay[3]

There are three main changes to the definition of pensionable pay under the 2015 Scheme:

- Non-contractual overtime has been removed from the exclusions list and will be pensionable from 1 April 2015.
- Payment in consideration of loss of future pensionable payments is not pensionable from 1 April 2015 e.g. marked time payments
- Any actual pay paid by an employer to a reservist during reserve forces service leave is not pensionable. While on reserve forces leave the employee and the MoD pay contributions on Assumed Pensionable Pay (APP) (see section 3.5).

A full list of the items excluded from pensionable pay is in the HR, Payroll and Employer Guides.

3.4 Pensionable pay under the previous Scheme

Due to the final salary link for pre-1 April 2015 membership it will be necessary for employers to provide a final pay figure for any member who has membership prior to 1 April 2015 or who is subject to the underpin (see section 3.24). This final pay figure will have to be provided at the date of cessation of membership, at every 31 March for annual benefit statements and annual allowance calculation purposes and at the previous Scheme normal retirement age for any members subject to the underpin (usually age 65). This final pay figure is as defined under the 2009 Scheme and does not include non-contractual overtime and additional hours.

As currently, where either of the two preceding years would yield a higher final pay then that figure should be used i.e. the best of the last three years. Details of

[1] The Local Government Pension Scheme (Northern Ireland) 2014 – regulation 3
[2] The Local Government Pension Scheme (Northern Ireland) 2014 – regulation 6
[3] The Local Government Pension Scheme (Northern Ireland) 2014 – regulation 22

hour changes and breaks in service will continue to be required for those members who are subject to the underpin.

3.5 Assumed Pensionable Pay (APP)

Assumed Pensionable Pay (APP) replaces 'notional' or 'deemed' pay in cases of reduced contractual pay or no pay as a result of sickness or injury, or during relevant child-related leave (see section 3.9) or while on reserve forces service leave. We understand that it will be calculated based on the average pay earned over the previous three months or twelve weeks before going onto reduced pay. In each of the above circumstances the amount added to that year's cumulative pensionable pay is the Assumed Pensionable Pay and not the actual pensionable pay received.

Assumed Pensionable Pay is calculated as an annual rate and then applied to the relevant period as a proportion of that rate.

The regulations still require some amendment in this area. The Department's intention is that APP is calculated as follows:

Employee paid monthly

a) Calculate the average of the pensionable pay for the three months prior to the start of the relevant period after removing any lump sums and including any APP already credited in those three months.
b) Gross up to an annual figure
c) If three complete months do not exist use the number of complete months that are available.

Employee paid other than monthly

a) Calculate the average of the pensionable pay for the 12 complete weeks prior to the start of the relevant period after removing any lump sums and including any APP already credited in those 12 weeks.
b) Gross up to an annual figure
c) If 12 complete weeks pay does not exist use the number of complete weeks that are available.

3.6 Employee Contributions

Employees pay contributions[4] on actual pensionable pay, not full-time equivalent pay, in accordance with Table 1. The pay ranges will be revised in April each year.

Table 1 - Employee contribution rates 2015/16

Band	Pensionable pay range for an employment	Contribution rate for that employment
1	Up to £14,000	5.5%
2	£14,001 to £21,300	5.8%
3	£21,301 to £35,600	6.5%
4	£35,601 to £43,000	6.8%
5	£43,001 to £85,000	8.5%
6	More than £85,000	10.5%

[4] The Local Government Pension Scheme (Northern Ireland) 2014 – regulation 11

The employer will assess the contribution rate applicable in the pay period in which 1 April falls for each employment in which the employee is an active member. The employer may revise the member's contribution rate during the year where there is a change in employment or a material change that affects the member's pensionable pay. It is advisable that employers have a banding policy in place to ensure consistent application. The latest amending regulations delete the original wording (in red italics and strikethrough below) that only allowed a revision of the contribution rate during the year if there was a material change to ~~*the terms and conditions of a member's employment*~~ which affected the member's pensionable pay during the course of a financial year.

3.7 50/50 Section

The new Scheme has a 50/50 section where a member can elect to pay 50% of the contributions and accrue pension at 50% of the rate i.e. 1/98th instead of 1/49th. While a member is in the 50/50 section the employer continues to make full employer contributions and not half the employer contributions. A member in the 50/50 section is automatically put back into the main section from the first available pay period after the employer's automatic re-enrolment date or going onto no pay as a result of sickness or injury[5].

The employer must give an active member information about the effect that contributing to the 50/50 section will have on their benefits. This can be a statement saying that for the period during which the member remains in the 50/50 section they will pay half the contribution and accrue half the pension but other benefits such as the lump sum paid on death in service, the amount of enhancement granted on ill-health retirement and any survivor benefits paid on death will not be affected. Those benefits are calculated as though the member had been in the main section of the Scheme.

The new 50/50 election form, LGS12, is available on our website and includes a statement that will covers the requirement for employers to provide information on the effect of being in the 50/50 section.

3.8 Employer Contributions[6]

Employers pay the rate determined by the actuary and stated in the Rates and Adjustments Certificate for that employer. The majority of employers will pay 20% of pensionable pay for both 2015/16 and 2016/17, however, a few employers have their own individual rates along with separate additional annual monetary amounts, which increase each year. Please ensure that you are paying the correct employer contributions from 1 April 2015.

Employers may also be required to make additional contributions in respect of early payment of pensions, flexible retirement, redundancy/efficiency and cost of waiver of actuarial reductions. Additional contributions may be required if NILGOSC has incurred additional costs due to the employer's level of performance.

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[5] The Local Government Pension Scheme (Northern Ireland) 2014 – regulation 12
[6] The Local Government Pension Scheme (Northern Ireland) 2014 – regulations 73, 74, 75 and 76

There may be cost implications for those employers who have employees working considerable overtime and additional hours as these elements now form part of pensionable pay.

3.9 Contributions during absences

Relevant child-related leave[7] – during the period of ordinary maternity leave, ordinary paternity leave or ordinary adoption leave and any period of paid additional maternity leave, paid additional shared parental leave or paid additional adoption leave the member will accrue 1/49th assumed pensionable pay if they are in the main section or 1/98th assumed pensionable pay if they are in the 50/50 section. The member will pay basic pension contributions on the actual pay received including statutory pay but **the employer will pay contributions on the Assumed Pensionable Pay (APP)** (see section 3.5).

Authorised unpaid leave (including unpaid additional maternity, shared parental and adoption leave) – employers can no longer deduct contributions for the first 30 days' absence. If a member wishes to buy back the pension 'lost' while on authorised unpaid leave of absence they can do so through an Additional Pension Contribution (APC) contract either over a period of time or as a one-off lump sum. A calculator for APCs will shortly be available on our website.

The amount of lost pension is 1/49th or 1/98th of the APP during that period. If the member elects within 30 days of returning from leave, or such longer period as the employer may allow, the cost of the APC contract is split 1/3rd employee, 2/3^{rds} employer. If they elect after the 30 day period or such longer period as the employer may allow the cost of the APC contract is at full cost to the employee. This employer discretion has recently been added to the regulations to give employers the discretion to increase the period of time that a member has to decide to make contributions to cover a period of absence. It is intended that this will ease the administrative burden for employers and NILGOSC where a member has many short periods of absence.

As currently, the maximum period of unpaid leave that can be covered with a contribution from an employer is three years.

Another change is that members on career breaks remain as active members during the period of the career break. It will be necessary for employers to update their processes to take this change into account and notify NILGOSC of anyone on a career break as at 31 March 2015 (the notification process is described in the Employer Newsletter issued in February 2015 http://www.nilgosc.org.uk/employer-newsletters).

Jury service – there are no longer any regulations that cover jury service. If a member is on jury service and receives no pay then they should be treated as taking authorised unpaid leave of absence.

Industrial action/trade dispute/ strike – If a member wishes to buy back pension lost in respect of strike action they can do so through an Additional

[7] The Local Government Pension Scheme (Northern Ireland) 2014 – regulation 14

Pension Contribution (APC) contract either over a period of time or as a one-off lump sum. There is no obligation on the employer to share the cost unless the employer chooses to do so. A further change is that the decision to buy back is no longer limited to within 30 days of the end of the recognised trade dispute.

Reserve Forces Service Leave – the procedure for payment of contributions while a member is on reserve forces service leave is different under the new Scheme. The employer will calculate a notional pay figure (APP) while the reservist is on leave and add this to the member's cumulatives pensionable pay to date so they continue to build up pension. The employer will pay no pension contributions on the APP.

The employer will tell the reservist and through him/her the Ministry of Defence (MoD) the Assumed Pensionable Pay and the employer and employee contributions, including additional contributions, due on that amount. The MoD will pay the employee's and employer's contributions directly to NILGOSC.

Sickness/injury – during a period of reduced contractual pay or no pay, Assumed Pensionable Pay (APP) is added to the member's pensionable pay cumulative and not the amount of any pay received. In the new Scheme the member will pay contributions on the actual pay received (if any) but the employer will pay contributions on APP during the period that the employee is on reduced contractual or no pay. This means that employer contributions will be due in full on APP in cases of long-term sickness absence.

3.10 Additional Pension Contributions (APCs)[8]

Additional Pension Contributions (APCs) are the only facility that a member can use while working to buy additional pension, buy 'lost' pension due to authorised unpaid leave of absence or to buy 'lost' pension due to industrial action/strike.

Members may choose to buy up to a total of £6,500 annual pension through an Additional Pension Contribution (APC) contract. The employer may also contribute to it, in which case it is known as shared cost APC. The maximum of £6,500 annual pension will increase each April (from April 2016) by Pensions Increase.

If a member is buying additional pension they can either make a one-off contribution or regular additional contributions with or without a contribution from the employer. The cost depends on the member's age, gender and the amount they wish to purchase. NILGOSC will require good health medicals for those who wish to use APCs to buy additional pension except where it is to cover authorised unpaid leave of absence or strike. Each year an amount equal to the additional pension bought that year will be credited to the member's pension account. In the event of ill-health the additional pension is deemed to have been bought in full and the balance is credited to the member's active pension account at the point of leaving.

[8] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 18

The pension bought by APCs is payable from the member's normal retirement age and will be reduced if it is paid before that date, even when the reason for leaving is redundancy or business efficiency.

We will shortly add an APC calculator to our website so that members and employers can access it directly for quotations and an application form.

3.11 Employer only additional pension contributions[9]

Employers may, at their discretion, award additional pension to active members of up to £6,500 per year less any amount of additional annual pension that the employer has already contributed towards or is contributing towards under a shared cost APC. Any additional pension that a member is buying on his/her own account is not included in the above limit. The limit will be increased in line with Pensions Increase orders each April, from April 2016.

An award can be made within six months of leaving where the member has left on the grounds of redundancy or business efficiency. In all other circumstances the award must be made while the member is active.

The pension bought by APCs is payable from the member's normal retirement age and will be reduced if it is paid before that date, except when the reason for leaving is redundancy or business efficiency. The payment of unreduced pension on redundancy or business efficiency grounds is the main difference between additional pension bought under regulation 18 and that awarded by an employer under regulation 32.

The employer will make a one-off contribution to buy a set amount of additional pension. The cost will be determined by the member's age, gender and the amount purchased. The factors necessary to calculate these additional pension costs differ from those used for member/employer purchases of additional pension under section 3.10 and are available to employers on request.

3.12 Additional Voluntary Contributions (AVCs)[10]

Additional Voluntary Contributions (AVCs) can be made solely by the member or in the case of a shared cost AVC by both the employer and the member. The in-house AVC provider is Prudential.

The Department has advised NILGOSC that it should continue to administer both old and new AVC contracts in accordance with the 2009 Scheme regulations until such time as retrospective amendments are made under the Local Government Pension Scheme (Amendment No. 3) Regulations 2015. This means that, in the interim, we will administer AVCs as set out in Table 2.

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[9] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 32

[10] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 19

Table 2 - Features of AVCs

Feature	AVC Contract
Contributions	50% limit on 2015 Scheme definition of pensionable pay i.e. all members can now pay AVCs on 50% of their pensionable pay including non-contractual overtime and additional hours. Employers may need to check with those existing members who are contributing 50% of pay to ensure that they are aware that this will now include AVC contributions on non-contractual overtime and additional hours. If an employee wishes to change their monthly AVC contribution to an actual amount rather than a percentage contribution they should contact Prudential on http://www.pru.co.uk/rz/localgov/northern-ireland/existing_members/
Tax-free cash	Providing the AVC is crystallised at the same time as the main Scheme benefits the member can take 100% of the AVC fund value as tax-free cash, subject to HMRC limits. If the AVC is crystallised at a later date than the main Scheme benefits the member is restricted to 25% of their AVC fund value as cash.
Death benefits	Payable to the deceased's personal representatives – the Department has been asked to clarify its policy in this area and we await their response.

3.13 Existing Additional Regular Contributions (ARCs) or Added Years Contracts

Contributions under existing Additional Regular Contributions (ARCs), Added Years contracts, Additional Voluntary Contributions (AVCs), Shared Cost Additional Voluntary Contributions (SCAVCs), Preston part-time buy-back cases and Additional Survivor Benefit Contributions (ASBCs) continue to be payable. If a member moves into the 50/50 section these contributions are payable at the full rate and not at half the rate.

3.14 Refunds[11]

From 1 April 2015, a new member will not be entitled to a refund if they have more than two years' qualifying membership (the two year vesting period).

Transitional arrangements have been put in place as this increase from a vesting period of three months under the current Scheme has implications for some members. An active member who moves from the current Scheme into the 2015 Scheme has three options if they leave with between three months' and two years' membership. The options are:

- a refund of contributions
- a deferred pension

[11] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 20

- an immediate pension if they have reached their normal retirement age (under the 2009 Scheme).

Employers will continue to refund contributions directly to those members who leave the Scheme with less than three months' membership and can adjust their next remittance in respect of the relevant employer contributions. However, a refund of employer contributions will not be due from NILGOSC in respect of those members leaving with more than three months and less than two years' membership. NILGOSC will make these refund payments (for those leaving with more than three months' membership) directly to the member and these refunds should not be actioned through Payroll.

3.15 Pension Accounts[12] and calculating retirement benefits

NILGOSC is required to open and maintain pension accounts for each member of the Scheme from 1 April 2015. Each year a member in the main section of the Scheme will save 1/49th of their pensionable pay into his/her pension account. During the year other adjustments could be made to a member's active account e.g. pension bought as a result of a transfer in or a purchase of additional pension. The total pension is then revalued at the end of each year to keep pace with the cost of living.

For example, an active member's pension account for someone with a flat pensionable pay of £20,000 will be composed as follows:

Scheme year	Opening Balance	Earned pension	Adjustments e.g. transfer in or APC	Closing Balance	Revaluation adjustment (assume 3%)	Value to carry forward
1 April 2015 – 31 March 2016	£0.00	£408.16	0	£408.16	£12.24	£420.40
1 April 2016 – 31 March 2017	£420.40	£408.16	0	£828.56	£24.85	£853.41

The revaluation adjustment will be based on the annual change in the consumer prices index (CPI) to September preceding the end of the Scheme year. It appears that mid-year joiners will now receive the full increase and not a proportionate increase. Over the period of membership the member's pension will build up on a year by year basis.

[12] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 24

Those members who were also active under the 2009 Scheme or earlier schemes and automatically moved into the new Scheme on 1 April 2015 will have their pre-1 April 2015 pension calculated on their membership up to 31 March 2015 and final pay (calculated under the 2009 Scheme definition of pensionable pay – excluding non-contractual overtime and additional hours) at retirement or leaving. This final salary protection also retains the old normal retirement age for pre-1 April 2015 benefits. For example, a member taking early retirement with no 85 year rule protections will have an actuarial reduction on their pre-1 April 2015 benefits based on how far they are off their old normal retirement age (usually age 65), however any actuarial reduction applying to their post-31 March 2015 benefits will be based on how far off they are from their new normal pension age (state pension age).

Pre and post-1 April 2015 pension benefits must be drawn at the same time. It is not normally possible to draw pre-1 April 2015 benefits at the old normal retirement age, continue working and draw post-1 April 2015 benefits at the new normal pension age.

3.16 Combining Periods of Membership - Aggregation[13]

The Department has advised that it intends to amend the rules relating to aggregation. In general the 2009 position will continue and an active member on re-joining the Scheme will not have their deferred benefits automatically aggregated with their new active account but will have 12 months from re-joining the Scheme to elect to aggregate the benefits. An unpaid refund (deferred refund account) or cessation of a concurrent employment *must* be aggregated with an active account.

Table 3 sets out the rules for those with all post 31 March 2015 membership – either for employments held concurrently or previously. As this is a complex area NILGOSC will advise members directly of their aggregation options.

Table 3 - Rules for aggregation of post-2015 membership

Type of membership	Concurrent employment	Previous employment
Post-31 March 2015 only – active member with *deferred refund account*	Automatically aggregated with active pension account	Automatically aggregated with active pension account
Post- 31 March 2015 only – active member with a *deferred benefit*	Automatically aggregated with active pension account	Benefits are kept separate and the member has 12 months from re-joining to elect to aggregate their benefits

[13] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 24(5) to (10)

3.17 Retirement – at normal pension age[14]

In the 2015 Scheme the normal pension age (NPA) will be the member's state pension age, subject to a minimum of age 65. At NPA there is no actuarial reduction to post-31 March 2015 benefits and no actuarial increase. Members retiring at their new NPA with pre-2015 benefits may see an actuarial increase to the pre-2015 portion of their benefits as they will have a protected earlier normal retirement age (usually age 65).

3.18 Retirement – late[15]

Members who work beyond their normal pension age will have their pension increased by 0.014% for each day the pension is delayed after their NPA. This increase is in accordance with guidance issued by the Department of Environment.

3.19 Retirement – flexible[16]

Members who are aged 55 or over and who reduce their working hours or grade may with their employer's consent, elect to receive immediate payment of their pension. Their benefits will be reduced on account of early payment. A member taking flexible retirement will continue contributing to the Scheme and build up further pension benefits that can be drawn when the member finally retires.

3.20 Retirement – redundancy/business efficiency[17]

Members who are aged 55 or over and leave on the grounds of redundancy or business efficiency will receive their benefits immediately and without actuarial reduction (other than an additional pension contract bought by the member or a shared cost APC). Employers need to be aware that, as the vesting period has increased to two years, members must have two years' membership to get immediate payment of benefits where the redundancy occurs after 31 March 2015. A member being made redundant under the current Scheme i.e. before 1 April 2015 only requires three months' membership to be entitled to immediate payment of benefits on redundancy. Employers will have to pay capital costs to NILGOSC to cover the early release of pension benefits.

3.21 Retirement – ill-health[18]

The two-tier structure of ill-health retirement is carried forward with some minor changes to the wording relating to the tiers. NILGOSC's medical panel will continue to assess each ill-health retirement applicant.

In order to qualify for ill-health retirement an active member must have a qualifying service of two years or more and

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[14] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 31(1)
[15] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 31(4)
[16] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 31(6)
[17] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 31(7)
[18] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 36

*a)	the member's ill-health or infirmity of mind and body renders the member permanently incapable of discharging efficiently the duties of the employment the member was engaged in; and*
*b)	the member, as a result of the ill-health or infirmity of mind or body has a reduced likelihood of being capable of undertaking any gainful employment before reaching normal pension age.*

A member is entitled to tier one benefits if the member is unlikely to be capable of undertaking any gainful employment before normal pension age. In this case an enhancement is awarded equivalent to the amount of earned pension the member would have accrued from the date of retirement to the member's NPA under the 2015 Scheme if the member was treated as receiving assumed pensionable pay for each year. This enhancement is calculated on APP.

A member is entitled to tier two benefits if not entitled to tier one benefits and is likely to become capable of undertaking any gainful employment before normal pension age. In this case the enhancement is calculated as 25% of the tier one enhancement.

Where NILGOSC's occupational health doctor certifies that the member was working reduced contractual hours during the relevant 12 (weekly) or 3 (monthly) pay periods as a consequence of ill-health the APP is calculated on the pay the member would have received if they had not been working the reduced contractual hours.

As the vesting period for ill-health retirement will increase from one year to two years employers will need to be aware of some cases where the member will not be entitled to immediate payment of ill-health benefits as the date of leaving is after 31 March 2015 and the member has less than two years' membership. These would be payable if the member had a date of leaving before 1 April 2015 and more than one year's membership.

3.22 Retirement – early[19]

It is possible for a member to retire before NPA and receive their pension on or after their 55th birthday. The pension will (subject to the 85 year rule) be reduced on an actuarial basis depending on how long before NPA the member is retiring. The new reduction factors are in the Employers' Guide at section 8.6.

Employer's consent is no longer required for early retirements before age 60. As this is a new feature of the Scheme the 85 year rule will not automatically apply. However, employers have a new discretion that allows them to switch the 85 year rule back on. If the employer switches the 85 year rule on then the employer meets the strain on the fund cost just as they do under the current Scheme. If the employer does not switch on the 85 year rule then the member meets the strain cost effectively by having an actuarial reduction applied to their benefits.

An employer can waive actuarial reductions from benefits and employers must have a policy statement in this respect.

[19] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 31(5)

3.23 Exchange of pension for lump sum

It continues to be the case that members can exchange pension for lump sum at retirement, £12 of lump sum for every £1 of pension exchanged, subject to HMRC rules. See section 3.12 for comments on current regulations and AVCs.

3.24 Statutory underpin[20]

The underpin is an additional payment payable to a member who would have been better off had the current Scheme continued in respect of that member's benefits from 1 April 2015 to the underpin date i.e. to normal pension age under the 2009 Scheme or the date active membership ceases, if earlier.

The underpin applies to those non-councillor members who:

- were active members on 31 March 2012,
- were within 10 years of their NPA on 1 April 2012,
- have not (after 31 March 2012) had a continuous break of more than five years in membership of a public service pension scheme,
- have not already drawn any benefits from the 2015 Scheme in relation to that employment (e.g. upon flexible retirement), and
- have either ceased to be an active member before NPA (2009 Scheme definition) or are still an active member at NPA (2009 Scheme definition).

The final pay figure (2009 Scheme definition) for the underpin is the pay due for normally the 12 months preceding the date of cessation or NPA, whichever is the earlier. The 2009 definition of final pay excludes non-contractual overtime and additional hours. The underpin is calculated at NPA for those who continue working beyond NPA.

3.25 Death grants[21]

The death grant of an active member changes from being three times final pensionable pay to be three times Assumed Pensionable Pay (APP).

If the active member under the 2015 Scheme also has deferred benefits or a pension in payment then we understand that only the highest death grant is payable and not the sum of all the death grants. The Department of Environment has advised that this will be amended retrospectively in the Local Government Pension Scheme (Amendment No. 3) Regulations and will correct the current anomalies.

3.26 Survivors' benefits

Survivors' pensions continue to be payable to widows, widowers, civil partners, nominated cohabiting partners and children. These benefits are generally calculated on a fraction of the deceased member's pensionable pay times the period of membership in the Scheme plus an enhancement to take account of each year that could have been worked from the date of death to the deceased member's NPA.

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[20] The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 – regulation 4

[21] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 40

The definition of eligible child has been redefined under the recent amending regulations and will apply to benefits under previous schemes providing the death occurs on or after 1 April 2015. The text in red highlights the recent amendment. An eligible child is defined as:

(a) a natural or adopted child of a member who meets any of conditions A to C and who was born before, on, or in the case of a natural child, within twelve months of the member's death; or

(b) a step-child or child accepted by the deceased as a member of the family (excluding a child sponsored by the member through a registered charity) who-

(i) meets any of conditions A to C; and

(ii) was dependent on the member at the date of death.

Condition A is that the person is aged under 18.

Condition B is that the person is in full-time education or vocational training and has not reached the age of twenty-three, but the Committee may –

(i) continue to treat a person as fulfilling Condition B notwithstanding any break in a course of education or vocational training; or

(ii) suspend payment of any entitlement to benefits under regulations 43 (survivor benefits: children of active members), 48 (survivor benefits: children of deferred members) and 53 (survivor benefits: children of pensioner members) during such a break.

Condition C is that the person is unable to engage in gainful employment because of physical or mental impairment and either-

(i) has not reached the age of twenty-three; or

(ii) the impairment is in the opinion of an IRMP likely to be permanent and the person was dependent on the member at the date of the member's death because of ~~that~~ physical or mental impairment.

3.27 Transfers to and from other Pension Schemes[22]

Members continue to be able to request a transfer into the Scheme within the first twelve months of joining or may request a transfer out from the Scheme on withdrawing from membership.

3.28 Disqualifying breaks in service

The Public Service Pensions Act (Northern Ireland) 2014 introduces protections for those members who leave and re-join public sector schemes providing either they have remained in pensionable public service during the break or have not been in pensionable public service but have a break of less than five years. These protections are covered in the LGPS (NI) 2015 and have implications for re-joining members.

We have prepared a new form, LGS10, which will be issued to all new members as part of the new member pack. This form asks for details of all previous membership within public service pension schemes and provide authority for NILGOSC to contact the other pension scheme for confirmation.

[22] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 112

3.29 Pensions Administration Strategy[23]

The regulations continue to allow NILGOSC to put in place a Pensions Administration Strategy setting out its procedures for liaison and communication with employers along with establishing levels of performance which NILGOSC and employers are expected to achieve.
NILGOSC intends to issue a Pensions Administration Strategy document for consultation early in the next financial year.

3.30 Employer Policy Discretions[24]

Each employer is required to formulate, publish and keep under review its policy statement in relation to a number of discretions under the LGPS (NI). The 2015 Scheme regulations require a policy statement in five main areas:

- Voluntary funding of additional pension via Shared Cost Additional Pension Contributions (SCAPCs)
- Awarding additional pension at a whole cost to the employer
- Switching on the 85 year rule for members voluntarily drawing their benefits on or after age 55 and before age 60
- Flexible retirement, and
- Waiving of actuarial reductions.

In addition, employers continue to have discretions under the previous Schemes. Circular 01/2015 issued on 2 March 2015 included a template discretionary policy, which you may wish to adapt. Please note that you cannot exercise any discretions under the new Scheme regulations until you have a policy in place. Therefore, employers are encouraged to update their policy statements and note that they must be finalised by 31 July 2015.

3.31 Annual Returns

Employers will continue to have to remit annual return information including two pay figures (2015 Scheme pay and pensionable pay under the 2009 definition i.e. excluding non-contractual overtime and additional hours payments) to NILGOSC by 30 April each year.

We are currently testing the new layout for annual returns and will advise employers of the layout in due course. The current specification for annual returns continues and a supplementary return setting out CARE pay will be required.

3.32 Pension Benefit Statements[25]

The annual pension benefit statements issued from April 2016 will have to show the current value of the member's final salary benefits as well as the total accrued CARE pension at the relevant 31 March. These pension benefit statements must be issued no later than five months after the end of the Scheme year. Prompt submission of annual returns will be essential to enable NILGOSC to meet this

[23] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 65

[24] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 66 and The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 – Schedule 3

[25] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 99

challenging statutory requirement and the Department is considering amending legislation to reduce the timescale for submission to one month from the end of the Scheme year.

The annual pension benefit statements will become more complicated and must show:

- The current value of the member's final salary benefits accrued to 31 March
- The current value of any survivor's final salary benefits
- The full-time equivalent final salary pay figure on which final salary benefits were calculated
- The total accrued CARE pension as at 31 March
- The total accrued CARE survivor's pension as at 31 March
- The pensionable pay figure on which the CARE pension was accrued during the year
- The current value of death in service lump sum benefits.

It will be important that members check their pension benefit statements carefully each year and immediately notify their employer and NILGOSC if they feel that any of the pay details are incorrect.

3.33 Pension Savings Statements[26]

NILGOSC is required to issue Pension Savings Statements to all members who have exceeded the annual allowance for tax purposes by 6th October following the end of the tax year.

3.34 Complaints Procedure[27]

The regulations continue to have a two stage internal dispute resolution procedure in respect of any decisions made by NILGOSC. Employers making decisions under the regulations are required to advise employees of the employer's address from which the person may obtain further information about any decision made by employers and also advise employees of their right of appeal to the county court.

3.35 Councillors[28]

Councillors are included in the new 2015 Scheme and current councillors elected to the new councils will automatically be moved from their current 1/60th career average scheme to the new 1/49th career average scheme. These councillors' opening balances will be their accrued pension to 31 March 2015. This will simplify the administration for councillors and from 1 April 2015 councils can use the normal forms and spreadsheets as we will no longer need bespoke councillor forms and spreadsheets.

The following Scheme features do **not** apply to councillors:

- 50/50 option

[26] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 100
[27] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 79-89
[28] The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – Schedule 4

- Shared Cost Additional Voluntary Contributions
- Award of additional pension by an employer
- Flexible retirement
- Redundancy or business efficiency retirement
- Transfers in of other pension benefits
- The underpin.

4. Actions for employers

Appendix 1 contains a suggested 'action list' for employers.

5. Update on actions being taken by NILGOSC

5.1 **New Employers' Guide -** a new Employers' Guide (version 1) for the 2015 Scheme has been added to the website. This Guide sets out the administration processes for the new Scheme as well as describing the new forms and Scheme literature. We expect that this guide will be updated at regular intervals over the next few months. Each time the Guide is updated we will also publish a tracked changes version so that the revisions are easily visible. The Employers' Guide is supplemented by the more detailed Human Resource and Payroll Guides.

5.2 **Human Resource and Payroll Guides** - Human Resource and Payroll Guides for the 2015 Scheme (versions 3) are available on our website www.nilgosc.org.uk/employers-guide-and-guidance. These guides cover extensively the background and administrative processes for the new 2015 Scheme as well as a payroll software specification.

5.3 **Automatic Enrolment Guide** – the Automatic Enrolment Guide and template letters have been updated both for the new Scheme and the revised automatic enrolment thresholds. These are all available on our website.

5.4 **Government Actuary's Department Factors** - Many of the Scheme's calculations require actuarial factors and guidance that are provided by the Government Actuary's Department (GAD) via the Department of Environment. The majority of the factors have been received and are published on our website at http://www.nilgosc.org.uk/resources/category/20/gad-guidance.aspx

5.5 **Website** – the NILGOSC website is in the process of being updated for the new Scheme and we aim to have all pages updated by 1 April 2015. At present the following information for the 2015 Scheme is available on the website:

- The Employers' Guide http://www.nilgosc.org.uk/employers-guide-and-guidance
- The forms for administration of the new Scheme http://www.nilgosc.org.uk/resources/category/14/forms-and-spreadsheets.aspx
- The new Scheme literature http://www.nilgosc.org.uk/resources/category/15/publications-and-guides.aspx

- The HR and Payroll Guides http://www.nilgosc.org.uk/employers-guide-and-guidance

5.6 **Member communications** – a summary leaflet on the 2015 Scheme was sent to the home addresses of all active members along with the annual Members' News at the end of October/early November. We then issued a Member Guide to the Local Government Pension Scheme (NI) 2015 to the home addresses of all active members in February/March 2015.

5.7 **Scheme literature and guides for members** – the following member guides have been updated and are now available on the website:

- Welcome to the Scheme leaflet
- LGPS (NI) 2015 leaflet
- The Member Guide
- The Retirement Guide
- Increasing your Retirement Benefits

The Re-joining the Scheme booklet will be updated following the recent clarification from the Department on aggregation.

Please ensure that you do not issue old versions of these guides. The new member guides are being printed and stocks can be ordered by emailing our Communications Officer Sinead.nicholson@nilgosc.org.uk .

5.8 **Forms and spreadsheets** – forms and spreadsheets for the Scheme administration have been revised and are available on our website. A full list of the Scheme forms and spreadsheets is within the Employers' Guide at section 19. We have reduced our print stock of forms as these are now all downloadable from our website. Please download any forms that you require.

5.9 **Employer assistance -** NILGOSC can provide employers with a powerpoint presentation on the new Scheme and articles for newsletters/intranet to help communicate the changes.

If you have any questions regarding the content of this circular please contact either our Employer Liaison Officer, Ruth Benson, our Technical Officer Christina McMaster, our Communication Officer Sinead Nicholson or myself.

Yours sincerely

Zena Kee

Zena Kee
Pensions Manager

Appendix 1

Action List for Employing Authorities – March/April 2015

What needs to be done?	By when?
You should already have reviewed any ill-health cases to ensure that they meet the two year qualifying requirement under the 2015 Scheme.	31 March 2015
You should already have reviewed any redundancy cases to ensure that they will meet the two year qualifying requirement under the 2015 Scheme.	31 March 2015
Destroy existing stocks of Scheme literature and forms and replace with new versions. Note that all forms can now be downloaded from the NILGOSC website.	31 March 2015
Ensure that your HR and Payroll Departments are aware of the new Employers' Guide and the latest versions of the HR and Payroll Guides	31 March 2015
Ensure that your payroll software is updated to be able to hold all the fields necessary for the 2015 Scheme.	31 March 2015
Ensure that your procedures change to comply with the 2015 Scheme.	31 March 2015
Note that employers pay full employer contributions while a member is in the 50/50 section.	31 March 2015
Note that pensionable pay will include overtime and additional hours – there may be budgetary implications for those employers with significant overtime budgets.	31 March 2015
Notify NILGOSC of any member on a career break that straddles 31 March 2015/1 April 2015.	31 March 2015
Consider whether to circulate employees who have opted out of the current Scheme with details of the new Scheme and advising them of their option to re-join.	31 March 2015
Identify any cases of long-term sick as employers' contributions from 1 April 2015 will now be payable in full on Assumed Pensionable Pay.	31 March 2015
It is recommended that employers draft a banding policy on attribution to contribution bands. This should include how to respond to appeals regarding allocation to contribution bands and state the circumstances when	1 April 2015

a member's contribution rate could change. Note the amendment to the regulations at section 3.6.	
Employers will need to notify each employee of their contribution rate from 1st April 2015. It is recommended that this is done before the first payment in April as some employees will be paying lower contributions but some will pay more contributions.	1 April 2015
Check with existing AVC contributors whether they are still content to pay 50% of the new definition of pensionable pay (including non-contractual overtime and additional hours) and ask them to liaise directly with Prudential if they wish to revise their contribution level (see section 3.12).	15 April 2015
Each employer must review, update and produce a written policy statement on the following employer discretions: • voluntary funding of additional pension via a SCAPC • awarding additional pension at whole cost to the employer • switching on the 85 year rule for members voluntarily drawing benefits on or after age 55 and before age 60 • flexible retirement • waiving actuarial reductions. The policy statement should also cover remaining discretions under previous schemes.	Publish and forward a copy to NILGOSC by 31 July 2015
There will be a change to annual returns for year ended 31 March 2016 to include two definitions of final pay (2009 and 2015) as well as the other information listed in the Payroll Guide. Employers should ensure that this information can be provided promptly at year end.	31 March 2016