

To: Chief Executives
 Salaries and Wages
 Human Resources
 Pension Contacts

Circular 09/2014
 26 September 2014

At: All Employers

Dear Colleagues,

The 2015 Local Government Pension Scheme for Northern Ireland

This circular advises employers of the high level changes to the Local Government Pension Scheme for Northern Ireland with effect from 1 April 2015. It also notifies employers of several training sessions on the 2015 Scheme and includes a suggested action list, which we hope you will find helpful.

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The information in this circular is based on NILGOSC's current understanding of the new regulations and references regulations where appropriate. I have highlighted areas within the regulations where technical amendments, clarification or further consultation may be needed. Unfortunately this means that the content of this circular may need updated in due course.

1. The Regulatory Framework and further consultations

The regulations introducing the new Scheme were made at the end of June and come into operation on 1st April 2015. The relevant 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 Department of Environment has issued a further consultation on Proposed Scheme Governance on 25 August 2014. This consultation closes on 14 November 2014. NILGOSC's response to this consultation is available on our [website](#).

A further consultation is expected on the cost sharing mechanism that will apply to the 2015 Scheme. It is understood that the costs of the new Scheme will be shared between employers and employees with a formal mechanism put in place to ensure that costs are controlled within defined parameters.

2. An Overview of the LGPS (NI) 2015

The new Scheme will be a career average revalued earnings scheme which means that from 1st 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 1st 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 1st 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 and a more detailed list is included in Appendix 1.

- 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
- 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 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. In addition, Human Resource and Payroll Guides for the 2015 Scheme (versions 2) will be available on our website from the end of next week. Links to these documents will be sent to you when they are available. These guides cover extensively the background and administrative processes for the new 2015 Scheme as well as a payroll software specification.

Many of the Scheme's calculations require factors provided by the Government Actuary's Department (GAD) via the Department of Environment. At present we have received no GAD factors for the new Scheme and therefore we cannot quote for benefits under the new Scheme. We will advise you once we are able to provide quotations for retirement dates later than 31 March 2015.

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 months¹. 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 continue² - 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 pay³

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 and Payroll 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

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

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 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.

We understand that the regulations require some amendment in this area and that 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.

The regulations do not at present deliver this intention.

3.6 Employee Contributions

Employees pay contributions⁴ 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%

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.

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. Awhile 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 injury⁵.

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.

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

⁵ The Local Government Pension Scheme (Northern Ireland) 2014 – regulation 12

NILGOSC will provide a 50/50 election form that can be used for this purpose and the form will include 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 Contributions⁶

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. 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 also be required if NILGOSC has incurred additional costs due to the employer's level of performance.

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 leave⁷ – during the period of ordinary maternity leave, ordinary paternity leave or ordinary adoption leave and any period of paid additional maternity leave, paid additional paternity 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, paternity and adoption leave) – it is no longer a requirement to 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.

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 the cost of the APC contract is split 1/3rd employee, 2/3rds employer. If they elect after the 30 day period the cost of the APC contract is at full cost to the employee. As currently, the maximum period of unpaid leave that can be covered 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

⁶ The Local Government Pension Scheme (Northern Ireland) 2014 – regulations 73, 74, 75 and 76

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

this change into account and notify NILGOSC of anyone on a career break as at 31 March 2015.

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 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 cumulative 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

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

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.

NILGOSC intends to add an APC calculator to its website so that members can access it directly for quotations. This is not available yet as we have not received the Government Actuary's Department (GAD) factors for calculating APCs.

3.11 Employer only additional pension contributions⁹

Employers can 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 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. NILGOSC has not yet received factors necessary to calculate these costs and the additional strain cost that will be incurred when this additional pension is awarded and immediately paid e.g. on redundancy or business efficiency. We will alert employers once we are in a position to provide these figures.

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.

It appears at present that there may be different rules applying to AVCs depending on when the contract was taken out. Clarification is still awaited from the Department of Environment and it is expected that the regulations will need to be amended. At the time of writing we understand that the Department's intention is set out in Table 2, however, the regulations do not currently deliver this intention.

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 pre and post April 2015 AVCs

Feature	Contract entered into after 31 March 2015	Contract entered into before 1 April 2015
Contributions	Can pay up to 100% of pensionable pay under 2015 definition	50% limit on 2009 Scheme definition of pensionable pay
Tax-free cash	The AVC is treated separately from the main Scheme benefits and tax-free cash is limited to 25% of the AVC fund value	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
Death benefits	Payable at NILGOSC's discretion i.e. in line with an Expression of Wish form	Payable to the deceased's personal representatives

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 Refunds¹¹

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

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

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 Accounts¹² and calculating retirement benefits

NILGOSC is required to open and maintain pension accounts for each member of the Scheme from 1st 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. Mid-year joiners will receive a proportionate increase. Over the period of membership the member's pension will build up on a year by year basis.

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

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

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 and not eligible for 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 - Aggregation¹³

The rules relating to aggregation change from 1 April 2015. In general, an active member will have deferred benefits aggregated with an active account but has 12 months from re-joining the Scheme to elect to keep the benefits separate. An unpaid refund (deferred refund account) *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. The situation is much more complicated when members have pre and post 2015 membership and these possibilities are considered at section 3.28. 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	Automatically aggregated with active pension account unless member elects to retain separate benefits

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

3.17 Retirement – at normal pension age¹⁴

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 – late¹⁵

Members who work beyond their normal pension age will have their pension increased. The increase will be in accordance with guidance issued by the Department of Environment.

3.19 Retirement – flexible¹⁶

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 efficiency¹⁷

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.

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(5)

¹⁷ The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 31(7)

3.21 Retirement – ill-health¹⁸

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

- 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 – early¹⁹

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.

¹⁸ The Local Government Pension Scheme Regulations (Northern Ireland) 2014 – regulation 36

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

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.

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 underpin²⁰

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.

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

3.25 Death grants²¹

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 also had deferred benefits or was a pensioner under previous schemes then we understand that only the highest death grant is payable and not the sum of all the death grants. Further clarification on death benefits is needed from the Department of Environment.

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.

The definition of eligible child has been redefined and will apply to benefits under previous schemes providing the death occurs on or after 1 April 2015. An eligible child will be 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 continue to treat a person as fulfilling Condition B notwithstanding any break in a course of education or vocational training, although the person does not fulfil Condition B 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.

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

3.27 Transfers to and from other Pension Schemes²²

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.

NILGOSC will be liaising with the other public service pension schemes in Northern Ireland to see whether this process of validating pensionable service with other pension schemes can be streamlined. However, we expect that in the first instance the new member will have to provide details of all previous membership within public service pension schemes and provide authority for NILGOSC to contact the other pension scheme for confirmation.

3.29 Pensions Administration Strategy²³

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 next year.

3.30 Employer Policy Discretions²⁴

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:

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

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

- 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. Employers are encouraged to consider their policy statements well in advance of 1 April 2015 as they must be finalised by 31 July 2015.

NILGOSC has organised training for employers on their policy discretions in January 2015. See section 4.

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. A full annual return specification is included in the Payroll Guide.

3.32 Pension Benefit Statements²⁵

The annual pension benefit statements 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 challenging statutory requirement and the timescale for employers to submit annual returns will need to be reduced from 2015.

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 2016
- The pensionable pay figure on which the CARE pension was accrued during the year
- The current value of death in service lump sum benefits.

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

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 Statements²⁶

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. Prompt submission of annual returns is required to enable NILGOSC to meet this statutory requirement.

3.34 Complaints Procedure²⁷

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 Councillors²⁸

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. A table listing the benefits that are available to councillors under the 2015 Scheme is at Appendix 2.

4. Training for Employers

4.1 2015 Scheme Training – General

We have organised two employer training seminars on the features of the 2015 LGPS (NI) Scheme. These seminars are aimed at the staff, particularly those involved in the day-to-day administration of the Scheme.

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

The 2015 Scheme Training seminars will be held as follows:

Date	Venue	Time
Friday 24 October 2014	Park Avenue Hotel 158 Holywood Road Belfast, BT4 1PB	10.00 am-12.30pm
Thursday 30 October 2014	Park Avenue Hotel 158 Holywood Road Belfast, BT4 1PB	10.00 am-12.30pm

As places are limited at both sessions please respond to our Communications Officer, Sinead Nicholson, at sinead.nicholson@nilgosc.org.uk to confirm attendance at either of the seminars with the name, job title and email address of staff who wish to attend.

We will consider one additional training session in November, should there be sufficient demand.

4.2 Employer Policy Discretion Training

We have organised a further two training seminars on employers' policy statements for the 2015 Scheme. These new policy statements must be in place by 31 July 2015.

The employer training seminars will be presented by Tim Hazlewood, Pensions Training and Development Manager for the Local Government Association in England and Wales and are as follows:

Date	Venue	Time
Thursday 22 January 2015	Park Avenue Hotel 158 Holywood Road Belfast, BT4 1PB	Times to be confirmed - afternoon
Friday 23 January 2015	Park Avenue Hotel 158 Holywood Road Belfast, BT4 1PB	Times to be confirmed - morning

There has been an excellent response to these seminars to date with over 170 attendees already registered. If you have not already registered and would like to attend please respond to our Communications Officer, Sinead Nicholson, at sinead.nicholson@nilgosc.org.uk with the name, job title and email address of staff who wish to attend.

4.3 2015 Scheme Training - Administration

We intend to hold two further training sessions in February 2015 to advise employers of any new administration requirements e.g. forms etc. These dates will be advised as soon as possible.

5. Actions for Employers

Appendix 3 contains a suggested 'action list' for employers.

6. Update on actions being taken by NILGOSC

Member communications – a summary leaflet on the 2015 Scheme will be sent to the home addresses of all active members along with the annual Members' News at the end of October/early November. Please ensure that you advise us promptly of any changes in address so these newsletters are issued to the correct home address.

An updated Short Guide to the LGPS (NI) 2015 will be mailed to all active members' home addresses in advance of the introduction of the new Scheme. This booklet will cover the new Scheme in much more detail than the Summary leaflet. The Short Guide cannot be finalised until all the regulations and guidance are in place so it appears that it will be February/March 2015 before this is issued.

Website – the website has been updated with a summary of the new Scheme. We will update it as more information becomes available and in any event for the introduction of the new Scheme on 1 April 2015.

Scheme literature – the following guides are available or will be updated in advance of the new Scheme:

- HR Guide – version 2 will be issued by 6th October 2013
- Payroll Guide – version 2 will be issued by 6th October 2013
- LGPS (NI) 2015 leaflet – will be issued with Members' News in October/November 2014
- The Short Guide – will be updated and issued to members' home addresses before 1 April 2015
- The Retirement Guide – to be updated
- Increasing your Retirement Benefits – to be updated
- Re-joining the Scheme – to be updated
- Councillors' Guide – will be incorporated into the Short Guide
- Welcome to the Scheme leaflet (2015 version) – available in pdf and will be printed early in 2015

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

Forms – forms for the Scheme administration will be revised and circulated to employers ahead of the introduction of the new Scheme on 1 April 2015.

7. Any questions or further information

If you have any questions regarding the content of this circular please contact our Employer Liaison Officer, Ruth Benson, our Technical Officer Christina McMaster, myself or any member of the Pensions Development Team.

Yours sincerely

A handwritten signature in black ink that reads "Zena Kee". The signature is written in a cursive, slightly slanted style.

Zena Kee
Pensions Manager

Appendix 1
Summary of the 2015 Scheme in Northern Ireland (excluding councillors)

Condition	Application
Joining	An eligible employee is automatically brought into the Scheme on joining employment or on automatic enrolment or re-enrolment but may opt out. An employee must have a contract of at least three months' duration to be eligible to be brought in automatically. However, those employees with contracts of less than three months' duration may elect to join.
Age restrictions	Eligible employees must be younger than age 75 to join and pension benefits must be paid out before age 75.
Contribution Rate	The contribution rate is determined by the employer based on actual pensionable pay. Contribution rates are in the range 5.5%-10.5% (6 tiers)
Contribution Flexibility	A member can elect to join the 50/50 section of the Scheme where they pay 50% of the contributions and build up benefits at 50% of the rate i.e. 1/98 th instead of 1/49 th . This is designed as a short-term option.
Pensionable pay	Pensionable pay is the total of all salary, wages, fees and other payments paid to the employee and any benefit specified as pensionable in the employee's contract of employment. It now includes non-contractual overtime and additional hours payments. A full list of exclusions is available.
How pension is calculated (main section)	Each year 1/49 th of pensionable pay is added to the member's active pension account. This pension saving is revalued each year by a price index

Condition	Application
	and the total pension saving is payable at normal pension age.
Rate at which pension builds up (main section)	1/49 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 will be increased in proportion to the annual increase in the Consumer Price Index (CPI) to September the previous year.
Additional Voluntary Contributions	AVCs can be paid through the in-house AVC provider, Prudential. For any contracts taken out after 31 March 2015 members can contribute up to 100% of pensionable pay and take 25% of their AVC fund as a tax-free lump sum at retirement.
Shared Cost Additional Voluntary Contributions	This is an employer discretion and will be covered in its policy statement.
Additional Pension Contributions	<p>Active members may elect to purchase additional pension up to a maximum of £6,500 annual pension.</p> <p>Good health must be confirmed by the Committee's doctor prior to the purchase commencing. The medical fee is payable by the member.</p> <p>If the purchase is not completed a pro-rata calculation applies. In the event of ill-health or death the purchase is treated as fully paid.</p>
Power of employing authority to award additional pension	An employer may award additional pension up to a maximum of £6,500 annual pension.
Refund	A refund of contributions is payable if the member has less than two years' membership.

Condition	Application
Normal Pension Age (NPA)	A member's state pension age or age 65 if later.
Retirement – Normal age	Normal retirement takes place at the member's normal pension age. This is the member's state pension age or age 65, if later.
Retirement - Early	Reduced benefits are payable if a member retires before his/her state pension age.
Retirement - Late	A member can remain in Scheme up until the day before age 75. An actuarial uplift is applied to all benefits paid after state pension age.
Retirement - Flexible	From age 55, if a member reduces their working hours or grade they may, with the employer's consent, elect to receive all or part of their retirement pension adjusted by an actuarial factor. The member will continue contributing to the Scheme.
Retirement – Business Efficiency/Redundancy	If an employer makes a member redundant or retires them on the grounds of business efficiency and they are aged 55 or over then their pension benefits are payable immediately without early retirement reductions.
Retirement - Ill-health	<p>To qualify for ill-health benefits an active member must:</p> <ul style="list-style-type: none"> • have two years' membership • be assessed by the Committee's doctor • be permanently incapable of discharging efficiently the duties of their employment • have a reduced likelihood of being capable of undertaking any gainful employment before reaching normal pension age. <p>If the member is unlikely to be capable of undertaking any gainful employment before NPA then tier one</p>

Condition	Application
	<p>benefits are payable – accrued pension benefits are payable plus an enhancement equivalent to the amount of earned pension the member could have accrued between the date of termination and normal pension age.</p> <p>If the member is not entitled to tier one and is likely to become capable of undertaking any gainful employment before reaching normal pension age tier two benefits are payable – accrued pension plus 25% of the enhancement under tier one.</p>
Pension to Lump sum conversion	The rate of conversion on retirement is £12 of lump sum for every £1 of pension given up.
Re-employed and rejoining deferred members	<p>The rules are complicated.</p> <p><u>All membership after 31 March 2015</u> An active member may choose to aggregate deferred benefits with an active account within 12 months of re-joining. An unclaimed refund must be aggregated with the active record on re-joining.</p> <p><u>Pre and post 2015 membership</u> NILGOSC will advise members of their options as this is complicated.</p>
Transfer in other pension savings	A request to transfer in benefits must be made by the member within the first 12 months of joining the Scheme.
Transfer out benefits to another scheme	A request can be made when the member has left active membership.
Lump sum payable on death	<p>Active member – death grant is an amount of: 3 x assumed pensionable pay</p> <p>Deferred member – death grant is an amount of: 5 x current value of pension</p>

Condition	Application
	<p>Pensioner member – death grant is an amount of: 10 x annual pension if there had been no commutation less the amount of any commutation and less the pension already paid</p>
Survivors' pensions	Survivors' pensions are payable to eligible spouses, civil partners, nominated cohabiting partners and children.

Appendix 2

Summary of the 2015 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 council based on pensionable pay. Contribution rates are in the range 5.5%-10.5% (6 tiers)
Contribution Flexibility	The 50/50 option does not apply to councillors.
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	1/49 th of pensionable pay is added to the councillor's active pension account each year. This pension saving is revalued each year and the total pension saving is payable at normal pension age.
Rate at which pension builds up	1/49 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 annual increase in the Consumer Price Index (CPI) to September the previous year.
Additional Voluntary Contributions	AVCs can be paid through the in-house AVC provider, Prudential.
Shared Cost Additional Voluntary	Not applicable

Condition	Application
Contributions	
Additional Regular Contributions	<p>Councillors may elect to purchase additional pension up to a maximum of £6,500 per annum.</p> <p>Good health must be confirmed by the Committee's doctor prior to the purchase commencing. The medical fee is payable by the councillor.</p> <p>If the purchase is not completed a pro-rata calculation applies. In the event of ill-health or death the purchase is treated as fully paid.</p>
Power of employing authority to award additional pension	Not applicable
Refund	A refund of contributions is payable if the councillor has less than two years' membership.
Retirement – Normal age	Normal retirement age is the councillor's state pension age or age 65, if later.
Retirement - Early	Reduced benefits are payable if a councillor retires before his/her state pension age.
Retirement - Late	A councillor can remain in the Scheme up until the day before age 75. An actuarial uplift is applied to all benefits paid after state pension age.
Retirement – Flexible/Redundancy/Business Efficiency	Not applicable to councillors
Retirement - Ill-health	<p>**The regulations need amended but we understand the Department's intention is that stated below.</p> <p>To qualify for ill-health benefits an active councillor must:</p> <ul style="list-style-type: none"> • have two years' membership

Condition	Application
	<ul style="list-style-type: none"> • be assessed by the Committee's doctor • be permanently incapable of discharging efficiently the duties of the office • have a reduced likelihood of being capable of undertaking any gainful employment before normal pension age. <p>If the councillor is unlikely to be capable of undertaking any gainful employment before NPA, tier one benefits are payable – accrued pension benefits are payable plus an enhancement equivalent to the amount of earned pension the councillor could have accrued between the date of termination and normal pension age.</p> <p>If the councillor is not entitled to tier one and is likely to become capable of undertaking any gainful employment before reaching normal pension age tier two benefits are payable – accrued pension plus 25% of the enhancement under tier one.</p>
Pension to Lump sum conversion	The rate of conversion on retirement is £12 of lump sum for every £1 of pension 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	By application when the councillor has left active membership.

Condition	Application
Death grants	<p>Active Councillor member – death grant is an amount of: 3 x assumed pensionable 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 if there had been no commutation less the amount of any commutation and less the pension already paid</p>
Survivors' pensions	Survivors' pensions are payable to eligible spouses, civil partners, nominated cohabiting partners and children.

Appendix 3

Action List for Employing Authorities

What needs to be done?	By when?
Ensure that Payroll Guide is passed to your Payroll Department and on to your payroll software provider.	30 th September 2014
Ensure that your payroll software is updated to be able to hold all the fields necessary for the 2015 Scheme.	31 st March 2015
Ensure that the HR Guide is passed to your HR Department.	30 th September 2014
Ensure that your procedures change to comply with the 2015 Scheme.	31 st 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 a member's contribution rate could change.	1 st April 2015
Employers will need to notify each employee of their contribution rate from 1 st 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 st April 2015
Note that employers pay full employer contributions while a member is in the 50/50 section.	31 st March 2015
Note that pensionable pay will include overtime and additional hours – there may be budgetary implications for those employers with significant overtime budgets.	1 st April 2015
Review any ill-health cases to ensure that they meet the two year qualifying requirement under the 2015 Scheme.	28 February 2015
Review any redundancy cases to ensure that they will meet the two year qualifying requirement under the 2015 Scheme.	28 February 2015
Notify NILGOSC of any member on a career break that straddles 31 March 2015/1 April 2015.	31 March 2015
Each employer must review, update and produce a written policy statement on the following employer discretions: <ul style="list-style-type: none"> • 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 	Publish and forward a copy to NILGOSC by 31 st July 2015

<ul style="list-style-type: none"> • waiving actuarial reductions. <p>The policy statement should also cover remaining discretions under previous schemes.</p>	
<p>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 at year end.</p>	31 March 2016
<p>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.</p>	28 February 2015
<p>Identify any cases of long-term sick as employers' contributions from 1 April 2015 will now be payable in full on APP.</p>	31 March 2015