

To: Salaries and Wages  
Human Resources  
Pension Contacts

At: All Employing Authorities

Circular 10/2015  
9 June 2015

Dear Colleagues,

### **Local Government Pension Scheme for Northern Ireland 2015**

This Circular has been issued to highlight the following:

- The current Departmental consultation on the Local Government Pension Scheme (Amendment No. 3) Regulations (Northern Ireland) 2015
- A revision to the method of calculating 'lost' pensionable pay for Additional Pension Contributions (APCs)
- Updated Human Resources, Payroll and Employer Guides have been added to the NILGOSC website,
- Difficulties that NILGOSC is having processing LGS15 Leaver's forms due to information being recorded incorrectly, and
- Remind employers that their Discretionary Policy Statements are due by 31 July 2015.

The information in this Circular is based on NILGOSC's understanding of the new regulations and their implementation.

#### **1. Current Departmental consultation on the Local Government Pension Scheme (Amendment No. 3) Regulations (Northern Ireland) 2015**

The Department published the above [consultation](#) on 25 May for an 8 week consultation period.

The proposed key amendments, some of which are corrections, are listed below. The majority of amendments will be retrospectively effective from 1 April 2015.

- The maximum contribution to Additional Voluntary Contributions (AVCs) is 50% of pensionable pay and AVCs can be taken entirely as cash at retirement, subject to HMRC limits
- NILGOSC is given absolute discretion on distribution of AVC death benefits
- The definition of Assumed Pensionable Pay (APP) for active members is clarified so that it is calculated over the last 12 weeks or 3 months before APP commenced

- Any reduction to pensionable pay is ignored for the APP calculation if a member has been absent with permission or on strike
- A re-joining deferred member can elect to aggregate his/her deferred benefits with his/her new active pension account within 12 months of re-joining and several omissions to the aggregation regulations are now included
- Any reductions in pensionable pay due to a member working reduced hours because of ill-health are ignored for calculations of ill-health pension amounts, death grants, survivors' benefits, etc. where this is confirmed by the Independent Registered Medical Practitioner
- The death grant is confirmed as the highest death grant where a member has active membership after 31 March 2015 and deferred and/or pensioner records and not the sum of all the death grants
- A new employing authority has four months from its date of admission to publish its policy statement
- The cessation valuation regulations are amended to include some of the 2009 regulations relating to cessations that were inadvertently omitted
- Employers are required to provide NILGOSC with annual returns within one month of year end
- NILGOSC is required to issue pension benefit statements within five months of year end
- The 2009 Benefit regulations are amended retrospectively to allow a deferred member who left between 1 April 2009 and 31 March 2015 access to their benefits from age 55 and before age 60 without employer consent and subject to actuarial reductions.

The Department has requested comments by 24 July 2015 and these should be sent to the Local Government Policy Division at the Department of Environment ([LGPSConsultations@doeni.gov.uk](mailto:LGPSConsultations@doeni.gov.uk)). Full details are on the [Department's website](#).

## **2. Revision to the method of calculating 'lost' pensionable pay for Additional Pension Contributions (APCs)**

When a member is absent from work due to unpaid child-related leave, unpaid leave of absence with permission or absence due to a trade dispute they will not build up pension unless they choose to cover this period of 'lost' pensionable pay by making Additional Pension Contributions (APCs).

The Scheme's regulations do not specifically state how to calculate the amount of 'lost' pensionable pay that can be covered by APCs. However, they do state that employers cannot pay more than 2/3<sup>rd</sup> of the cost of an APC to cover a period of absence with permission based on the assumed pensionable pay (APP) that the member is treated as receiving. The annual rate of APP is calculated as the pay that the member received in the last three months or 12 weeks less any irregular lump sums, grossed up and any regular lump sums added in. In other words, the APP is an estimate of annual pay based on the last three months' or 12 weeks' pay.

In the absence of specific regulations the guidance issued by NILGOSC to date advised that the 'lost' pensionable pay should be calculated as APP. This accorded with similar guidance that was issued to LGPS employers in England and Wales.

It has now become evident that using APP to calculate 'lost' pensionable pay may cause some issues. For instance, a member on a period of unpaid maternity leave

may be due an increment that would not be accounted for if APP is used to calculate 'lost' pensionable pay. There could be similar difficulties using APP where a member has either reduced or increased their hours just before a period of unpaid authorised absence. However, it may be more appropriate to use APP in circumstances where a member works variable hours and an employer cannot easily predict what would have been earned during the absence.

In light of this and following discussion with the Department of Environment we are revising the guidance to state that **'lost' pensionable pay for APCs should be calculated as the pensionable remuneration that the member would have received but for the absence, or as APP where the amount of pensionable remuneration cannot easily be determined.**

References to the calculation of 'lost' pensionable pay for APCs have been updated on our website and within the Human Resources, Payroll and Employer guides.

### **3. Updated Human Resources, Payroll and Employer Guides**

We have recently updated all three of the above employer guides. These have been updated to reflect recent changes in legislation and guidance received from the Department. For ease of reference both tracked changes and final versions of each guide are available on our website.

### **4. Completion of LGS15 Leaver's Form**

We are having to return many LGS15 Leaver's Forms for post-31 March 2015 leavers to employers as they have been completed incorrectly.

Section 4c – Final Pay – this section must be completed for all members with service before 1 April 2015. In the same way as before the new Scheme was introduced, the final pay is usually the pay for the last 12 months of employment or the best of the last three years. For example, a member leaving on 22 May 2015 will normally have a final pay from 23 May 2014 to 22 May 2015 on the 2009 definition of final pay i.e. excluding non-contractual overtime and additional hours. This final pay figure is required to calculate the pension benefits in respect of service before 1 April 2015. It is known as the final salary link.

Section 5 – CARE pay - the pay figure shown in this section must be the CARE pay for any membership from 1 April 2015. For example, the same member leaving on 22 May 2015 should have a CARE pay from 1 April 2015 to 22 May 2015. This pay figure will include non-contractual overtime and additional hours, if applicable. This pay figure is used to calculate the pension benefits in respect of service from 1 April 2015.

You may wish to refer to the [Leaver's Form Guidance](#) notes on our website.

Please ensure that Leaver's Forms are completed correctly as NILGOSC cannot amend pay details. This means that the incorrect Leaver's Forms must be returned to the employer concerned and it is likely this will delay payment of members'

pension benefits. If you are uncertain how to complete an LGS15 then please contact our Pensions Administration Team who will be happy to help.

**5. Reminder - Discretionary Policy Statements due by 31 July 2015**

Employers are reminded that NILGOSC should be provided with your published Discretionary Policy Statement by 31 July 2015.

NILGOSC cannot issue pension claim forms nor pay benefits if an employer is exercising a discretion and has not provided us with its final approved Discretionary Policy Statement.

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

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