

HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

nmpaconsultation@hmtreasury.gov.uk

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Dear Sir/Madam

Increasing the normal minimum pension age: consultation on implementation

Thank you for the opportunity to respond to the above consultation. I am doing so on behalf of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) which is the public body responsible for administering the Local Government Pension Scheme for Northern Ireland (LGPS NI). I have provided a response to each of the questions set out in the consultation document.

1 Are there any specific considerations that should be taken into account regarding the government's proposed framework for the increase to the NMPA?

Whilst the normal pension age for the Local Government Pension Scheme is the same as State Pension Age, scheme members are currently able to access a range of benefits at age 55. These include early retirement, flexible retirement, dismissal on the grounds of redundancy and dismissal on the grounds of business efficiency. The impact of the Government proposal will be that the benefits provided by the LGPS will need to be reduced and changes to secondary legislation will be required. You will be aware that pensions are a devolved matter and therefore the legislation will be passed by the Northern Ireland Assembly.

There is no additional cost to the pension fund if these benefits are taken before normal retirement age as they are either actuarially reduced or a strain cost is paid by the employer to the fund.

From a scheme member perspective this change will be viewed as a reduction in the flexibility of the scheme. Whilst the average member of the scheme has a life expectancy of 86.6-89.9 years (ie approximately 20 years after Normal Retirement Age) a significant number of members will not live as long. Some members will expect to have reduced life expectancy (based on family history or current medical condition) and therefore take active choices to take their pension early. The Government's proposal reduces the options for these members, and those members

will experience less of a return from the scheme than those members who live longer.

From an employer perspective the proposal reduces the flexibility of the scheme to assist with workforce restructuring. At a time of reduced funding of the public sector in Northern Ireland employers need tools to assist with restructuring and headcount reduction exercises. Increasing the minimum age at which the LGPS can be used as compensation for dismissal reduces the number of staff that the scheme can be applied to.

2 Are there any particular issues that the government should consider in the way NMPA is defined in pension scheme rules?

No comment.

3 The government proposes that the protected pension age will apply to all the member's benefits under the scheme (if the conditions for a protected pension age are met), not just those benefits built up before 2028. Are there any other alternative options or issues the government should consider around the treatment of accrued and future pension savings?

As regards issues, the implementation of the protections introduces further complexity into the LGPS and will result in an administrative cost for system reprogramming, communications and staff training.

The matter of 'protections' is a very live issue in public service pension schemes and we urge caution that sufficient legal advice has been taken to ensure there will be no unintended consequences that would result in legal challenges in the future.

4 Are there any issues associated with schemes informing members who meet the conditions of their rights to a protected pension age?

The Government proposals add to the complexity of the scheme, and add to the complexity of communicating the features of the scheme to scheme members. Any issue where some members have rights and others do not are particularly challenging to communicate.

5 Are there any circumstances why the increase in NMPA may impact on pension flexibility (which was introduced following the 2014 consultation on "Freedom and Choice in Pensions")?

Freedom and Choice provided additional flexibilities for LGPS. As stated above, whilst the average member of the scheme has a life expectancy of 86.6-89.9 years (ie approximately 20 years after Normal Retirement Age) a significant number of members will not live as long. Some members will expect to have reduced life expectancy (based on family history or current medical condition) and therefore take active choices to take their pension early. One way to do so is to transfer benefits

out of the LGPS. The Government's proposal reduces the options for these members.

6 Are there any implications the government should consider by not requiring that all scheme benefits must be crystallised on the same day as a condition for a protected pension age?

No comment

Yours sincerely

David Murphy
Chief Executive