



# Government Actuary's Department

## **Local Government Pension Scheme (Northern Ireland)**

### **Late Retirement**

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## 1 Introduction

- 1.1 The Department for Communities (DfC) is required under the Local Government Pension Scheme Regulations (Northern Ireland) 2014 ('the 2014 Regulations') (SRNI 2014/188), to issue actuarial guidance on late retirement increases to benefits payable after normal pension age.
- 1.2 This guidance also applies to benefits accrued before 1 April 2015, including members who left active service before 1 April 2015, and to Councillor members. Full details of the legislative references are in Appendix B.
- 1.3 The remainder of this introduction contains:
- > details of the implementation and future review of this guidance, and
  - > statements about third party reliance and liability
- 1.4 In the remainder of this note:
- > the second section describes the increase to be applied on late retirement
  - > the third section provides examples
  - > Appendices A and B quote the relevant statutory references
  - > Appendix C sets out some important limitations.

### Implementation and Review

- 1.5 DfC is required to consult GAD before issuing actuarial guidance under the 2014 Regulations [Regulation 2(3) of the 2014 Regulations].
- 1.6 As part of this consultation DfC has asked GAD to recommend actuarial guidance in respect of the regulations detailed above. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.7 This note has effect only when this guidance is issued by DfC to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in accordance with Regulation 2(3) of the 2014 Regulations, and is subject to the implementation instructions provided at that time. DfC has informed GAD that this guidance will come into force with effect from 1 August 2017.
- 1.8 This guidance replaces the previous guidance dated 19 March 2015.
- 1.9 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Local Government Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to DfC.
- 1.10 GAD recommends that factors should be reviewed periodically, depending on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place, or following each triennial cycle of future valuations of the LGPS.



### **Use of this note**

- 1.11 This note has been prepared for DfC and can be relied upon by them. We are content for this note to be released to third parties, provided that:
- > it is released in full;
  - > the advice is not quoted selectively or partially; and
  - > GAD is identified as the source of the note.
- 1.12 Third parties may wish to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this note.

### **Third party reliance**

- 1.13 When issued by DfC in accordance with paragraph 1.7 above, this note should be used as the actuarial guidance required under the regulations cited. Other than for this purpose, no person or third party is entitled to place any reliance on the contents of this note, except to any extent explicitly stated herein.



## 2 The increase in benefits

- 2.1 Pensions are increased if they are taken after the following ages:
- > For service before 1 April 2015: age 65
  - > For service on or after 1 April 2015: State Pension Age, or if higher, age 65
- 2.2 For members retiring after age 65 with a State Pension Age greater than 65, retirement might occur between age 65 and State Pension Age, or after State Pension Age. Where retirement takes place after age 65 but before State Pension Age, the pre-2015 benefits will be adjusted upwards in accordance with this guidance document and the post-2015 benefits will be adjusted downwards in accordance with the guidance document "Early Retirement". Where retirement takes place at State Pension Age, benefits from pre-2015 service will be adjusted upwards in accordance with this guidance document. Where retirement takes place after State Pension Age, benefits from both periods will be adjusted upwards in accordance with this guidance document but different increases will apply to service before 1 April 2015 and on or after 1 April 2015.
- 2.3 DfC has confirmed that, where an addition to a member's benefits applies as a result of the statutory underpin (Regulation 4(4) of The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 ('the 2015 Scheme Transitional Regulations') (SRNI 2014/189)), and the member's benefits are taken after age 65, all of the member's benefits accrued up to normal retirement age in the 2009 Scheme, (whether accrued before or after 1 April 2015), and the benefits corresponding to the "underpin amount described in regulation 4(6), are subject to an adjustment for late payment by reference to age 65. Any benefits in excess of this would be subject to adjustment (whether upwards for late payment or downwards for early payment) by reference to the member's normal pension age in the 2015 Scheme.
- 2.4 DfC has also confirmed that State Pension Age for the purpose of calculating late retirement factors should be based on legislation in force at the point benefits are paid.
- 2.5 Both the pre-1 April 2015 and the post-31 March 2015 elements of the pension benefits should be uplifted by 0.010% simple – and the automatic 3/80ths retirement grant (if any) deriving from pre-1 April 2009 service should be uplifted by 0.001% simple – for each day on or after the date the member reached the ages specified in paragraph 2.1 above, and before the member's actual retirement date.
- 2.6 Subject to paragraph 2.9 below, the increase under this guidance should be applied to the total pension, including the Guaranteed Minimum Pension ("GMP") element of the pension. The increase should be applied to the benefits after Pensions Increases have been added in relation to any period of deferment.
- 2.7 Under regulations 27(7) and 28(6) of the 2014 Regulations, once in payment, retirement pensions should be increased in accordance with the 'index rate adjustment' (i.e. under the Pensions Increase Acts). Any pension accrued under the 2009 Regulations should be increased under the Pensions Increase Acts.



- 2.8 Regulation 31(3) and 31(11) of the 2014 Regulations requires that the pension must come into payment no later than the day before the member's 75<sup>th</sup> birthday.
- 2.9 Section 9 of the Pension Schemes (Northern Ireland) Act 1993 requires member consent if GMPs are deferred by more than 5 years after GMP pension age (which is age 60 for females and age 65 for males). Where a member elects to draw the GMP element of their total benefits, only the excess pension (over the GMP) should be increased at retirement in accordance with paragraph 2.5. This also applies where a deferred pension has been postponed until after age 65 but where the GMPs have been brought into payment earlier (at or after GMP pension age).
- 2.10 A councillor who was a deferred member of the Scheme in respect of a new council (as defined in the 2015 Scheme Transitional Regulations), or an active member of the Scheme before 1 April 2015, and who becomes a member of the 2015 Scheme will receive benefits deriving from their pre-1 April 2015 service increased for late payment (or reduced for early payment) by reference to retirement age 65, and benefits for post-1 April 2015 service increased for late payment (or reduced for early payment) by reference to NPA.
- 2.11 The regulations do not stipulate the method to be used in calculating the late retirement increases. The factors in this guidance have been provided in a simple format to ease administration. They provide outcomes of broadly actuarial neutrality within the constraints of the simple format adopted.



### 3 Examples

#### Member retiring from active service after reaching NPA

Consider a male member, whose SPA fell on 30 May 2017.

The member decided to remain as an active member and retire on 30 September 2017, with his last day of service 29 September 2017. The inclusive period from his SPA date of 30 May 2017 until 29 September 2017 (the day before his benefits become payable) is 0 years 123 days. It is assumed that the statutory underpin has no impact on the member's benefits.

Member's benefits at 30 September 2017 before late retirement additions:

Pension	£18,000.00 pa
Retirement Grant	£40,000.00

The late retirement increases should be calculated as:

Pension	$18,000.00 \times 123 \times 0.0001$	= £221.40 pa
Retirement grant	$40,000.00 \times 123 \times 0.00001$	= £49.20

The prospective benefits payable from 30 September 2017 are:

<b>Member's pension:</b>	$18,000.00 + 221.40$	<b>= £18,221.40 pa</b>
<b>Retirement grant:</b>	$40,000.00 + 49.20$	<b>= £40,049.20</b>

However, the member could decide to commute part of his pension of £18,221.40 into an additional lump sum in accordance with Regulation 34 of the 2014 Regulations.

Pensions in payment should increase in line with the Pensions Increase Acts but subject to the provisions in regulations 27, 28, 29 or 30 of the 2014 Regulations as relevant.



### Member retiring from deferment after reaching NPA

Consider a male member, whose SPA is 65 and whose 65<sup>th</sup> birthday fell on 30 May 2017.

The member's last day of service was 29 October 2009 but he retired on 30 September 2017. It is assumed that the statutory underpin has no impact on the member's benefits.

The period from (and including) his SPA date of 30 May 2017 until 29 September 2017 (the day before his benefits become payable) is 0 years 123 days

The member's total benefits at 30 September 2017 before late retirement additions but including pension increases to April 2017 are:

Pension	£20,000.00 pa
Retirement Grant	£60,000.00

The late retirement increases should be calculated as:

Pension	$£20,000.00 \times 123 \times 0.0001$	= £246.00 pa
Retirement grant	$£60,000.00 \times 123 \times 0.00001$	= £73.80

The prospective benefits payable from 30 September 2017 are:

<b>Member's pension:</b>	$£20,000.00 + £246.00$	<b>= £20,246.00 pa</b>
<b>Retirement grant:</b>	$£60,000.00 + £73.80$	<b>= £60,073.80</b>

However, the member could decide to commute part of his pension of £20,246.00 into an additional lump sum in accordance with Regulation 34 of the 2014 Regulations.

The pension should receive a full year's Pension Increase in April 2018 and annually thereafter.





## Appendix A: Cited Regulations

### A.1 Excerpts from the 2014 Regulations<sup>1</sup>

#### Introduction and interpretation

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...

(2) The Scheme manager responsible for the administration of pensions and other benefits payable under these Regulations, is the Northern Ireland Local Government Officers' Superannuation Committee, and in these Regulations is referred to as "the Committee".

(3) The Department may, after consultation with the Government Actuary's Department, issue actuarial guidance to the Committee.

#### Retirement pension accounts: deferred members and pension credit members

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(6) The balance in the member's retirement pension account is adjusted each year by the index rate adjustment from the date that an increase would apply if that balance were a pension in payment to which the 1971 Act applied.

#### Pension credit accounts

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(3) The amount credited under paragraph (2) is the opening balance for the following Scheme year and, thereafter, the balance in the pension credit account each year is adjusted by the index rate adjustment from the date that an increase would apply if that balance were a pension in payment to which the 1971 Act applied.

#### Retirement benefits

31. —

(1) Subject to paragraph (3) a member who attains normal pension age and is not an employee in local government employment is entitled to, and shall take, immediate payment of a retirement pension without reduction.

...

(3) A member to whom paragraph (1) applies may elect to defer payment of a retirement pension to a date after that member's normal pension age up to the date when that member attains the age of 75.

(4) A member who starts to receive payment of a retirement pension from a date after that member's normal pension age is entitled to enhancement of the pension by the amount shown as appropriate in actuarial guidance issued by the Department.

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<sup>1</sup> The Local Government Pension Scheme Regulations (Northern Ireland) 2014 (SRNI 2014/188)



## A.2 Excerpts from the 2015 Scheme Transitional Regulations<sup>2</sup>

### Membership before 1st April 2015

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(4) Where a person has been an active member of the Scheme, and retirement benefits under paragraph (1) are payable to a member in accordance with regulation 10 (retirement benefits), the benefits paid from earlier Schemes and the Scheme are, for all purposes, to be regarded as constituting a single pension scheme.

(5) But a retirement pension and any retirement grant payable to a member under paragraph (4) is subject to actuarial adjustment if it would have been subject to actuarial adjustment under the 2009 Scheme, irrespective of whether retirement pension under the Scheme payable at the same time is subject to actuarial adjustment.

...

(8) Where a person has not been an active member of the Scheme and has benefits under the earlier Schemes, or has been an active member of the Scheme and has benefits under the earlier Schemes which have not been aggregated with the benefits in the Scheme, the benefits payable as a consequence of paragraph (1) are payable in accordance with the earlier Schemes as applied by this regulation.

...

(12) Any guidance issued by the Government Actuary in accordance with any provision in the former regulations is to be treated as actuarial guidance issued by the Department as defined in Schedule 1 to the 2014 Regulations and any reference to guidance issued by the Government Actuary in the former regulations is to be construed as a reference to actuarial guidance issued by the Department.

### Councillors' pensions

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(3) Where a councillor who has deferred councillor membership of the 2009 Scheme in respect of a new council becomes an active member of the Scheme, whether by reason of paragraph (1) or otherwise, the appropriate amount of pension accrued under the 2009 Scheme in respect of that deferred membership of the new council shall be credited by the Committee to that councillor's active member pension account under the Scheme.

(4) The active membership of any councillor in respect of an existing council shall end on 31<sup>st</sup> March 2015 and that membership shall be treated as deferred membership unless the councillor qualifies for the immediate payment of retirement benefits under regulations 16 (normal retirement) or 17 (retirement after normal retirement age) of the Benefits Regulations or the councillor member chooses to receive the immediate payment of retirement benefits under regulation 30 (choice of early payment of pension) of those Regulations.

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<sup>2</sup> The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 (SRNI 2014/189)



(5) Where paragraph (4) applies the Committee shall apply the appropriate actuarial adjustment in accordance with guidance issued by the Department, for the early or late payment of retirement benefits.

...

(8) Where pension accrued under the 2009 Scheme is credited to a councillor's active member pension account under the Scheme, that pension is payable when the councillor member is aged 65.



## Appendix B: Legislative references

### Service in the 2015 scheme

B.1 DfC is required under the 2014 Regulations to:

- (i) issue actuarial guidance on late retirement increases when a member receives their pension after normal pension age [regulation 31 (4)];
- (ii) issue actuarial guidance when a pension credit member defers receipt of their pension until after normal pension age [regulation 31 (11)]; and
- (iii) consult GAD before issuing such guidance [regulation 2(3)].

### Service accrued before 1 April 2015

- B.2 Regulation 3(5) of the 2015 Scheme Transitional Regulations also refers to actuarial adjustments in respect of retirement pensions and retirement grants accrued before 1 April 2015.
- B.3 Where a person has not been a member of the 2015 Scheme, benefits payable in respect of service before 1 April 2015 are payable in accordance with the 2009 Scheme [Regulation 3(8) of the 2015 Scheme Transitional Regulations]. Details of the requirements under the 2009 Scheme are listed in the following paragraphs (which reflect the change made from the Government Actuary to DfC as the person responsible for issuing guidance) [Regulation 3(12) of the 2015 Scheme Transitional Regulations].
- B.4 In relation to Regulation 17(2) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009 ('the 2009 Regulations') (SRNI 2009/32), DfC is required to issue guidance to determine the increase applicable to benefits when a member remains in employment after their 65<sup>th</sup> birthday.
- B.5 In relation to Regulation 29(5) of the 2009 Regulations, DfC is required to issue guidance to determine the increase applicable to accrued benefits when a member who has left service without immediate entitlement to benefits under any of regulations 16 to 20 chooses not to receive payment of those benefits immediately on attaining normal retirement age.
- B.6 In relation to Regulation 14(3) of the 2009 Regulations, DfC is required to issue guidance on the increase to be applied to the additional pension where it is taken after normal retirement age.
- B.7 A member may also have a transfer credit that was awarded under protected regulation 68(8) of The Local Government Pension Scheme Regulations (Northern Ireland) 2002 (SRNI 2002/352) protected by virtue of Schedule 1 of the Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2009 (SRNI 2009/34) and regulation 14(1)(b) of the 2015 Scheme Transitional Regulations. The transfer credit is treated as arising from pre-1 April 2015 membership and this guidance document is also relevant in determining any increases to be applied in respect of those transfer credits.



## Appendix C: Limitations

- C.1 This note should not be used for any purpose other than to determine benefits on late retirement in accordance with the regulations cited above.
- C.2 The factors contained in this note are subject to regular review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.3 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- C.4 This note only covers the actuarial principles around the calculation and application of late retirement factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Administrators should satisfy themselves that late retirement complies with all legislative requirements including, but not limited to, taxation and contracting-out requirements.
- C.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of DfC. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.