Re-joining the Scheme

Contents

Introduction

Welcome back! This booklet explains the options available to you as a re-joining member of the LGPS (NI). You may be able to combine your old and new benefits together and you can use the information in this booklet to help decide if this is the right choice for you.

This guide is for general information only and cannot cover every personal circumstance. If there is any dispute over your pension benefits, the appropriate pension legislation will apply. This guide does not give you any contractual or legal rights and is provided for information purposes only.

Your options if you have previous Deferred benefits

If you leave the Scheme with more than 2 years' membership (or 3 months' membership if you left before 1 April 2015) you will be entitled to a deferred benefit. This means that you have a pension entitlement, but it is not yet payable. As a re-joining deferred member, you only have **12 months** to decide whether to combine your benefits. If you do combine your benefits, you will have one set of benefits based on all your membership.

Extending the 12-month time limit is at the discretion of your employer and not NILGOSC. You should contact your employer and ask what its policy is on extending this time limit.

If you have more than one job with any Scheme employer and one job ends but the other continues, your deferred benefit is automatically added to your active membership account for the job that is continuing, unless you choose within 12 months to keep them separate. If you had membership before 1 April 2015 this part of your benefits is protected under the old final salary scheme.

If you only have membership after 31 March 2015 then your benefits not automatically combined. You have 12 months (or such period as your employer may allow) to choose to combine them.

If you have membership before and after 1 April 2015 your options depend on if you have had a break in membership of a public service pension Scheme of more than 5 years.

If you have not had a break in membership of a public service pension Scheme of more than 5 years, then your benefits are not automatically combined. You have 12 months (or such period as your employer may allow) to choose to combine them. Benefits built up before 1 April 2015 are linked to your final salary when you leave, if joined.

If you have had a break in membership of a public service pension Scheme of more than 5 years, then your benefits are not automatically combined. You have 12 months (or such period as your employer may allow) to choose to combine them. Benefits built up before 1 April 2015 are treated as transfer of pension.

If you only have Membership before 1 April 2015 your options depend on if you have had a break in membership of a public service pension Scheme of more than 5 years.

If you have not had a break in membership of a public service pension Scheme of more than 5 years, then your benefits are not automatically combined. You have 12 months (or such period as your employer may allow) to choose to combine them. You can choose whether the benefits you built up before 1 April 2015 are linked to your final salary when you leave or whether they are converted into an amount of pension which is added to your new pension account.

If you have had a break in membership of a public service pension Scheme of more than 5 years, then your benefits are not automatically combined. You have 12 months (or such period as your employer may allow) to choose to combine them. Benefits built up before 1 April 2015 are treated as transfer of pension.

The main factors you may need to think about in making your decision are:

- The impact on your benefits if you retire due to ill-health or redundancy / business efficiency
- Reductions to your benefits if you retire early
- Cost of living increases
- Whether you used to be a member of a public service pension scheme but had a continuous break in active membership of more than 5 years
- Rate of pay on which your benefits before 1 April 2015 are calculated
- Death and survivor benefits
- Protections e.g., Rule of 85
- Tax charges

Each of these factors is discussed in detail in the ‘Should I combine my benefits?’ section of this guide. The decision to combine your benefits or to keep them separate depends on your own individual circumstances and what you think is most likely to happen in the future. You may wish to seek independent financial advice before making your decision.

Should you wish your benefits to be combined, you must complete an option form. If you do not return the option form your deferred benefits will remain separate and cannot be joined at a later date. You cannot transfer your separate deferred benefits out of the Scheme if you re-join and become an active member as you are still building up benefits in the Scheme.

Have you, between leaving and re-joining the Scheme, had a continuous break in active membership of a public service pension scheme of more than 5 years?

A public service pension scheme refers to a pension scheme in Northern Ireland covering civil servants, the judiciary, local government workers, teachers, health service workers, fire and rescue workers or police.

There are different outcomes on joining benefits depending on whether your break was for less or more than 5 years. If the break was for less than 5 years and your benefits are combined, any membership before 1 April 2015 will be calculated on a final salary basis. If your break was for more than 5 years and you decide to combine your benefits, your membership before 1 April 2015 will be converted into an amount of pension which is added to your new pension account. If you do not combine your benefits, your membership before 1 April 2015 will have been calculated on your final pay when you left that job and will not be calculated on your new final pay.

Opting out of the Scheme in your new job with less than three months' membership

If you opted out of the Scheme with less than three months' membership in your new job, you cannot combine your benefits together.

Exclusions

Deferred benefits can only be combined with an active membership record. You cannot combine deferred benefits with a deferred member's pension account, a deferred refund account, a retirement pension account, a flexible retirement pension account, a pensioner's account, a survivor member's account or a pension credit account.

If you opt out of the Scheme and are awarded deferred benefits, and later re-join the Scheme in the same employment, you cannot combine your Scheme benefits.

Even if you choose not to combine your benefits, you will not be able to transfer the value of your deferred benefits to another pension scheme while you have another active account, or if you have less than one year to go before reaching your Normal Pension Age.

Should I combine my benefits?

The decision to combine your benefits or to keep them separate depends on your own individual circumstances and what you think is most likely to happen in the future.

The factors that you may wish to consider when deciding if you should combine or keep your benefits separate and the implications of your choice on each factor are outlined below.

Factor to Consider:

Redundancy / Business Efficiency

Implications if you combine your benefits:

If your benefits are paid early because of redundancy or business efficiency the value of your earlier deferred benefits will also be paid.

If you are aged 55[1] or over then your benefits would be payable immediately.

Implications if you keep your benefits separate:

If your benefits are paid early because of redundancy or efficiency in your new job, your old, deferred benefits will not be included.

The age that you can receive your deferred benefits depends on their payable date.

Factor to Consider:

Ill-health (applies only to members with at least two years' service)

Implications if you combine your benefits:

If your benefits are paid early due to ill-health your earlier deferred benefits will also be paid.

Your benefits will be paid immediately if NILGOSC determines that you are permanently incapable of performing the duties of your job and have a reduced likelihood of being capable of undertaking any gainful employment before reaching normal pension age (for members with post 31 March 2009 service only. The criteria for ill-health retirement will be different depending on when you left employment). The pension will include the value of your deferred benefits and will be enhanced depending on the severity of your illness.

Implications if you keep your benefits separate:

If your benefits are paid early due to ill-health your earlier deferred benefits will not be included, although you could apply separately.

Your benefits from your current job will be paid immediately if NILGOSC determines that you are permanently incapable of performing the duties of your job and have a reduced likelihood of being capable of undertaking any gainful employment before reaching normal pension age (for members with post 31 March 2009 service only. The criteria for ill-health retirement will be different depending on when you left employment). Your pension will be enhanced depending on the severity of your illness.

The pension will not include the value of your deferred benefits as they were kept as separate benefits. Your separate deferred benefits will only be paid at this time if NILGOSC determines that the criteria for ill-health retirement is met. There is no enhancement to deferred benefits paid due to ill-health.

Factor to Consider:

Early payment of benefits

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[1] The national minimum pension age, the earliest age you can access your pension benefits, will be increased from age 55 to age 57 from 6 April 2028.

Implications if you combine your benefits:

You can voluntarily choose to draw the combined benefits from age 55[2] onwards without your employer's permission. Your benefits will usually be reduced as they will be paid for longer.

Your combined benefits must be paid at the same time and cannot be paid until you have retired from your current job.

Implications if you keep your benefits separate:

You can voluntarily choose to retire and draw benefits from your new job from age 55[2] onwards without your employer's permission. Your benefits will usually be reduced as they will be paid for longer.

Your separate deferred benefits do not have to be drawn at the same time as the benefits in your current job.

Factor to Consider:

Cost of living increases

Implications if you combine your benefits:

The combined benefits will be revalued each year in accordance with the Department of Finance directions. The revaluation will be in line with the rise in the Consumer Prices Index.

However, in times of negative inflation the revaluation could be negative, depending on the decision taken by the NI Assembly

The combined benefits for your membership before 1 April 2015 (if you had a break of less than 5 years) will continue to be calculated using your final pay in your current job when you leave the Scheme (based on the 2009 definition of final pay i.e., excluding non-contractual overtime and additional hours).

Implications if you keep your benefits separate:

The benefits in the active pension account will be revalued each year in line with the Consumer Prices Index. However, in times of negative inflation the revaluation could be negative.

The benefits in the deferred account will be subject to revaluation each year under the Pensions (Increase) Act (Northern Ireland) 1971.

The revaluation is currently in line with the rise in the Consumer Prices Index. In times of negative inflation, the revaluation under the Pensions (Increase) Act (Northern Ireland) 1971 would be 0% (i.e., it cannot be a negative amount).

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[2] The national minimum pension age, the earliest age you can access your pension benefits, will be increased from age 55 to age 57 from 6 April 2028.

Factor to Consider:

Death in service lump sum

Implications if you combine your benefits:

If you die as an active member of the Scheme, a lump sum is payable of approximately three times your annual pay.

Implications if you keep your benefits separate:

If you die as an active member of the Scheme, a lump sum is payable of approximately three times your annual pay.

If you die as a deferred member of the Scheme, a lump sum is payable of 5 times your annual deferred pension[3]. However, if you are also an active member of the Scheme the lump sum will be the higher of that from your deferred membership or your active membership. Both death grants will not be paid, even if you keep your benefits separate.

Factor to Consider:

Rule of 85 (only applies to active members at 30 September 2006)

Implications if you combine your benefits:

If you combine your benefits and you have rule of 85 protections the protections will transfer to your active pension account. (For more information on the rule of 85 see page 12.)

Implications if you keep your benefits separate:

If you keep your benefits separate, the rule of 85 protections will only apply to your deferred benefits and not to your active pension account.

Factor to Consider:

What pay is used to calculate my benefits?

Implications if you combine your benefits:

If you combine your benefits and you have a break of less than 5 years in the public sector, your pension in respect of your membership before 1 April 2015 will continue to be calculated on your whole-time equivalent final salary at retirement (based on the 2009 definition of final pay i.e., excluding non-contractual overtime and additional hours).

Implications if you keep your benefits separate:

If you do not combine your benefits, your membership before 1 April 2015 will have been calculated on your whole-time equivalent final pay when you left that job (based on the 2009 final pay definition i.e., excluding non-contractual overtime and additional hours).

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[3] For post 31 March 2009 leavers only. If you left employment before 1 April 2009, the value of death grant is equal to the value of your deferred lump sum.

Factor to Consider:

Tax charges

Implications if you combine your benefits:

There are potential tax implications if you combine your deferred benefits with your active pension account as this will increase your pension savings in the year you combine them.

However, you can carry forward any unused annual allowance from the last three years.

This means that even if your pension savings increase by more than £60,000 (2023/24 rates) in a year, you may not be liable for a tax charge. NILGOSC will make you aware of the implications in the unlikely event that a tax charge will apply.

Factor to Consider:

Payable dates

Implications if you combine your benefits:

See the Normal Pension Age section on page 10 for further details.

Implications if you keep your benefits separate:

See the Normal Pension Age section on page 10 for further details.

Factor to Consider:

Underpin (see definition in glossary)

Implications if you combine your benefits:

If you combine your benefits, you may be able to avail of underpin protections which may not apply if you keep your benefits separate.

Implications if you keep your benefits separate:

If you keep your benefits separate underpin protections, if applicable, will likely only apply to your deferred record.

Making your decision

You may find it helpful in making your decision to indicate the best option for you relating to each factor.

What should I do next?

If you want to combine your benefits you must complete and return an option form within 12 months (or such period as your employer may allow) of re-joining the Scheme. If you do not return the option form, your earlier benefits will remain separate.

Glossary

This glossary explains some of the terms used in this leaflet and gives more detail about how your benefits are calculated in the Scheme, when they become payable, and other information about protections.

Working out your benefits in the Scheme

Your benefits are worked out differently depending on when you were a member of the Scheme.

From 1 April 2015 - Career Average Scheme

Up to 31 March 2015 - Final Salary Scheme (up to 2 different calculations)

- From 1 April 2009 to 31 March 2015,
- and Up to 31 March 2009

Career Average Scheme

For membership built up from 1 April 2015 your pension will be based on your average earnings. Every year you are in the main section of the Scheme 1/49th of your pensionable pay is added to your pension account or half this rate if you are in the 50/50 section PLUS an adjustment so that your pension keeps up with the cost of living. At retirement, you have the option of exchanging some of your pension for a tax-free lump sum.

Pensionable Pay (from 1 April 2015): Your pensionable pay is the amount of pay on which your normal pension contributions are based and includes non-contractual overtime and additional hours. However, if you had been on reduced pay or no pay due to sickness or injury or had been on relevant child related leave or reserve forces service leave then, for that period, your pension is worked out based on your assumed pensionable pay.

Final Salary Scheme

For membership built up from 1 April 2009 to 31 March 2015, you receive a pension of 1/60th of your final pay. There is no automatic lump sum for membership built up after March 2009, but you do have the option at retirement to exchange some of your pension for a tax-free lump sum.

For membership built up to 31 March 2009, you receive a pension of 1/80th of your final pay plus an automatic tax-free lump sum of three times your pension. You also have the option at retirement to exchange some of your pension for a tax-free lump sum.

Annual Allowance

The annual allowance is £60,000 (2023/24).

If you combine your previous deferred benefits with your new pension account this will increase your pension savings in the year you combine them.

However, you can carry forward unused annual allowance from the last three tax years meaning that, even if the value of your pension savings increases by more than the annual allowance limit in a year, you may not have to pay a tax charge.

Most people will not be affected by the annual allowance tax charge because the value of their pension savings will not increase by more than the annual allowance limit in a tax year or, if it does, they are likely to have unused allowance from previous tax years that can be carried forward.

There will be a £1 reduction in annual allowance for every £2 of adjusted income (annual income before tax plus your own and any employer pension contributions) earned above £260,000. This only applies to members whose pensionable pay is more than £200,000. The annual allowance cannot be reduced below £10,000.

(CPI) (i.e., the Cost of Living Adjustment)

The Consumer Prices Index (CPI) is the official measure of inflation of consumer prices in the UK and is currently used to adjust your pension account at the end of every year while you are an active member of the Scheme. It is also used to increase (each April) the value of your deferred pension and any pension in payment to ensure that your pension keeps up with the cost of living.

Final Pay

The definition of final pay for benefits built up before 1 April 2015 has not changed.

Final pay is usually the pay in respect of (i.e., due for) the final year of Scheme membership on which you paid contributions, or one of the previous two years if this is higher. The main differences to the pay used for career average benefits include:

- If you are working part-time when you leave the Scheme or worked part-time at some point during your last year of membership, your final pay is the whole-time pay that you would have received if you had worked full-time.
- It does not include non- contractual overtime or additional hours.

There are further protections for final pay if your pay is reduced due to a period of sickness, if you are on maternity, paternity or adoption leave, or if your pay is reduced or increases to your pay are restricted.

If you combine your final salary benefits with your new active pension account and they buy an amount of earned pension in the career average scheme, then they will be treated as career average benefits.

Normal Pension Age

The table below shows the normal pension age for your deferred benefits depending on when you were an active member of the Scheme.

Table 1: Definition of Normal Pension Age

	Membership that ended before 1 October 2006	Membership between 1 October 2006 and 31 March 2015	Membership from 1 April 2015
Normal Pension Age	Age 60 if, by that age, you would have had 25 or more years' membership in the Scheme if you had remained in the Scheme until then, or The date you would have achieved 25 years' membership, if that date would fall after age 60 and before age 65, or Age 65 if, by that age, you would not have had 25 years membership in the Scheme if you had remained in the Scheme until then	Age 65	Linked to your State Pension Age (but with a minimum of age 65)

If your deferred benefits are combined with your new active pension account, any benefits that continue to be based on your final salary will have a Normal Pension Age of 65.

If you combine your pre-1 April 2015 benefits with your new active pension account and they are treated as career average benefits, then they will have a new Normal Pension Age which is linked to your State Pension Age (but with a minimum of age 65).

If you combine your post 31 March 2015 benefits with your new active pension account, any existing career average benefits will continue to have a Normal Pension Age linked to your State Pension Age (but with a minimum of age 65).

If you choose to take your pension before your Normal Pension Age it will normally be reduced, as it is being paid earlier. If you take it later than your Normal Pension Age, it will be increased because it is being paid later. The amount of any reduction or increase will be based on how many years earlier or later than your Normal Pension Age you draw your pension. If your Normal Pension Age for benefits in the final salary Scheme is different from your Normal Pension Age in the career average Scheme, the level of the reductions or increases applied to each set of benefits will be different. You cannot take your final salary Scheme benefits separately from your career average Scheme benefits if they have been combined. All of your pension would have to be taken at the same time (except in the case of Flexible Retirement).

If you have rule of 85 protections, these will still apply. For more information see the explanation of rule of 85 on page 12.

Paying extra contributions?

There are several ways you can pay more contributions to increase your benefits. If you have one of the following arrangements, you need to understand what happens to any payments you have already made and whether you can continue to pay these extra contributions in your new job.

Buying Added Years (extra membership)

This option allowed you to purchase extra membership in the Scheme (contract must have started before 1 April 2009).

If you combine your deferred benefits with your new active pension account, your pre-1 April 2015 benefits continue to be based on your final salary. Your existing contract can only continue if:

- The break between leaving your old job and starting your new job is less than 12 months, and
- You choose to continue paying your added years contract within 3 months of re-joining the Scheme in your new job, and
- In those 3 months you pay any extra contributions to cover the break (if any) between jobs.

These added years count towards your benefits in the final salary Scheme.

If you combine your deferred benefits with your new active pension account and your final salary benefits are treated as career average pension, then your existing contract cannot continue, and you cannot take out a new contract to buy extra membership. You can however consider buying extra pension (known as Additional Pension Contributions or APCs). Please see the NILGOSC website (www.nilgosc.org.uk) or contact NILGOSC directly for more information on APCs.

If you choose to keep your deferred benefits separate, any existing added years contract cannot continue and any extra membership you have already bought will be included in your deferred benefits. You cannot continue to pay for your added years contract.

Paying Additional Regular Contributions (ARCs)

These are contracts taken out between 1 April 2009 and 31 March 2015 to purchase extra pension. They cannot continue, regardless of your decision to combine or keep your benefits separate.

If you do combine your pre-1 April 2015 benefits with your new active pension account and your benefits continue to be treated as pre-1 April 2015 benefits (i.e., final salary) the amount of ARCs which you have already bought will be added to the value of your final salary pension.

If you combine your deferred benefits with your new active pension account and your final salary benefits are treated as career average pension, any extra pension you have already bought is included in the amount of career average pension that is added to your pension account.

If you do wish to pay more contributions in your new job you can consider buying extra pension (known as Additional Pension Contributions). You can contact NILGOSC for more information.

If you choose to keep your benefits separate, any extra pension you have already bought will be included in your deferred benefits. You cannot continue to pay for your ARCs contract.

Paying Additional Pension Contributions (APCs)

These are contracts taken out on or after 1 April 2015 to purchase extra pension.

APC arrangements to buy lost or extra pension stop once you leave the job they are linked to.

Any extra pension built up via an APC will be added to your new active pension account if your benefits are combined.

If you choose to keep your benefits separate, any extra pension you have already bought will be included with your deferred benefits. You cannot continue to pay towards your previous APC arrangement. However, you can take out another APC arrangement in your new job. Please see the NILGOSC website (www.nilgosc.org.uk) or contact NILGOSC directly for more information on APCs.

Additional Voluntary Contributions (APCs)

If you have paid APCs and wish to continue contributing, the value of your APC fund can be transferred to an APC arrangement linked to your new job.

Public service pension scheme

Public service pension schemes cover civil servants, the judiciary, the armed forces, local government workers, teachers, health service workers, fire and rescue workers, members of the police forces in Northern Ireland and membership of a new public body pension scheme in Northern Ireland.

Rule of 85

The rule of 85 applies if your age and length of membership (each in whole years) at the date you draw your benefits add up to 85 or more.

If you work part-time, your membership counts towards the rule of 85 in full years e.g., 1 year part-time membership equals 1 full year towards the rule of 85.

Not all membership may count towards working out whether you meet the 85-year rule.

Who does it apply to?

If you were a member of the Scheme on 30 September 2006, some or all of your benefits could be protected from reductions if you claim your benefits early.

Working out how you are affected by the 85-year rule can be quite complex, but the notes on the next page should help you.

If you do not satisfy the 85 year rule by the time you are 65, and you choose to take your pension before your Normal Pension Age, all your benefits are reduced. The reduction will be based on how many years before your Normal Pension Age you take your benefits. Your Normal Pension Age is usually age 65 for pension built up before 1 April 2015 and is the same as your State Pension Age for pension built up from 1 April 2015.

If you are age 60 or over by 31 March 2016 and choose to take your pension before your Normal Pension Age, then, provided you satisfy the 85 year rule when you start to draw your pension, the benefits you built up to 31 March 2016 will not be reduced.

If you are under age 60 by 31 March 2016 and choose to take your pension before your Normal Pension Age (usually age 65), then, provided you satisfy the 85 year rule when you start to draw your pension, the benefits you had built up to 31 March 2008 will not be reduced. If you are aged 60 between 1 April 2016 and 31 March 2020 and meet the 85 year rule by 31 March 2020, some or all of the benefits you build up between 1 April 2008 and 31 March 2020 will not have a full reduction.

The only occasions where rule of 85 protection does not automatically apply is if you became entitled to the deferred benefits after 31 March 2015 and:

- keep those benefits separate from your new or ongoing job and voluntarily draw those deferred benefits on or after age 55[4] and before age 60, or
- combine those benefits with your new or ongoing job, then leave the Scheme before age 60 and voluntarily draw your combined benefits on or after age 55[4] and before age 60.

How will combining my benefits impact on my rule of 85 protections?

When deciding whether or not to combine your benefits in the Scheme, you need to be aware of the potential impact on any rule of 85 protections.

If the rule of 85 applies to part or all of your previous benefits in the Scheme, and there is a long gap between your dates of leaving and re-joining the Scheme, then combining your benefits could make your rule of 85 date later. If this is the case, keeping your deferred benefits separate could protect your earlier rule of 85 date on that deferred benefit, but you would not have rule of 85 protection on your benefits building up in your new job.

The reason the earlier rule of 85 date on your deferred benefit would be protected is because the period after you left the Scheme is also included when working out your rule of 85 date even though you were not a member of the Scheme. If you re-join and combine your previous benefits any gap in membership of the Scheme would be ignored when calculating when you would meet the rule of 85 in the new job.

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[4] The national minimum pension age, the earliest age you can access your pension benefits, will be increased from age 55 to age 57 from 6 April 2028.

Underpin

When the Scheme changed to a career average scheme on 1 April 2015, older Scheme members were protected from the changes. This protection was known as the underpin. The underpin ensures that protected members get a pension at least equal to what they would have received if the Scheme had not changed.

The underpin generally applies if you meet all the following criteria:

- were contributing to the Scheme on 31 March 2012
- were within ten years of your normal pension age on 1 April 2012 – generally age 55 or over on this date
- have not had a break in active membership of a UK public service pension scheme of more than five years after 31 March 2012
- have not taken any career average pension benefits from the LGPS (NI) before the date the underpin is worked out. It is worked out on the earlier of the date you leave the Scheme or age 65.

The underpin can also apply if you were an active member of another public service pension scheme on 31 March 2012 and have transferred this pension into the Scheme and it has bought you final salary membership.

The underpin does not apply if you leave without an immediate entitlement to pension or you elect to opt out of the Scheme before age 65.

The underpin has since been found to be age discriminatory and the Government is now intending to change the Scheme to remove the discrimination. The Department for Communities consulted on extending a revised guarantee to all members who were in the Scheme on 31 March 2012 and also have new Scheme membership (after 31 March 2015). The outcome of this consultation is awaited.

Contact Details

If you have any questions on the content of this guide or any aspect of the Local Government Pension Scheme (NI), please contact the Pension Administration Team by any of the methods below:

Postal Address:
NILGOSC
Templeton House
411 Holywood Road
Belfast
BT4 2LP

Website: www.nilgosc.org.uk

Email: info@nilgosc.org.uk

Telephone: 0345 3197 325

Call from abroad: 0044 2890 768025

Typetalk (for minicom users): 18001 0345 3197 320

Fax: 0345 3197 321

Visitors

Our offices are open Monday to Friday, from 9am to 5pm. Please contact us in advance of visiting our office to ensure that a meeting room is available. The office is closed on public and statutory holidays.

Alternative Formats

Information produced by NILGOSC can be made available in several languages and formats such as large print, Braille and audio disc.