Leaving the Local Government Pension Scheme (Northern Ireland) before Retirement

Contents

Introduction

This guide outlines what happens to your pension benefits in the Local Government Pension Scheme (Northern Ireland) (the Scheme) if you leave the Scheme and are not drawing your pension.

The Scheme is a defined benefit career average revalued earnings (CARE) scheme and is administered by the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). Your pension benefits are based on your average earnings while a member of the Scheme. If you were a member of the Scheme before 1 April 2015 you will also have some pension based on your final pay and length of membership.

The benefits that you will receive include an annual pension and the option to exchange part of your pension for a tax-free lump sum when you retire. If you were a member of the Scheme before 1 April 2009 you will receive an automatic lump sum based on your membership before this date.

This guide describes the options that you have when you leave the Scheme, how your deferred benefits are worked out, when your benefits are paid and increased, life cover for your loved ones, transferring your deferred benefits, what happens if you change jobs and HMRC tax rules. More information is available on request.

It is recommended that you retain this guide for future reference.

This guide is provided for information purposes only and cannot cover every personal circumstance. It is based on our understanding of the Scheme rules at the time of going to print but these rules may change over time. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This guide does not confer any contractual statutory rights.

Leaving – What are my Options?

If you leave the Scheme before you can retire, the benefits available to you depend on whether or not you have at least two years' membership in the Scheme. This includes any pension you have transferred into the Scheme which takes you over the two year limit.

Your options simplified

Do you meet the two year qualifying period* in the Scheme?

Yes:

- you can choose to leave your benefits in the Scheme (deferred benefits), or
- you may be able to transfer your deferred benefits to another pension arrangement.

No:

- you can have a refund of your contributions, less deductions
- you can transfer your benefits to a new pension arrangement
- you can delay your decision for up to 5 years

***Two year qualifying period** - You must have at least two years' membership in the Scheme. This includes any pension you have transferred into the Scheme which takes you over the two year limit.

Refunds

If you leave the Scheme before meeting the two year qualifying period you can choose to receive a refund of contributions. This refund will include:

- any pension contributions you have paid, and
- any Additional Pension Contributions (APCs) or Additional Voluntary Contributions (AVCs) you have paid (other than AVCs paid for additional life cover), and
- any contributions you paid which were included in a transfer payment received by the Scheme from another pension arrangement (if they were refundable under that arrangement).
- A refund of contributions will have a deduction for tax. If a refund is not paid within one year of your leaving the Scheme, interest is payable.

The rate of interest is 1% above base rate on a day to day basis from the date you left the Scheme to the day the refund is paid (compounded with three monthly rests).

Your refund of contributions must be paid within five years of your leaving the Scheme (or age 75 if earlier). At that time a refund of contributions is automatically paid to you.

No refund can be made if you rejoin the Scheme within a month and a day of leaving, or rejoin before the refund has been paid, or if you were also a member of the Scheme in another job that you held at the same time as the job you have left.

What happens to benefits if I defer them?

If you defer your benefits the amount held in your active pension account up to your date of leaving is transferred to a deferred pension account and you then have what are known as deferred benefits. The value of the pension in your deferred pension account is held in the Scheme for you until either you decide to transfer the value to another pension scheme, or the deferred benefits are due to be paid at your normal retirement age.

Your personal deferred benefits package consists of an annual pension, payable for the rest of your life, plus an option on retirement to exchange some of this pension for a one-off tax-free lump sum. It also includes life cover and financial protection for your family.

Transferring your benefits to another pension scheme

You can apply to transfer your benefits to another pension scheme provided you have been in the Scheme for at least 3 months, are not within 12 months of your normal pension age (apart from AVCs) and have not retired on the grounds of redundancy, business efficiency or ill-health.

An option to transfer must be made at least 12 months before your normal pension age. There are legal requirements that must be met before you can transfer and further information can be found in section 5 on page 23.

Your normal pension age is defined in the Definition of Terms on page 24.

McCloud Judgment

Following the age discrimination case commonly known as McCloud, your deferred benefits will be tested to see if you are affected by the judgment. If the results show that you may be entitled to extra pension this will be included in your annual pension figures. Please be aware that these figures are not guaranteed. Your final amount will be worked out when you take your pension. The final amount will depend on a number of factors, including your age when you retire. Very few of our members are affected.

You can read more about the judgment by reading the McCloud pages of our website https://nilgosc.org.uk/deferred-members/your-benefits/the-mccloud-remedy/.

How are my deferred benefits worked out?

How your pension benefits are worked out depends on when you were a member of the Scheme. If you have membership before and after 1 April 2015, separate calculations will need to be completed for each stage of your membership.

Calculation of deferred benefits for any membership after 31 March 2015

From 1 April 2015 your pension benefits have been building up in a pension account. Each year, if you were in the main section of the Scheme 1/49th of your pensionable pay was added to your pension account (1/98th if you were in the 50/50 section) PLUS a revaluation amount so that your pension keeps up with the cost of living.

Deferred pension = the value of the pension in your active pension account when you leave the Scheme.

When you become a deferred member the amount of pension in your active pension account is transferred to your deferred pension account.

Calculation of your deferred benefits for any membership between 1 April 2009 and 31 March 2015

Annual Pension = Membership between 1 April 2009 and 31 March 2015 x final pensionable pay ÷ 60

Calculation of your deferred benefits for any membership before 1 April 2009

Annual Pension = Membership up to 31 March 2009 x final pensionable pay ÷ 80

Lump sum = Membership up to 31 March 2009 x final pensionable pay x 3 ÷ 80

Membership built up after 31 March 2009 does not include an automatic lump sum on retirement, however you have the option to exchange some of your annual pension for a one-off tax-free lump sum. You receive £12 lump sum for each £1 of annual pension given up. You can take up to 25% of the capital value of your pension benefits as a lump sum.

Example for members who were in the Scheme before April 2009 and left after April 2015

Mary left the Scheme in April 2017 and became a deferred member. She had been a member of the Scheme since April 2000 meaning that she has 9 years' membership before April 2009, and 6 years' membership between 2009 and 2015 and 2 years' membership in the main section of the 2015 Scheme.

When Mary left the Scheme in April 2017 she was earning £22,000 per year, and her salary had not changed since 1 April 2015. Her pre-1 April 2015 membership is still calculated on her final salary when she left the Scheme. The rate of revaluation will vary each year, however for this example it is set at 2%. From 1 April 2023 the date of revaluation changed from 1 April to 6 April.

Mary's pension is worked out in 3 stages as follows:

Membership before April 2009

Annual pension = 9 (years) x £22,000 ÷ 80 = **£2,475**

Lump sum = 9 (years) x £22,000 X 3 ÷ 80 = **£7,425**

Membership from April 2009 – March 2015

Annual pension = 6 (years) x £22,000 ÷ 60 = **£2,200**

Membership from April 2015 – 2020

New pension savings per year - £22,000 / 49 = £448.98

Table 1: Example pension over two years

Year	Opening Balance	New Pension Savings	Total Pension Savings	Revaluation of 2%	Closing Balance
Year 1	£0 +	£448.98 =	£448.98 +	£8.98 =	£457.96
Year 2	£457.96 +	£448.98 =	£906.94 +	£18.14 =	£925.08

Total pension: £925.08 per year

Mary's total annual pension can be calculated by adding these three totals together:

£2,475 + £2,200 + £925.08 = £5,600.08

As Mary has pre 2009 membership she will also receive a guaranteed lump sum of: **£7,425**

Buying extra pension by paying Additional Pension Contributions (APCs)

You will be credited with the extra pension you have paid for when you leave the Scheme. This will increase the value of your deferred benefits and any transfer value paid to a new pension arrangement.

What if I paid extra contributions?

These will stop when you leave the Scheme.

Buying extra years in the Scheme (Added Years)

If you are buying extra years in the Scheme, you will be credited with the extra period of membership that you have paid for when you leave the Scheme. This will increase the value of your deferred benefits and any transfer value paid to a new pension arrangement. The extra benefits will be calculated on the same basis you had agreed to buy them.

Paying Additional Voluntary Contributions (AVCs) through the in-house AVC arrangement

If you are paying Additional Voluntary Contributions (AVCs) arranged through the Scheme, the value of your AVC fund will continue to be invested until it is paid out.

Your AVC plan is similar to your main Scheme benefits in that it can be:

- transferred to another pension arrangement, or
- taken at the same time as your Scheme benefits.

As you cannot continue to pay in-house AVCs after leaving, any extra life cover paid for through AVCs will stop.

If you elect to transfer your main Scheme benefits to another pension arrangement, you may choose whether to also transfer your AVC.

Paying additional contributions to buy extra eligible cohabiting partner's survivor pension

The pension for an eligible cohabiting partner is only based on your membership from 5 April 1988. If you are paying additional contributions to buy extra eligible cohabiting partner's pension, the period of your membership before 5 April 1988 covered by your contract will be included in the calculation of any survivor's pension payable to an eligible cohabiting partner on your death.

How does a Pension Sharing Order affect my deferred benefits?

If your Scheme benefits are subject to a Pension Sharing Order issued by the Court following divorce or dissolution of a civil partnership, or are subject to a qualifying agreement in Scotland, your deferred benefits will be reduced in accordance with the Court Order or agreement.

When are my deferred benefits paid and increased?

How and When your Pension is Paid

Your deferred benefits are normally payable at your Normal Pension Age. Your Normal Pension Age is the same as your State Pension Age (but with a minimum of age 65). Your benefits can be paid earlier at your request from age 55 or due to ill-health. They can also be paid later than your Normal Pension Age.

NILGOSC will issue retirement claim forms to your home address approximately three months before your benefits are payable.

Please remember to keep NILGOSC informed of any address changes, to ensure that we have your most recent address on record for this purpose.

It is your responsibility to submit a written claim for payment of your deferred benefits to NILGOSC at least two months in advance of the date on which they become payable.

Early payment of deferred benefits at your request

You can choose to take early payment of your deferred benefits from age 55[1]. You do not need your former employer's consent to draw your pension before your Normal Pension Age.

If you choose to draw your deferred benefits before your Normal Pension Age, your benefits will normally be reduced as your pension will be paid for longer. How much your deferred benefits are reduced by depends on how early you draw them.

The reduction is calculated in accordance with guidance issued by the Government Actuary's Department. The reduction is based on the length of time (in years and days) between the date your benefits are paid and your Normal Pension Age.

As a guide, the percentage reductions, for retirements up to 13 years early are shown in the table below. Where the number of years is not exact, the reduction percentages are adjusted accordingly.

Table 2: Early Retirement Reductions

Number of Years Paid	Pension Reduction	Lump Sum Reduction
0	0%	0%
1	5%	2%

[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.

2	10%	3%
3	14%	5%
4	18%	7%
5	21%	8%
6	25%	10%
7	28%	11%
8	31%	13%
9	34%	14%
10	36%	16%
11	40%	16%
12	42%	16%
13	45%	16%

As automatic retirement grants were removed from the Scheme on 1 April 2009 and due to the protections in place regarding NPA, a Retirement Grant is paid from age 65 without reductions i.e. the early retirement reductions cannot exceed those that apply for 10 years early.

If you built up pension in the Scheme before 1 April 2015 then protections are in place for the Normal Pension Age that applies to those benefits. In addition, if you were a member of the Scheme on 30 September 2006, some or all of your benefits paid early could be protected from the reduction if you are a Rule of 85 protected member.

Your former employer can agree to waive any reduction. This is an employer discretion and you can ask them what their policy is on this.

Early payment of deferred benefits due to permanent ill-health

You can apply for early payment of your deferred benefits at any age, without reduction if, because of your health, you would be permanently incapable of the job you were working in when you left the Scheme, and you have a reduced likelihood of being capable of undertaking any gainful employment before reaching Normal Pension Age.

Gainful employment is paid employment for at least thirty hours per week for a minimum period of twelve months.

You will need to submit recent and relevant medical evidence to NILGOSC, and attend an appointment with one of NILGOSC's doctors. The Committee doctors will assess your eligibility for ill-health retirement benefits but will not seek medical information on your behalf.

Different rules may apply to ill-health retirement if you left the Scheme before 1 April 2015.

Payment of deferred benefits at or after Normal Pension Age

If you do not take early payment of your benefits under either of the above two methods, they will be paid from your Normal Pension Age unless you opt to delay payment. Only deferred members who stopped contributing to the Scheme after 5 April 2006 may choose to delay payment. If you choose to delay payment your pension will be increased for each day your pension is delayed beyond your Normal Pension Age. If you have a Guaranteed Minimum Pension (GMP) element this must be paid at age 60 (women) or age 65 (men) unless you are still in employment at that time and consent to postponement of payment of your GMP.

Can my deferred benefits be reduced or forfeited?

Your employer can:

- reduce your pension benefits if you cease to be employed as a result of a criminal, negligent or fraudulent act or omission as a result of which you have incurred some monetary obligation to the employer.
- forfeit your pension rights if you have been convicted of a serious offence connected with your employment and the Department for Communities agrees to the forfeiture.

Can I assign my Scheme benefits to someone else?

No. Your Scheme benefits are strictly personal and they cannot be assigned to anyone else or used as security for a loan.

How do deferred benefits keep their value?

In the year you leave the Scheme, the value of pension in your pension account (in respect of your membership from 1 April 2015 only) is revalued up to the date of leaving in line with the revaluation applied to active members in the Scheme. This means that if the cost of living has gone down in the year to 30th September in the Scheme year that you leave, it is possible that the value in your pension account could reduce.

From your date of leaving, your total deferred benefits will be increased each year in line with Pension Increase Orders. In this case, even if the cost of living is negative, your pension will not be reduced. Your pension will also increase each year once it is paid to you.

If you retire before age 55[2] because of ill-health and you are assessed as permanently incapacitated from engaging in any regular full-time employment, your benefits will be revalued each year in line with the cost of living. Otherwise, you are paid at a flat rate until age 55. Once you reach this age your pension will be revalued to the level it would have been had it been revalued each year by the rise in the cost of living since your date of leaving. However, no arrears are payable.

Life Cover

What will happen if I die before receiving my deferred benefits?

If you leave with deferred benefits after 31 March 2015 and die before receiving them, the following benefits are usually payable:

- A lump sum death grant, and
- Survivor's pensions, if applicable.

If you also have an active membership, then only the highest value of death grant is paid and not the sum of them all i.e. either the death grant payable from the active record or the death grant payable on the deferred record.

Lump sum death grant

A lump sum death grant of 5 times your deferred pension is payable, providing you do not also have active membership. NILGOSC has absolute discretion when deciding to whom to pay any death grant.

However, you can say who you would like to receive this death grant by completing and returning an Expression of Wish form. Please see the Expression of Wish section on the next page.

Usually the death grant will be paid directly. However, in some cases NILGOSC may pay the death grant to your personal representatives. In that case, your personal representatives will need to inform HM Revenue and Customs if, together with the lump sum death grant, the total value of the lump sums and lump sum death benefits paid to you (and in respect of you) does not exceed the new HM Revenue and Customs lump sum death benefit allowance of £1,073,100. Under HM Revenue and Customs rules, any excess will be subject to a recovery tax charge. Most Scheme members' pension savings will be less than the allowance. You can find out more on this in the section on HMRC.

If you leave with deferred benefits and are also an active member when you die, the higher of the following benefits is payable:

[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.

- A lump sum death grant of 5 times your deferred pension, or
- A death in service lump sum of 3 times your assumed pensionable pay

If you leave with deferred benefits and also have deferred benefits from an earlier period of membership then the sum of all the death grants is payable:

- A lump sum death grant of 5 times your deferred annual pension for deferred benefits awarded after 1 April 2015, plus
- A lump sum death grant of 5 times your deferred annual pension for deferred benefits awarded between 1 April 2009 and 31 March 2015, plus
- A lump sum death grant of 3 times your deferred annual pension for deferred benefits awarded before 1 April 2009.

Death Grant Expression of Wish Form

The Scheme allows you to say who you would like any death grant (and any death benefits from any AVC arrangement to be paid to by completing an Expression of Wish form. You are strongly encouraged to complete this form and to ensure that it is kept up to date. A new form must be completed if your partnership status changes or if your wishes change.

Under the regulations NILGOSC retains absolute discretion when deciding to whom to pay any death grant. This discretion enables the death grant normally to be paid free of inheritance tax.

The easiest way to let us know who you would like to receive this lump sum is by logging onto My NILGOSC Pension Online. Alternatively, you can download and complete a Death Grant Expression of Wish form from our website www.nilgosc.org.uk/deferred- members/keep-us-updated and return it to us.

Survivors' pensions

A survivor's pension will be paid to your spouse, civil partner or, subject to certain qualifying conditions, your eligible cohabiting partner. This pension is payable immediately after your death for the rest of their life and will increase every year in line with the cost of living.

A survivor's pension could be made up of different elements relating to your periods of membership.

Pension for Spouse or Civil Partner

For membership **from 1 April 2015**, the pension payable is equal to -

- Your accrued pension for membership in the Scheme after 31 March 2015 recalculated as if it had built up at a rate of 1/160th **plus**
- 49/160ths of the amount of any pension credited to your pension account following a transfer of pension rights into the Scheme from another pension

arrangement.

For final salary membership **before 1 April 2015**, the pension payable is equal to -

- 1/160th of your final pay times the period of your Scheme membership up to 31 March 2015 (including any additional membership purchased by you) upon which your deferred pension is based.

If you marry or enter into a civil partnership while you pension is deferred, the survivor pension is based on your membership after 5 April 1978, except where Regulation F11 of the 2000 Regulations applies, plus any relevant additional membership.

Eligible cohabiting partner's pension

For membership **from 1 April 2015**, the pension payable is equal to –

- Your accrued pension for membership in the Scheme after 31 March 2015 recalculated as if it had built up at a rate of 1/160th **plus**
- 49/160ths of the amount of any pension credited to your pension account following a transfer of pension rights into the Scheme from another pension scheme or arrangement.

For final salary membership **before 1 April 2015**, the pension payable is equal to -

- 1/160th of your final pay times the period of your Scheme membership between 5 April 1988 and 31 March 2015 (including any additional membership purchased by you), upon which your deferred pension is based.

If your cohabiting partner was eligible before 1 April 2015 and you have paid additional contributions for this, your eligible cohabiting partner's pension will also include the period of your membership before 5 April 1988 covered by your contract.

Pension Sharing Order

If your deferred pension is subject to a Pension Sharing Order issued by the Court following an earlier divorce or dissolution of a civil partnership, or is subject to a qualifying agreement in Scotland, your spouse's or, civil partner's pension will be reduced in consequence of that Court Order or agreement.

Guaranteed Minimum Pension (GMP)

If your membership in the Scheme includes a Guaranteed Minimum Pension (GMP), the pension for a surviving female spouse of an opposite-sex marriage must not be less than half your GMP for that part of your membership before 6 April 1997. In any other case the surviving spouse or civil partners' pension for that part of your membership before 6 April 1997 must not be less than half your GMP built up after 5 April 1988.

Children's pensions

Children’s pensions are payable to eligible children and increase every year in line with the cost of living.

The amount of pension depends on the number of eligible children you have.

If a survivor's pension is being paid to your spouse, civil partner or eligible cohabiting partner,

One child would receive:

- Your accrued pension for membership in the Scheme after 31 March 2015 recalculated as if it had built up at a rate of 1/320th **plus**
- 49/320ths of the amount of any pension credited to your pension account following a transfer of pension rights into the Scheme from another pension arrangement.
- For final salary membership before 1 April 2015, the pension payable is equal to 1/320th of your final pay times the period of your Scheme membership up to 31 March 2015 upon which your deferred pension is based.

Two or more children would receive:

- Your accrued pension for membership in the Scheme after 31 March 2015 recalculated as if it had built up at a rate of 1/160th **plus**
- 49/160ths of the amount of any pension credited to your pension account following a transfer of pension rights into the Scheme from another pension scheme or arrangement.
- For final salary membership before 1 April 2015, the pension payable is equal to 1/160th of your final pay times the period of your Scheme membership up to 31 March 2015 upon which your deferred pension is based.

The pension would be shared equally between the eligible children.

Payment of Additional Regular Contributions (ARCs) to buy Scheme pension and dependants’ benefits

Extra benefits will be payable to your spouse, registered civil partner or eligible cohabiting partner and to eligible children if:

- you were a member of the Scheme before 1 April 2015 and you paid additional regular contributions (ARCs) to buy extra Scheme pension, and
- you opted to pay for dependants’ benefits when you took out your original contract

Transferring deferred benefits

Can I transfer my Scheme benefits to another pension scheme?

You can request a transfer of your pension to another pension scheme. This may also be to an overseas pension scheme or arrangement that meets HM Revenue and Customs conditions.

You can only transfer your benefits (other than AVCs) if you leave more than one year before your normal pension age and have elected for a transfer to proceed at least one year before that age. You cannot transfer your benefits once they come into payment i.e. should you leave the scheme due to redundancy and are over age 55[3]. If you transfer your pension benefits and you have paid Additional Voluntary Contributions (AVCs) arranged through the Scheme (in-house AVCs), you may also transfer your AVC fund. Alternatively you may transfer your AVC fund but not your main Scheme benefits.

Your new pension provider will require a transfer value quotation which NILGOSC will guarantee for a period of three months from the date of calculation (known as the 'Guarantee Date').

Your new pension provider can then advise you of the additional benefits the transfer will buy in their scheme.

A written option to proceed with the guaranteed transfer value must be received by NILGOSC within the three month guarantee period.

You are only entitled to one guaranteed transfer value in each 12 month period so it is important that you reply within the statutory deadlines.

Transfer values are calculated in accordance with the terms and conditions of the Local Government Pension Scheme Regulations (Northern Ireland) 2014 which comply with the requirements of the Pensions Schemes Act (Northern Ireland) 1993, as amended.

By law, NILGOSC is required to carry out various checks to try and protect you from pension scams. Falling victim to a pension scam could mean you lose some or all of your pension savings. You will need to provide NILGOSC with certain information. If NILGOSC decides that there are pensions scams risks associated with your transfer request, it can ask you attend a pension scams guidance session with MoneyHelper. Depending on the level of risk identified NILGOSC can refuse the transfer.

[3] 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.

In addition, the pension benefits that you have within the Scheme are known as safeguarded benefits. If the value of your pension benefits in the Scheme is more than £30,000 (excluding AVCs) you must take appropriate independent advice before being allowed to transfer your benefits to a defined contribution scheme or personal pension.

You must take this independent advice from an advisor who is authorised by the Financial Conduct Authority (FCA) to advise on transfers and NILGOSC must be provided with evidence of the advice.

If the transfer value of all your benefits in the Scheme is less than £30,000 you are not required to formally take advice, however, transferring your pension rights is not an easy decision to make and you may wish to seek the help of an independent financial adviser before making that decision.

Transfers to public sector schemes usually give benefits that are similar to those in the Scheme, under what are known as Club transfer rules. To qualify for a Club transfer, you must apply for the transfer within 12 months of joining your new pension scheme and must not have had a break in membership of more than five years between leaving the Scheme and joining the new public service pension scheme.

If you are considering whether to transfer benefits, make sure that you have the full information about the two pension arrangements, i.e. details of what your benefits are worth in the Scheme and details of what your benefits would be worth in the new pension scheme, if transferred.

When you compare your options, don't forget that your Scheme benefits are guaranteed to increase with cost of living increases.

If you do transfer your deferred benefits to a personal pension plan, stakeholder pension scheme, buy-out insurance policy or to an employer's money purchase scheme, you will be bearing all of the investment risk which could significantly affect your future pension benefits.

If a full transfer payment is made, you will not be entitled to any further benefits from the Scheme for yourself, your spouse, civil partner, eligible cohabiting partner or eligible children.

The Scheme may reduce transfer values to defined contribution schemes for a designated period if it is considered that the level or expected level of transfers out of the Scheme increases the likelihood of payments out of the public purse being needed to ensure that the Scheme can meet its liabilities.

If you would like to know more about the risks associated with pension transfers you may wish to:

- Visit the ScamSmart website at https://www.fca.org.uk/consumers/pension-scams
- Visit the Financial Conduct Authority website for more information on considerations when thinking of transferring a defined benefit pension https://www.fca.org.uk/consumers/pension-transfer-defined-benefit
- Visit the Be Fraud Aware pages on the NILGOSC website https://nilgosc.org.uk/deferred-members/your-options/be-fraud-aware/

Changing Jobs

What happens if I change jobs, but remain in the Scheme?

If you have changed your job and start to work for another employer who offers you membership of our Scheme, or if you re-join the Scheme before your deferred benefits are paid, your deferred benefits are kept separate from your new active pension account, unless you elect to combine them.

If you wish to combine your benefits, you must elect to do so within twelve months of re-joining the Scheme or such longer period as your employer may allow. If you combine your benefits the value of your combined benefits will count towards your annual allowance pension savings and, if it takes you over the limits, may result in a pension tax charge.

You cannot combine your deferred benefits with your new active account if your deferred benefits arose because you opted out of the Scheme.

More information is available in the Rejoining the Scheme guide.

What if I have two or more jobs and am in the Scheme in both?

If you are a member of the Scheme in two or more jobs and you leave one (or more) but not all of them, your benefits from the job (or jobs) you have left will be automatically combined with your active pension account. If you are not entitled to deferred benefits from the job (or jobs) you have left, you cannot have a refund of your contributions and you must transfer your benefits to the pension account for the job you are continuing in.

Additionally, if you have membership before 1 April 2015 which you join with the membership in the job you are continuing in, this membership is adjusted to reflect any difference in the whole-time rates of pay between the jobs as follows:

Membership in the job you left x whole-time rate of pay in the job that has ceased ÷ whole-time rate of pay in the job that is continuing

What happens if my job is transferred to a private contractor?

If your job is transferred to a private contractor, the contractor will normally be required to provide you with continued access to the Scheme, or to offer you a pension scheme that is similar.

The contractor may be admitted to the Scheme and this would allow you to stay in the Scheme for as long as you continue working on the delivery of the contracted out service. If the contractor is admitted to the Scheme, the benefits built up before the transfer of your job to the contractor will be automatically joined with your post transfer Scheme benefits. Alternatively, the contractor may be able to offer you a similar scheme. This does not mean that the new scheme must mirror the benefits of the Scheme, but the value of the package offered by the new scheme should be similar to your NILGOSC benefits. If you are offered a similar scheme you would have the same options available in terms of your accrued Scheme benefits as anyone else leaving the Scheme before retirement.

HMRC Tax Rules

There are limits on the pension savings you can make before you become subject to a tax charge. This is in addition to any tax due under the PAYE system once your pension is in payment.

You can pay up to 100% of your UK taxable earnings in any tax year into any number of concurrent pension arrangements and be eligible for tax relief on your contributions.

There are limits on how much pension you can build up before you become subject to a tax charge. The first is the **annual allowance** and is the amount by which your pension savings can increase in one year without becoming subject to a tax charge.

The annual allowance limit is currently £60,000[4] (2024/25).

The value of pension savings in the Scheme is calculated as:

[Pension Value at Year End – (Pension Value at Start of Year x Consumer Prices Index inflation)] x 16

Plus

Lump sum at Year End – (Lump sum at Start of Year x Consumer Prices Index inflation)

[4] There will be a £1 reduction in annual allowance for every £2 of adjusted income (annual income before tax plus the value of your pension savings including 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.

Plus

The amount of any AVC contributions made over the year

The method of valuing benefits in other schemes may be different from the method used in the LGPS (NI).

If you have taken any ‘flexible access’ benefits from a money purchase (defined contribution) arrangement different annual allowance rules apply and you may not have the full allowance. ‘Flexible access’ includes taking your money purchase benefits entirely as cash.

If you have elected to transfer pension rights from another Scheme to the LGPS (NI), the value of the benefits relating to the transfer does not count towards your pension savings in the Scheme in the year in which they are received except in the case of a transfer made from another public sector scheme under ‘Club’ rules.

If your pension benefits in the Scheme are reduced following a pension sharing order then, for the purposes of calculating the value of your pension savings in the Scheme, the calculation in your benefits is ignored in the year that the pension sharing order is applied.

If you retire on ill-health grounds and it is unlikely that you will be able (other than to an insignificant extent) to undertake gainful work in any capacity before reaching your state pension age there is no annual allowance tax charge on the ill- health retirement benefits.

NILGOSC has a duty to notify you by 6 October of each year if you exceed the annual allowance for the previous tax year. A pensions savings statement will be issued to you if you exceed the annual allowance.

If your pension savings exceed the annual allowance, you may carry forward any unused allowance from three previous tax years. If you still exceed the allowances after carried forward allowances are taken into account, a tax charge must be applied.

If you exceed the annual allowance in any year you are responsible for reporting this to HMRC on your self–assessment tax form.

If the tax charge exceeds £1,000 it can be paid from your pension benefits (subject to certain conditions) and your benefits will be adjusted accordingly.

The second limit was the lifetime allowance. The Government has recently brought forward new laws that have abolished the lifetime allowance from 6 April 2024. There is now no limit on benefits paid as pensions, as pensions are subject to income tax.

The changes to the law see two new lump sum allowances being used, to control the tax-free limits of lump sum payments from pension schemes. The two new allowances are:

- A lump sum allowance – a cumulative limit of £268,275 on the tax-free part of lump sums paid at retirement.
- A lump sum and death benefits allowance – a cumulative limit of £1,073,100 on the total amount of lump sums, and lump sums death benefits payable to, and in respect of, a member.

For members who take benefits after 5 April 2024, the tax-free limits of lump sum payments will be measured against these new allowances. The lump sum allowance generally will include the payment of pension commencement lump sums from the scheme. Any lump sums that are paid that are over the lump sum allowance limit will be classed as a pension commencement excess lump sum and will be taxable at the member's marginal rate. If the lump sums do not exceed the lump sum allowance limit, no further taxation will be raised.

These allowances may be higher if a member has held previous protections, such as Fixed Protection or Individual Protection. Allowances may also be different if a member has applied for, and been granted, a transitional tax-free amount certificate.

Transitional arrangements are in place for members who may have taken lump sums before 6 April 2024. The Government have set down the use of a 'standard calculation' which assumes that 25% of any previous benefits were taken as tax-free cash. If a member has taken less than 25% as tax-free cash at a benefit crystallisation event before 6 April 2024, and have benefits with NILGOSC that they intend to have paid on or after the same date, the member can ask NILGOSC to provide them with a transitional tax-free amount certificate, that reflects the amount of lump sum actually paid before 6 April 2024.

You should keep a record of any pensions that you receive, and the amount of lifetime allowance used up, if they were paid to you before 6 April 2024. You can apply to NILGOSC for a transitional tax-free amount certificate, and part of that process will involve NILGOSC satisfying itself that we are in receipt of complete and accurate evidence of all previous tax-free lump sum payments made to members.

The expectation is that very few members will be impacted by these new allowances. More information on these changes, and the process around transitional tax-free amount certificates, can be found at https://nilgosc.org.uk/members/about-the-scheme/tax-limits-on-your-pension/lump-sum-allowances/.

At the time of writing, HMRC still expects to have to provide further guidance, so unfortunately there remains some uncertainty on some aspects of the new regime.

Will there be any tax limits on the benefits payable to my family in the event of my death?

Your personal representatives will have to determine whether, with the lump sum death grant, the capital value of your overall pension benefits (not including any spouse's, civil partner's or dependant's pensions) exceeds the HMRC allowance. Under HMRC rules, any excess will be subject to a recovery tax charge. The capital value of most Scheme members' pension benefits will be significantly less than the allowance.

Who do I contact about tax on my pension when I retire?

All queries about income tax on your pension should be addressed to:

Pay As You Earn and Self-Assessment HM Revenue and Customs
BX9 1AS
United Kingdom

Tel: 0300 200 3300

Overseas Tel Number: 0044 135 535 9022

PAYE Reference No. 916/G82576

Further Information

Let's Stay Connected

My NILGOSC Pension Online

We want to make sure that you can access important information about your pension at a time that is convenient to you.

We have now moved to digital communications for most of our members, meaning that your annual benefit statement, newsletters and other information about your pension are available online via your My NILGOSC Pension Online account.

If you haven't already registered please visit our website www.nilgosc.org.uk and click on 'Register' at the top of the page.

Annual Benefit Statements

A Benefit Statement will be published to your My NILGOSC Pension Online account in summer each year stating the current value of your deferred benefits. Please check your Benefit Statement carefully and advise NILGOSC of any errors.

Deferred Members' Newsletter

A Deferred Members' newsletter will be published to your My NILGOSC Pension Online account each year in April. This newsletter keeps you up to date with any changes to the Scheme's regulations that may affect you and provides general information on pensions.

Change in Circumstances

Please let us know in writing about any changes in marital or partnership status such as:

- marriage, remarriage or divorce
- forming or dissolving a Civil Partnership
- your Cohabiting Partner no longer meets the criteria for a survivor's pension.
- Death of a spouse, civil partner
- or eligible Cohabiting Partner.

Change of Address

If you change address or email address, please remember to let NILGOSC know so we can keep in touch with you. If you are registered with My NILGOSC Pension Online you can update your address, telephone number or email address online.

Alternatively you can download a Change of Circumstances form from our website and email it to us or contact our office. It is especially important that we have your up to date address when you come to draw your deferred benefits.

Help with Pensions Problems

Who can help me if I have a query or a complaint?

Please contact NILGOSC if you are in any doubt about your entitlements or if you have a question about your membership or benefits. We will try to explain the position as quickly and efficiently as possible.

If you are still dissatisfied, NILGOSC has two distinct processes in place to deal with complaints. The appropriate process will depend on the nature of your complaint.

Complaints relating to the application of Scheme Regulations are dealt with under the **Internal Dispute Resolution Procedure (IDRP)**.

Complaints relating to dissatisfaction about NILGOSC's action, lack of action, or about the standard of service provided by NILGOSC are dealt with under **Service Delivery Complaints**.

If your complaint relates to both the application of Scheme Regulations and the service provided by NILGOSC, it will be treated as a single complaint to be handled under the statutory Internal Dispute Resolution Procedure (IDRP).

Further information on how to make a complaint can be found on our website https://nilgosc.org.uk/about-us/complaints-compliments/.

The Pensions Ombudsman

If a complaint or request for review has not been satisfactorily resolved through the internal procedures, an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or request. The Pensions Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to court on a point of law). Matters where legal proceedings have started cannot be investigated by the Pensions Ombudsman.

The Pensions Ombudsman can be contacted at:

10 South Colonnade Canary Wharf

E14 4PU

T: 0800 917 4487

W: www.pensions-ombudsman.org.uk

E: enquires@pensions-ombudsman.org.uk

MoneyHelper

MoneyHelper is available at any time to assist members and beneficiaries if you need information and guidance concerning your pension arrangements.

You can contact the MoneyHelper

Central Office at:

MoneyHelper 120 Holborn London EC1N 2TD

T: 0800 011 3797

W: www.moneyhelper.org.uk

An online chat facility and online enquiry form is available through this website.

The Northern Ireland Public Services Ombudsman (NIPSO)

If you think you have been treated unfairly by the Committee or remain dissatisfied with NILGOSC's response, you can complain to the Ombudsman. You must have exhausted NILGOSC's internal complaints procedure before you refer your complaint to NIPSO.

The Ombudsman can be contacted at:

The Northern Ireland Public Services Ombudsman
Freepost NIPSO
Belfast BT1 6HN

Telephone: 028 9023 3821

Freephone: 0800 343424

Email: nipso@nipso.org.uk

Website: www.nipso.org.uk

The Pensions Regulator (TPR)

This is the regulator of work based pension schemes. TPR has powers to protect members and help put matters right. In extreme cases it can fine trustees, managers or employers. If you have a concern about your workplace pension you can contact TPR.

The Regulator can be contacted at:

Telephone: 0345 600 7060

Web: www.thepensionsregulator.gov.uk

In writing: Telecom House, 125-135 Preston Road, Brighton, BN1 6AF

How can I trace my pension rights?

The Pension Tracing Service holds details of pension schemes along with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their dependents) who have lost touch with their previous schemes. All occupational and personal pension schemes have to register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme. If you need to use this tracing service please contact:

T: 0800 731 0193

W: www.gov.uk/find-lost-pension

Don't forget to keep all your pension providers up to date with any change in your home address.

Definition of Terms

Assumed Pensionable Pay

Assumed pensionable pay is the estimated pay that is used if you are no longer receiving full pay due to sickness, injury, relevant child related leave or reserve forces service leave. It is usually calculated using the pensionable pay that you received during the three months or twelve weeks before your pay was reduced or you started a period of relevant child related leave or reserve forces service leave. However, if the pensionable pay received during this period was materially different than you normally receive, your employer may use a revised figure to reflect this. This ensures that you continue to build up pension on your unreduced pay. It will also be used to calculate the benefits payable to you if you die in service or retire due to ill-health.

Club Transfer Rules

Club transfer rules allow certain final salary occupational pension schemes, mainly public service pension schemes, to calculate transfers on special terms. Transfers into the Scheme, including final salary membership from other public sector Club transfer schemes (usually membership up to 31 March 2015), or transfers out of the Scheme to other public sector Club schemes (including final salary membership built up before 1 April 2015), provide benefits that are broadly equivalent across both schemes. Providing there is not a continuous break in active membership of a public service pension scheme of more than 5 years, any final salary membership transferred would purchase a period of membership and retain a final salary link. NILGOSC will provide you with further information on Club transfers should this apply to you.

Contracted out

The Scheme was contracted out of the State Earning Related Pension Scheme (SERPS) and the State Second Pension (S2P) until 5 April 2016 when contracting out ended due to the introduction of the single tier State Pension. Therefore, from 6 April 2016, members of the LGPS (NI) pay the standard rate of National Insurance Contributions.

The Scheme guarantees to pay you a Guaranteed Minimum Pension (GMP) for being contracted out of the State Earning Related Pension Scheme (SERPS) and, for membership after 5 April 1997, the Scheme must meet a minimum Reference Scheme test prescribed under the Pensions Act 1993

Consumer Prices Index (CPI)

The Consumer Price Index (CPI) is the official measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to adjust your pension account at the end of every Scheme year when you are an active member of the Scheme and, after you have ceased to be an active member. It is used to increase (each April) the value of your deferred pension in the Scheme and any pension in payment from the Scheme. The adjustment ensures that your pension keeps up with the cost of living.

Deferred Pension Account

Each Scheme year your account is revalued to take account of the cost of living. This adjustment is carried out in line with Pension Increase Orders.

Discretion

This is the power given by the Scheme regulations to enable your employer to choose how it will apply certain provisions. Under the Scheme, your employer is obliged to consider how to exercise its discretion and, in some (but not all) cases to have a written policy on how it will apply its discretion. Employers have a responsibility to act with ‘prudence and propriety’ in formulating their policies and must keep them under review. You may ask your employer or former employer what its policy is in relation to its discretions.

Eligible Children

Eligible children are your children. They must, at the date of your death:

- Be your natural child (who must be born before or within 12 months of your death), or
- Be your adopted child, or
- Be your step-child or a child accepted by you as a member of your family (this doesn’t include a child you sponsor for charity) and be dependent on you.

Eligible children must meet the following conditions:

- Be under age 18, or
- Be aged between 18 and 22 (inclusive) and in full-time education or vocational training (although NILGOSC can continue to treat the child as an eligible child during a break in full-time education or vocational training), or
- Be unable to engage in gainful employment because of physical or mental impairment and either:
    - has not reached the age of 23, or
    - the impairment is, in the opinion of one of NILGOSC's Independent Registered Medical Practitioners, likely to be permanent and the child was dependent on you at the date of your death because of mental or physical impairment.

Final pay

This is usually the pay in respect of (i.e. due for) your final year of Scheme membership on which you paid contributions, or one of the previous two years if this is higher. It includes your normal pay, contractual shift allowance, bonus, contractual overtime (but not non- contractual overtime), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay, Parental Bereavement Pay and any other taxable benefit specified in your contract as being pensionable. It is also the pay that is used to calculate your deferred benefits on membership before 1 April 2015.

If you were part-time for all or part of the final year the whole-time pay that you would have received if you had worked whole-time is used. If your pay in your final year was reduced because of sickness or injury, or relevant child related leave, final pay is the pay that you would have received if you had not been absent for those reasons.

Guaranteed Minimum Pension

The Scheme guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the Guaranteed Minimum Pension (GMP).

Eligible Cohabiting Partner

For your cohabiting partner, of either the opposite or same sex, to be eligible to receive a survivor's pension on your death, the following criteria must be met:

- both you and your eligible cohabiting partner are, and have been, free to marry each other or to enter into a civil partnership with each other, and
- you and your eligible cohabiting partner have been living together as if you were husband and wife, or civil partners, and
- neither you nor your eligible cohabiting partner has been living with someone else as if you/they were husband and wife or civil partners, and
- either your eligible cohabiting partner is financially dependent on you, or you are financially interdependent on each other.

The 2nd, 3rd and 4th criteria must be met for a continuous period of at least two years prior to death.

Normal Pension Age

Table 3: Normal pension age for your deferred benefits depending on when you were an active member of the Scheme.

	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)

Occupational Pension Schemes

These schemes, which are also called company pension schemes, are set up by an employer to provide pension or death benefits for its employees. An occupational pension can provide pension benefits on a money purchase, defined benefits, cash balance or hybrid arrangement basis. The two most common arrangements for occupational schemes are defined benefits (such as the LGPS (NI) Scheme) and money purchase.

If you leave a job you will normally have to stop building up pension savings in that employer's scheme. These benefits can be transferred to your pension in the Scheme and will either buy extra pension or additional membership depending on whether you joined the Scheme before 1 April 2015. If the transfer is from a public service pension scheme and is transferred under the Club transfer rules then any part of the transfer that relates to final salary benefits in that scheme (usually membership up to 31 March 2015) would buy pre-1 April 2015 membership in the final salary Scheme.

Pensionable Pay

This is the pay on which you paid contributions after 31 March 2015 and is your normal salary or wages plus any shift allowance, bonuses, overtime (both contractual and non-contractual), Maternity Pay, Paternity Pay, Shared Parental Pay, Parental Bereavement Pay, Adoption Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on:

- any travelling or subsistence allowances
- pay in lieu of notice or, pay in lieu of loss of holidays
- any payment as an inducement not to leave before the payment is made
- any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay
- pay relating to loss of future pensionable payments or benefits
- any pay paid by your employer if you go on reserve forces service leave
- the monetary value of a car or pay received in lieu of a car.
- any non-consolidated non-pensionable payment paid to a member as part of an annual pay award.

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.

Qualifying Period

The qualifying period in the Scheme is two years. You will meet the two year qualifying period if:

- you have been a member of the Scheme for two years, or
- you have brought a transfer of pension rights into the Scheme from
- a different occupational pension scheme or from a European pensions

institution and the length of service you had in that scheme or institution was two or more years or, when added to the period of time you have been a member of the Scheme is two or more years, or

- you have brought a transfer of
- pension rights into the Scheme from a pension scheme or arrangement in which you were not allowed to receive a refund of contributions, or
- you have previously transferred
- pension rights out of the Scheme to a pension scheme abroad (i.e. to a qualifying recognised overseas pension scheme), or
- you already hold a deferred benefit
- or are receiving a pension from the Scheme (other than a survivor's pension or pension credit member's pension), or
- you have paid National Insurance contributions whilst a member of the Scheme and cease to contribute to the Scheme in the tax year of reaching pension age, or
- you cease to contribute to the Scheme at age 75, or
- you die in service.

Relevant Child-Related Leave

Relevant Child-Related Leave includes periods of ordinary maternity, adoption or paternity leave (usually the first 26 weeks) and any periods of paid additional maternity, adoption, shared parental leave (usually after week 26 to week 39) or paid parental bereavement leave.

SERPS

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. Scheme members were automatically contracted out of SERPS, and most paid lower National Insurance contributions as a result. SERPS was replaced by the State Second Pension (S2P) from 6 April 2002. The S2P was replaced by the single tier State Pension from 6 April 2016.

State Pension Age

This is the earliest age at which you can receive your State Pension. You can check your State Pension age on www.gov.uk/state-pension-age. The State Pension age remains under review and may change in the future. See www.gov.uk/government/news/proposed-new-timetable-for-state- pension-age-increases.

Data Protection

NILGOSC is a data controller in line with the UK Data Protection Act 2018 and UK General Data Protection Regulation (UK GDPR). This means we store, hold and manage your personal data in line with statutory requirements to provide you with pension administration services. To enable us to carry out our statutory duties, we are required to share your information with certain bodies but will only do so in limited and specified circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from NILGOSC, please refer to the Privacy Notice for Members and Scheme Beneficiaries, available on our website at www.nilgosc.org.uk/about-us/data- protection.

Requests in relation to accessing your personal data or exercising any other rights under data protection legislation should be made in writing or via email to the Data Protection Officer at NILGOSC at governance@nilgosc.org.uk.

National Fraud Initiative

NILGOSC participates in an exercise to promote the proper spending of public money. We are required to protect the public funds we administer. We may share information provided to us with other bodies responsible for auditing or administering public funds in order to prevent and detect fraud. The Comptroller and Auditor General currently requires us to participate in his anti-fraud initiative. For this initiative, we provide details of members with deferred benefits so that they can be compared to information provided by other public bodies. This will ensure, for example, that in the event of your death, any death benefits which may be due are paid to eligible beneficiaries when no other notification has been received. Previous exercises have uncovered instances where a deferred member has died and we were never informed of their death. This resulted in the payment of an annual pension to the surviving spouse and eligible children.

Further information is available on our website at www.nilgosc.org.uk. However, if you have any questions, you should contact our Information and Compliance Manager who can also provide hardcopies of the information available on our website.

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

Calling From Abroad: 00 44 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.

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