

Deferred Members' News 2011

The Local Government Pension Scheme
(Northern Ireland)



Welcome to the 2011 edition of Deferred Members' News



I hope that you find the information contained in this newsletter useful.

The last year has been exceptionally busy - we have had increasing demand from Scheme members and employers due to the cutbacks in the public services along with an unprecedented number of consultations on the future of public sector schemes and wider pension issues. NILGOSC responded to these consultations and briefed local ministers over the possible consequences of increasing employee contribution rates. In addition, the triennial actuarial valuation was completed and a new career average scheme was introduced in May 2011 for local councillors. We have since welcomed over 300 councillors to the Scheme.

As well as our annual review of the year, this newsletter also contains useful information about the pension scheme.

If you would like any further information on the Scheme, a copy of NILGOSC's full Annual Report, or to update your details, please contact us. We are always pleased to hear from our members.

Zena Kee
Pensions Manager

The Committee

The management of the Scheme is overseen by a non-executive Committee appointed by the Department of the Environment. The members of the Committee are as follows:

Mr Trevor Salmon Chairman	Mr Joseph Donaghy	Mr David Jackson
	Mr Bumper Graham	Mr Peter Caldwell
	Mrs Julie Erskine	Mr Peter McMurray
	Mr Colin O'Hare	Mr Ciaran Quigley
	Ms Celine McCartan	Mrs Linda Neilan

The administration of the Scheme is led by the Secretary, Mr Deane Morrice, and the Deputy Secretary, Mr David Murphy.

Current Developments

NILGOSC Secretary Retires



After nearly 30 years of service to NILGOSC, Deane Morrice MBE retired from his position of Secretary on 31st October 2011.

Joining NILGOSC as Deputy Secretary in 1982, Deane became Secretary in 1999 and since then has led the organisation through various challenges and changes. Deane has always ensured the highest level of service to members and employers and his hard work was officially recognised in the Queen's birthday honours list, receiving an MBE in 2009 for his services to Local Government.

We wish Deane a long and very happy retirement.

Proposed Changes to Public Sector Pensions

On 10 March 2011, Lord Hutton, as Chair of the Independent Public Service Pensions Commission, published his proposals for long-term structural reform of public sector pensions.

The report suggests that changes could be made by 2015 and the aim of the proposals is to ensure that public service pensions can be sustainable and affordable as well as providing an adequate level of retirement income. It is important to note that all benefits accrued prior to the date of any change will be protected. Deferred benefits will not be affected by these changes.

The Latest News section of our website, www.nilgosc.org.uk/LatestNews-Reforms.html, has more information on these proposals. We will keep this up to date with any relevant amendments.

The benefits of being a member of the Scheme

Although some of our members leave the Scheme because their employment has ended, we know that some have remained in their employment but have chosen to opt out of the pension scheme. Given the current financial pressures being faced by many people, we can appreciate that some members may have opted out as they felt they could no longer afford to stay in the Scheme. If you have opted out previously, are still employed by one of the Scheme's employers and are eligible to choose to join the Scheme again, you might want to review your decision as there are important benefits you are missing out on.

- While you are a member of the Scheme, you pay a lower rate of tax and national insurance. Therefore it may not cost as much as you think to rejoin the Scheme.
- Your employer makes contributions on your behalf.
- You have valuable life cover and ill-health benefits at any age.
- You are building up pension benefits payable when you reach age 65.
- You could receive immediate payment of the benefits you have built up if you are made redundant after age 55.

If you change your mind and decide that you would like to be a member of the Scheme, contact your employer's Human Resources department who will advise you if you are eligible or not. A Short Guide is available if you would like more information on the benefits of the Scheme.

Pensions Increase 11 April 2011

Each year in April, in line with the Pensions Increase (Review) Order, NILGOSC increases your deferred pension benefits to reflect rises in the cost of living. In the 2010 Deferred Members' News, we explained that the Government announced that the Consumer Prices Index (CPI) would replace the Retail Prices Index (RPI) as the measure of inflation used to set Pensions Increase.

This change has taken effect from April 2011 and the rate of pensions increase applied to your deferred benefits from 11th April 2011 was 3.1%. The Pension Benefit Statement you received in July 2011 will show you the current value of your pension benefits, including this increase, as well as the date that your benefits become payable.

Auto-Enrolment

Auto-enrolment means that employers must enrol eligible employees into a pension scheme, instead of waiting for the employee to make the decision whether or not to join. The aim of auto-enrolment is to overcome workers missing out on pension benefits because they haven't made an application to join a scheme.

Auto-enrolment is being phased in over a period of four years, beginning 1 October 2012. The start date for each employer is determined by the size of its payroll. When each employer's auto-enrolment duties begin, it must enrol all eligible employees into a pension scheme, even if they have chosen to opt out before in the same employment.

An eligible worker is an employee aged between 22 and state pension age and earning above the income tax personal allowance (£7,475 in 2011-12).

Other workers who are not eligible for auto-enrolment will have to ask their employer if they wish to join their employer's pension scheme.

The Local Government Pension Scheme (NI) has used auto-enrolment for a number of years without the age and pay restrictions detailed above. Each employer is required to re-enrol employees every three years from the date its auto-enrolment duties begin, so if you are currently employed by one of the Scheme's employers and have opted out in the past, you will be re-enrolled again.

Equitable Life Payments Scheme

Equitable Life almost collapsed in 2000 causing a reduction in value of some policies. After investigating the situation, the government accepted regulatory failure of Equitable Life. On 16 May 2011, HM Treasury published a paper that sets out the rules for calculating losses and payments to eligible with-profits policy holders, the Payment Scheme.

We do not know at present who is eligible for a payment and it is unlikely that eligible policyholders will be contacted before June 2012. No action needs to be taken by members at this point.

Further information on the latest developments at Equitable Life and the Payment Scheme is available at www.equitable.co.uk.

National Fraud Initiative

In October 2010, NILGOSC submitted pension details of deferred members and pensioners to the Audit Office as part of the National Fraud Initiative. This is a regular data matching exercise and its purpose is to prevent and detect fraud. NILGOSC is required to participate in this initiative by the Comptroller and Auditor General and this exercise meets with data protection law.

The process involves comparing NILGOSC data to that held by other bodies to identify any potentially fraudulent claims or uncover instances where payments have continued to be made after a pensioner has died.

As at 30 September 2011, 22 overpayments have been identified through the NFI 2010-11 data matching exercise and 17 cases are still under investigation.

Further information on the National Fraud Initiative can be found on our website but if you have any questions or would like a hard copy of the information, please contact NILGOSC using any of the details on the back of this newsletter.

Keeping us informed

Nomination of Cohabiting Partner form

Survivor's pensions for Nominated Cohabiting Partners were introduced to the Scheme from 1 April 2009, but at present we have received fewer nominations than expected.

If you have a husband, wife or civil partner, he/she will automatically receive a survivor's pension in the event of your death. Children's pensions are also payable to eligible children.

If you have a partner who is not your husband, wife or civil partner, he/she will not get a pension unless you were actively contributing to the Scheme on or after 1 April 2009, you nominate them and they meet the conditions below.

Anyone who was an active member on or after 1 April 2009 is entitled to nominate a cohabiting partner, subject to the conditions listed below.

For the past two years, you must have been:-

- free to marry or form a civil partnership;
- living with a partner as if you were husband and wife or civil partners without you or your partner living with anyone else in the same way; and
- financially interdependent with your partner or your partner is financially dependent on you.

A Survivor's Pension for a Cohabiting Partner is not an automatic entitlement; we must have a valid nomination form on file to be able to pay this benefit on your death. You can download the form from our website at www.nilgosc.org.uk/LGS21.pdf or you can request it by telephone, letter or email and you should return it directly to NILGOSC. Forms you have left with your partner or with your employer are not valid nominations and will have no effect if we receive them after your death.

Death Grant Expression of Wish Form

If you die as a deferred member of the LGPS (NI), NILGOSC will pay out a death grant equal to five years' deferred pension.

You may advise NILGOSC who you would like to receive any death grant payable by completing an Expression of Wish form. All members are strongly advised to complete this form and ensure that it is kept up to date. A new form must be completed if marital or partnership status changes or if your wishes change.

Under the Regulations the Committee 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. However if any part of the death grant has not been paid within two years of death, we are required to pay it to your personal representatives, i.e. to your estate and tax may be liable.

If you received a Pension Benefit Statement this year, Section 4 will let you know if we have an Expression of Wish on file for you, but please remember to keep this up to date.

Currently only 33.2% of members have completed and returned a Death Grant Expression of Wish form.

If you would like to make or update an Expression of Wish, a form can be obtained from NILGOSC or downloaded from our website at www.nilgosc.org.uk/LGS20.pdf.

Pension Record Maintenance Form

Please let us know if any of your personal details change so that we can keep our records up to date. Changes of address are particularly important as NILGOSC is required to provide you with information on your pension each year. Please write to us or use form LGS24 to tell us about any changes. This form is available from our website at www.nilgosc.org.uk/LGS24.pdf or on request by telephone, letter or email.

Accessing your deferred pension benefits

Your deferred benefits will become payable at your normal retirement date (usually age 65). You can check which date your deferred benefits are payable on your annual deferred benefit statement. These deferred benefits may be brought into payment before your normal retirement date in the following circumstances:

Permanent ill-health

If you become ill before the date on which your deferred benefits are payable, immediate payment may be made if it is established, after examination by the Committee's Occupational Health Consultant, that the illness is permanent and would have resulted in your retirement on medical grounds had you still been in the employment to which your deferred benefits apply. Application should be made to the Committee in writing, accompanied by a current medical certificate stating the permanency of the illness. Benefits will be paid from the date of receipt of your application, providing permanency is established by the Committee Doctor.

At age 60 or over

You can apply directly, in writing, to the Committee for benefits to be brought into payment before your normal retirement date provided that you are aged at least 60 and have left your local government employment. In such cases, benefits may be reduced to take account of early payment.

At age 55 or over

If your former employer consents, you may elect to receive early payment of your deferred benefits at any time after reaching age 55. If the benefits are subject to reduction, your employer may on compassionate grounds advise the Committee to waive the reduction. You must make this application through your former employer who will have a policy discretion on this matter.

Application for payment

Although we try to trace all deferred members, it is your responsibility to submit a written claim for payment of your benefits to the Committee two months in advance of the date on which your benefits become payable.

Transfer of Deferred Benefits

Before your deferred benefits are payable it may be possible to transfer them to another pension scheme administered by your new employer, an insurance company or other financial institution. Please ask your new employer or pension provider to request transfer details from the Committee as soon as possible after joining a new scheme or plan.

Review of the Year 2010-11

Membership

Membership of the scheme increased during the year to 90,667 members. The Scheme had 44,148 contributing members, 26,291 pensioners and 20,228 deferred members and paid over £152m in benefits in the year ended 31 March 2011.

202 employing authorities were participating in the Scheme at 31 March 2011.

Triennial Actuarial Valuation

Every three years the Scheme must be valued. The actuary considered the fund's assets and liabilities as at 31 March 2010 and determined that the Scheme was 82% funded. This figure compares well to the average funding levels of other LGPS funds. The actuary aims to recover this shortfall from the Scheme's employer over 20 years and has set employer contribution rates accordingly.

Financial Statement

Fund Account

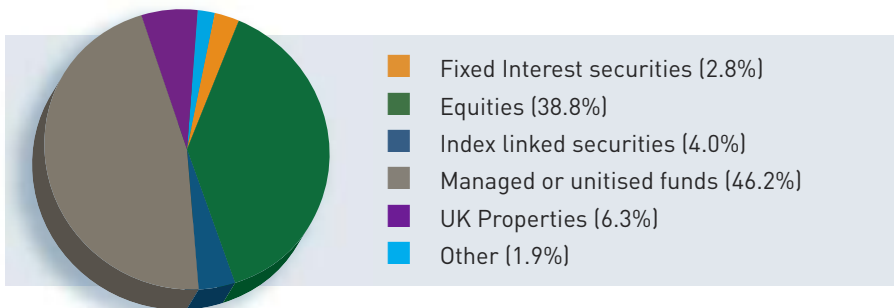
	2010/2011 £'000	2009/2010 £'000
Income		
Employers' Contributions	138,513	128,471
Employees' Contributions	51,705	51,931
Transfers in	6,734	10,636
Investment income	58,807	51,151
	255,759	242,189
Expenditure		
Benefits paid	152,062	140,574
Payment on account of leavers	6,759	6,164
Administration expenses	1,950	2,659
Investment management expenses	10,760	9,428
	171,531	158,825
Net income	84,228	83,364
Opening net assets of the scheme	3,556,366	2,472,877
Net income	84,228	83,364
Change in market value of investments	310,632	1,002,204
Net actuarial gains/(losses) recognised in the year	1,283	(2,079)
Closing net assets of the scheme	3,952,509	3,556,366

The accounts are prepared in line with International Financial Reporting Standards (IFRS).

Investment of the Fund

There was a large amount of volatility in investment returns over the year ended 31 March 2011. The UK equity market ended the year up nearly 9%. The return on government bonds was strong up until August 2010 and then fell back before recovering again from February, whilst the UK commercial property market continued its recovery, ending the year to 31 March 2011 up by just over 10%.

All major equity regions with the exception of Japan delivered positive returns over the year. The UK equity market returned 8.7%. Globally, emerging market equities were the strongest performing region in sterling terms (+12.4%), whilst US equities were the strongest performing region in local currency terms (+15.4%). In summary, the last financial year saw the majority of assets perform well, with equities (except for Japan), government bonds, corporate bonds and the UK commercial property market all posting positive returns. The fund was invested as follows:



Over the year to 31 March 2011, the fund achieved an overall return on the total assets of 10.4%. In comparison the Committee's composite benchmark was 9.8%, resulting in a net excess return of 0.6%.

All of the Committee's active managers work to longer term investment horizons, the minimum of which is three years, and accordingly the Committee does not place undue attention on short term performance returns. The Committee does however have in place a robust quarterly monitoring process which aims to look behind returns to see the underlying cause of any underperformance. The Committee remains confident in the underlying investment process adopted by its external fund managers and expects all managers to deliver the target level of return over the longer term.

The Committee's three UK equity managers, Baillie Gifford, BlackRock and Jupiter, outperformed their respective targets during the year ended 31 March 2011, delivering returns of 10.95%, 2.45% and 4.72% respectively. Two out of the three global equity managers failed to meet their performance targets, with relative returns of 6.64%, -0.37% and -5.84% for Baillie Gifford, Wellington and Edinburgh

Partners respectively. The Committee's fixed income manager, Aberdeen failed to meet its performance objective with a relative return of -0.65%, while the property manager, LaSalle underperformed its annual target by -2.58%. The Committee's passive manager, Legal & General, matched or exceeded the index in all eleven markets in which it was invested during the year.

The Committee made one change to its specialist manager structure, replacing its global unconstrained equity manager, Wellington Global Contrarian Equity, with Edinburgh Partners in October 2010.

Socially Responsible Investment

The Committee faces an ongoing challenge to reconcile the need to obtain the best financial return for scheme members against the desire for sound social, environmental and ethical practices. Under current UK law, pension schemes such as NILGOSC are not permitted to exclude investments solely on ethical grounds. The Committee delegates the selection of investments to its fund managers and does not currently impose any investment restrictions with respect to environmental, social or governance (ESG) issues. Instead, the Committee has instructed its active fund managers to take account of ESG considerations provided the primary financial obligation is not compromised. The Committee has set out its approach to ESG issues in its Statement of Responsible Investment, a copy of which is available on the Scheme's website.

The Committee continues to believe that the best contribution NILGOSC can make in the arena of responsible investment is through the targeted execution of voting rights and the promotion of ESG issues within the investment management industry.

Throughout the year NILGOSC participated in various responsible investment forums, including a roundtable of leading UK pension funds whose aim is to share knowledge and experience and thereby improve behaviours across the investment industry. NILGOSC is also a member of the Local Authority Pension Fund Forum, which aims to bring together a large investor base from which to influence companies' corporate behaviour and social responsibility. The Forum seeks to address ESG issues through direct engagement with 'offending' companies, governments and other relevant bodies on global issues such as climate change, executive remuneration and audit assurance. Finally, as a signatory to the UN Principles of Responsible Investment, the Committee continues to demonstrate its commitment to being a responsible investor and has undertaken to engage with companies on ESG issues, either directly or through its investment managers, and to participate in collaborative engagement activities.

Satisfaction Survey

A stakeholder satisfaction survey was carried out in May 2011. Over 700 questionnaires were distributed to all employers and a sample of active members, deferred members and pensioners. As well as a random sample of members a sample was also taken from all those who had contacted NILGOSC during 2010-11 in person, in writing, by email and by telephone. This sampling method allowed us to target the members who had used our services in the last year and therefore receive a more informed response to our questions.

The survey sought feedback on NILGOSC's publications, website and contact with members and employers.

Key focuses were:

- The relevance of information contained, presentation and layout and ease of understanding our publications; and
- Staff knowledge and ability, time taken and the level of courtesy and professionalism shown in contacts with our staff.

Respondents were asked to rank each element on a scale of 1 to 5, with 1 being very poor or very dissatisfied and 5 being excellent or very satisfied. Level of courtesy and professionalism was ranked highest across all groups surveyed with an average rating of 4.73 out of 5.

In addition, respondents made comments on our services and suggestions for future contact, whilst employers have noted an interest in attending training on pension scheme administration and meeting with NILGOSC more often.

The response rate for 2010-11 was 41%, a vast improvement on the 2009-10 response rate of 31%.

Satisfaction levels ranged from 89% of active members to 100% of deferred members being satisfied or very satisfied with the service they received. Overall, 92% of respondents were either satisfied or very satisfied; an increase from the rating of 91% the previous year. Only 1% of respondents ranked their overall satisfaction as less than three out of five, again an improvement on the 2009-10 figure.

Equality Scheme

NILGOSC has continued its commitment to the promotion of equality of opportunity during the year with the inclusion of equality related objectives in its corporate plan. No complaints regarding equality issues were received during the 2010-2011 period. We would like to take this opportunity to remind all our members that we will be happy to consider requests for the provision of documents in an alternative format (such as audio or large print) and/or an alternative language for those whose first language is not English. Should you wish to make such a request please let us know by asking for an 'Alternative Methods of Communication' form or by contacting the Pensions Administration team. Contact details can be found on the back page of this newsletter.

To assist us in dealing with your request please let us know:

- why the current communication methods are not suitable for your needs (this may be because you have a sight impairment or English is not your first language); and
- what format you would like to receive information from us – such as in large print, in Braille, on audio cassette, easy read or on computer disc and/or alternative language.

Should you wish to raise an equality issue with NILGOSC, please contact the Equality Officer, on 0845 308 7345 or by emailing info@nilgosc.org.uk

Consultation on Revised Equality Scheme

The Equality Commission for Northern Ireland has published revised statutory duties under Section 75 of the Northern Ireland Act 1998 and has called for revised/new Equality Schemes from public authorities. NILGOSC has prepared its revised scheme and, to ensure equality of opportunity and good relations are promoted, a series of action measures have been identified and developed as part of the revised scheme.

As required by the Equality Commission guidance NILGOSC has issued its revised Equality Scheme and Action Plan for public consultation. If you are interested in reading and/or commenting on the revised scheme the documentation is available for consultation purposes for a period of 12 weeks from 1st October 2011. Details are available on the Equality Scheme section of our website www.nilgosc.org.uk/equality.htm or alternatively you can request a copy by contacting the Equality Officer at the address shown at the back of this newsletter. We look forward to hearing your views on the revised scheme.

Customer Charter

The objective of the Committee is to administer the LGPS (NI) efficiently and effectively while continuously seeking to improve the quality of service provided to all stakeholders.

In order to achieve this objective NILGOSC aims to:

- Provide an efficient and high standard of service which we will continuously try to improve
- Maintain accurate and up-to-date records
- Provide you with an annual forecast of your future entitlement from NILGOSC and a state pension forecast (unless you have said that you did not wish to receive this)
- Pay benefits promptly and accurately when they become due
- Send an annual newsletter to all members
- Make it easy for you to contact us
- Listen to your enquiries and learn from your comments
- Treat everyone equally and courteously
- Make every effort to address problems honestly and quickly

Data Protection Act 1998

NILGOSC is registered with the Information Commissioner under the Data Protection Act 1998 to hold personal information for the purpose of administration of the pension Scheme.

Essentially the data is used to determine eligibility for, and to calculate any pension or other benefits from, the LGPS (NI). This information is held and processed by NILGOSC strictly in accordance with the Data Protection Act 1998. In order to carry out its purpose, NILGOSC may receive information about members from others, such as employers, but can only do so in accordance with the law.

NILGOSC may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Scheme, for example the Scheme's AVC providers and actuary. NILGOSC may also transfer information to organisations which carry out processing operations on its behalf, such as printers. Any third parties to whom NILGOSC passes personal data are also required to comply with the Data Protection Act.

NILGOSC is required to protect the public funds it administers. It may share information provided to it with other bodies responsible for auditing or administering public funds, in order to prevent and detect fraud.

As individuals, members have a right under the Data Protection Act 1998 to obtain information from NILGOSC, including a description of the personal data which is held.

Any member who wishes to access his/her data on Data Protection Act grounds should write to the Data Protection Officer at NILGOSC.



How to contact us

Postal address:
NILGOSC
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411 Hollywood Road,
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NILGOSC telephone: 0845 308 7346
Email: info@nilgosc.org.uk
Typetalk (for minicom users): 18001 0845 308 7345
Fax: 0845 308 7344
Website: www.nilgosc.org.uk

Personal Callers

You are welcome to visit us from Monday to Friday, from 9am to 5pm.

You do not need to make an appointment.

Information produced by NILGOSC can be made available in several formats (such as large print, in Braille, on audio cassette, easy read or on computer disk) and languages. We will be pleased to consider your request in this respect.