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Circular 01/2011

To: Chief Executives
Salaries and Wages
Human Resources
Pension Contacts

Dear Colleagues

Interim revision of early retirement capital costs with effect from 1 February 2011
Revision of early retirement capital costs and augmentation costs with effect from 1 April 2011

As you will be aware employing authorities are liable for the actuarial costs of early payment of unreduced benefits in the event of redundancy/efficiency/early retirement (capital costs) and augmentation costs when awarding additional membership. The Scheme's actuary has just advised NILGOSC that the factors used to calculate these costs should be reviewed. We expect to be in a position to implement revised factors from 1 April 2011. It is expected that the revised factors will lower the cost of both early retirement and augmentation.

Given the significant redundancy exercises which are now underway across several employing authorities, NILGOSC will be implementing an immediate interim revision of early retirement capital costs with effect from 1 February 2011. This will result in lower capital costs being invoiced to employing authorities with effect from 1 February 2011. If you have already received quotations for capital costs they will have been on the old basis and the new revised capital costs will be invoiced when the members leave. There will be no revision of capital costs which were invoiced before 1 February 2011.

Please note that any quotations issued by NILGOSC up to today will be on the old basis for calculation of capital costs.

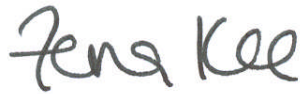
We will be instructing the actuary to prepare revised factors for augmentation and it is expected that these new factors will be effective for any augmentation awarded after 31 March 2011. The current factors will apply to 31 March 2011 and will not have an interim revision.

I apologise for the late notification of this change but NILGOSC received this actuarial advice late on Thursday night. We have tested our software since then and will have the amended factors in use from tomorrow. We felt it was important to

implement this revision of capital costs urgently as we expect that this change will result in lower costs to employing authorities for pipeline redundancy cases. I regret that I cannot give you a straightforward percentage reduction to apply to capital costs which have been already quoted as each case is an individual calculation. Nevertheless we expect that the reductions may result in capital costs which are at least 10% lower than that originally quoted.

Please do not hesitate to contact me if you require any further information.

Yours sincerely

A handwritten signature in black ink that reads "Zena Kee". The signature is written in a cursive, slightly slanted style.

Zena Kee
Pensions Manager