

The Local Government Pension Scheme (Northern Ireland)

Increase of Membership by Employing Authority

Resolutions on or after 1 April 2009

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1 Introduction and Legislative Background

- 1.1 Regulation 12 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009 (“the Benefits Regulations”) (SR 2009/32) provides an opportunity for employing authorities to increase the total membership of an active member. It provides that an employing authority may resolve to increase the total membership of the LGPS of an active member, provided that the total additional membership does not exceed 10 years.
- 1.2 Under regulation 6(3) of Schedule 2 of the Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2009 (“the Transitional Regulations”) (SR 2009/34), membership augmented by a resolution under regulation 12 of the Benefits Regulations is not counted when calculating the Critical Retirement Age of a member who was in service before 1 October 2006.
- 1.3 Regulation 35(2) of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 (“the Administration Regulations”) (SR 2009/33) gives two options for making the payments required in respect of the resolution under Regulation 12 of the Benefits Regulations. The option allowed under Regulation 35(4) of the Administration Regulation does not involve the Government Actuary. The other option – Regulation 35(3) – requires a payment to be made as shown in guidance issued by the Government Actuary’s department (GAD).
- 1.4 The Northern Ireland Local Government Officer’s Superannuation Committee (NILGOSC) and employing authorities may wish to consider their need for professional advice as to which option might be more appropriate in particular circumstances. Regulation 35(6) of the Administration Regulations provides that any resolution passed under Regulation 12 of the Benefits Regulations shall not become effective until the appropriate sum is paid to the appropriate fund (unless agreement has been reached to use the option under Regulation 35(4) of the Administration Regulations), where the appropriate sum is determined in accordance with guidance issued by the Government Actuary. The purpose of this guidance note is to provide the guidance referred to in Regulation 35(3) of the Administration Regulations to the Department of the Environment (DOENI) for onward transmission to NILGOSC.

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2 Calculations

- 2.1 Resolutions made after 1 April 2009 will only provide service subject to NRA65. The membership awarded counts as post-2009 membership for the purpose of accrual rate and should be counted as Part E membership for the purposes of early retirement (as defined in GAD's guidance on Choice of Early Payment of Pension and Flexible Retirement early and flexible retirement). It is not included when calculating the critical retirement age of a member.
- 2.2 Calculate the cost (C) of providing the additional membership using the following formula. The factors should be based on NRA65.

$$C = S \times Y \times AMC \times (F_p + 0.375 \times F_{wid}) / 60$$

where:

S	=	Pay
AMC	=	Appropriate market value adjusted from the transfer tables
Y	=	Additional membership in years, and part-years, to be granted
F _p	=	Factor for member's pension (suitable for NRA65)
F _{wid}	=	Factor for spouse's pension

S, AMC, Y, F_p and F_{wid} are determined as at the date the resolution was passed

- 2.3 The appropriate sum should be determined by reference to the Individual Transfer Factors in force at the Calculation Date. The factors appropriate for this purpose are those used in respect of individual non-Club incoming transfers (under Regulation 80(3) of the Administration Regulations), except where the Calculation Date falls no earlier than one month prior to the date of exit from LGPS membership, in which case it has been agreed with DOENI that the Club transfer factors (as required for Regulation 80(2) of the Administration Regulations) should be used.

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- 2.4 Pay should be pensionable pay as defined in regulation 4 of the Benefits Regulations. Pay (S) and the additional membership in years to be granted (Y) should both be expressed (for the purposes of the calculation) as whole-time equivalents. For a member in part-time employment, S should be calculated as the pay which would have been paid to the member for a single comparable whole-time employment (as Regulation 8(3) of the Benefits Regulations provides that the Final Pay of a member in part-time employment should be adjusted). The additional membership granted (Y) is also treated as whole-time service. It would be incorrect to adjust the period of additional membership granted (Y) in the manner outlined in Regulation 7(3) of the Benefits Regulations.



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Example

- 2.5 Consider the case where an employing authority wishes to grant an active member, who is a married male aged 38, and whose current pensionable salary is £20,000 per annum, 2 years additional service. Follow the steps outlined in section 2 to calculate the cost to the employing authority.
- 2.6 The appropriate factors for the formula, from the tables in force at the date this guidance was produced, are:

S	=	£20,000
AMC	=	1.22 (assuming the reference yield is 1% at the Calculation Date)
Y	=	2.0000
F _p	=	15.72 x 0.76 = 11.9472
F _{wid}	=	3.18

- 2.7 Calculate (C) using the above factors:

$$\begin{aligned}
 \text{Cost} &= C \\
 &= £20,000 \times 2.0000 \times 1.22 \times (11.9472 + 0.375 * 3.18) / 60 \\
 &= £10,686.96
 \end{aligned}$$