

**Local Government Policy Division**

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Your reference:  
Our reference: DO1  
6 June 2008

Dear Consultee,

## **New Local Government Pension Scheme**

I enclose for consultation, a copy of three set of draft Regulations:

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2008 (Benefits Regulations)
- Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2008 (Administration Regulations); and
- Local Government Pension Scheme (Transitional Provisions) Regulations (Northern Ireland) 2008 (Transitional Provisions Regulations);

which the Department proposes to make under the powers conferred by Articles 9 and 14 of, and Schedule 3 to, the Superannuation (Northern Ireland) Order 1972.

The three Statutory Rules will introduce a new Local Government Pension Scheme in Northern Ireland from 1 April 2009.

The purpose of the Regulations is to ensure that the Local Government Pension Scheme (the Scheme) is sustainable and thus, viable over the long term. People are living longer which means that in the future pensions will be paid for longer and the cost of providing pensions benefits will increase.

Under the terms of Section 75 of the Northern Ireland Act 1998, the Department carried out screening for equality impact and is satisfied that the draft Regulations will not lead to significant discriminatory or negative differential impact.

Your views on the draft Regulations are now invited and they should be sent to Local Government Policy Division, DOE by no later, please, than **31st October 2008**. Written responses to this letter should be sent to William Dobbin at the postal address above or by email to [william.dobbin@doeni.gov.uk](mailto:william.dobbin@doeni.gov.uk).

## Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2008

The Scheme remains a defined benefit final salary scheme with a normal retirement age of 65.

The Scheme will have:

- an improved accrual rate of 1/60<sup>th</sup> (previously 1/80<sup>th</sup>) for all new and existing members from 1 April 2009 with the option to convert up to 25% of the value of the pension to a lump sum;
- survivor benefits for widows, widowers, civil partners and nominated co-habiting partners at a rate of 1/160<sup>th</sup>;
- survivor benefits for children at a maximum rate of 1/160<sup>th</sup>;
- an improved death in service lump sum benefit of 3 times salary (previously 2 times salary);
- flexible retirement arrangements which would enable members, with their employer's permission, to draw down some or all of their accrued pension rights from the Scheme while continuing to work;
- facility to buy up to £5,000 of added annual pension; and
- facility to contribute additional voluntary contributions.

### Contribution Rates

There will be tiered member contribution rates as set out below. **It will be the responsibility of employing authorities to determine the contribution rate for members. Employers may need to consult their software providers to ensure that their current payroll systems can accommodate the introduction of tiered member contribution rates.**

The pay ranges will be increased annually in line with the Pensions (Increase) Act (Northern Ireland) 1971.

Band	Pay Range	Contribution Rate
1	£0 to £12,000	5.5%
2	£12,001 to £14,000	5.8%
3	£14,001 to £18,000	5.9%
4	£18,001 to £30,000	6.5%
5	£30,001 to £40,000	6.8%
6	£40,001 to £75,000	7.2%
7	More than £75,000	7.5%

### Part-time employees

The band for members who are employed part-time is that for the whole-time equivalent employment but contributions will only be paid on the actual pay.

### Members with lower rate rights

Members who had a right to pay a 5% contribution (i.e. people employed as 'manual workers' before 1 February 2003) will be transferred onto new contribution rates as below.

<b>Year Starting</b>	<b>Contribution Rate</b>
1 April 2009	5.25%
1 April 2010	5.5%
1 April 2011	6.5% or the contribution rate applicable to the member's pay range, whichever is the lower.
1 April 2012	Contribution rate applicable to the member's pay range.

These arrangements are contained in regulation 10 of the Transitional Provisions Regulations.

### **Early leavers - ill-health benefits**

The Benefits Regulations will introduce a three tier ill-health benefit provision. All the tiers will require that the member is permanently incapable of carrying out his/her job.

#### First Tier

In the first tier, where there is no reasonable prospect of the member undertaking gainful employment before age 65, the accrued benefits payable would be enhanced by 100% of prospective service to age 65. Gainful employment means paid employment for not less than 30 hours each week for a period of not less than 12 months.

#### Second Tier

Under the second tier, where there is a reasonable prospect of undertaking gainful employment before age 65, accrued pension benefits would be enhanced by 25% of prospective service to age 65.

#### Third Tier

Under the third tier, where there is a reasonable prospect of the member undertaking gainful employment within three years of leaving his/her current employment, accrued benefits would be paid until such time as the person is in gainful employment or three years, whichever is the sooner. The member will be required to notify the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) when employment is found and provide details of pay, working hours and length of contract of the employment. If benefit payments have continued when gainful employment has been found NILGOSC will have the power to recover any overpayment from the member.

When the benefit has been in payment for 18 months NILGOSC will ask the member if his/her circumstances have changed. If NILGOSC decides, from the information supplied, that gainful employment has been obtained the third tier payments will stop. If gainful employment has not been obtained NILGOSC will be able to seek a further

opinion from an independent occupational health practitioner concerning the condition which resulted in the payment of third tier ill-health benefits.

The independent occupational health practitioner will be asked whether it remains the case that-

- a. the member is capable of undertaking gainful employment within 3 years of leaving the former employment; or
- b. if the member is judged incapable of undertaking gainful employment within 3 years of leaving the former employment, if he/she is likely to obtain gainful employment before normal retirement age.

NILGOSC will have the power, on the basis of the health review by the independent occupational health practitioner, to determine that a person receiving third tier benefits should start to receive second tier benefits.

Where the independent occupational health practitioner is satisfied that a member has reduced his/her hours of work because of the medical condition that has results in the termination of employment the ill-health benefits will be calculated as if the member was in whole time employment.

### **Cost Sharing**

Under the current arrangements increases in the cost of providing benefits are met by increases in the employer contribution rate while the member contribution rate remains static. Increasing costs in the Scheme impact directly on employers but can also have an impact on rate payers and taxpayers in Northern Ireland. It is, therefore, important that the Scheme remains fair and affordable for members, employers, rate payers and taxpayers. In common with the Local Government Pension Scheme in Great Britain it is intended to introduce a cost sharing mechanism. There will be a separate consultation on the cost sharing principles to be put in place by April 2010.

## **Draft Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2008**

The Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2008 consist mainly of provisions from the Local Government Pension Scheme Regulations (Northern Ireland) 2002 (the 2002 Regulations) that need to be carried forward as part of the new arrangements.

These include:

- the rules relating to membership of the Scheme;
- the procedure where a member decides to pay additional regular contributions or additional voluntary contributions;
- the pension fund and employers' payments;
- payment of benefits;
- the determination of questions and disputes;
- special adjustments;
- transfers in and out of the Scheme; and
- pension sharing.

## **Local Government Pension Scheme (Transitional Provisions) Regulations (Northern Ireland) 2008**

The Regulations will revoke most of 2002 Regulations but certain parts will continue to apply such as, the transitional protection following the removal of the 85 year rule. The revocation does not affect any of the rights relating to deferred and pensioner members of the Scheme and the periods of membership used in calculating their benefits and other entitlements accruing to 31 March 2009.

The Equality Screening is available to view at [www.doeni.gov.uk](http://www.doeni.gov.uk) and click on current consultations link. Copies of the documents in different formats may be requested using the above contact details.

I should be grateful to receive your email address, which will be used solely for future consultations, please entitle the email *e-consultation* followed by your organisation's name.

Yours sincerely,

**Marie Cochrane**

Encl.

**Addressees**

All the Members of the Northern Ireland Legislative Assembly

All Northern Ireland political parties, MPs and Members of the House of Lords

The Clerk and Chief Executive of each District Council

The Chief Executive of each Education and Library Board

The Chief Executive, Northern Ireland Housing Executive

Other Employing Authorities contributing to the Local Government Pension Scheme

The Northern Ireland Local Government Association

The Northern Ireland Local Government Officers' Superannuation Committee

The Northern Ireland Committee of the Irish Congress of Trade Unions

The Northern Ireland Public Service Alliance

Various Representative Bodies and Interest Groups

Equality Commission for Northern Ireland