

10 October 2008

MEDIA COVERAGE OF PENSION FUNDS

There has been much coverage in the media on how pension funds may be affected by the current volatility in the financial markets. There are many types of pension funds but a scheme such as the Local Government Pension Scheme (Northern Ireland) (LGPS (NI)) is one of the most secure schemes available.

Media coverage tends to concentrate on those pension schemes outside of the Public Sector. Most of those schemes are Defined Contribution schemes which means that the participant's pension is directly related to the amount they have saved and invested. Therefore, when markets fall their pension may be directly affected.

The LGPS (NI) scheme is different. **The amount of your LGPS (NI) pension does not depend on investment returns**, rather it is calculated, as set out in legislation, on the length of your membership and your final pensionable pay. Therefore your LGPS (NI) pension benefits are not dependent on investment performance.

NILGOSC invests the contributions it receives in various markets across the world. We are a long-term investor and therefore can ride out blips in particular markets. We also spread our investments to minimise the impact of one market event or another. If there is any shortfall in the fund, due to investment returns, it is made up by the employers in the scheme. In addition we currently have more contributing members than pensioners. This is a healthy position for any pension fund because it means that we do not need to use investment income to pay our pensioners on a monthly basis. In other words, the income received from our members and employers covers the pensions payable.

If you have an Additional Voluntary Contribution (AVC) fund with either of our external AVC providers then your investment may be affected depending on the fund in which you are invested. If you have any questions regarding your AVC investment contact the Prudential on 0845 607 0077 or for Equitable Life AVCs contact NILGOSC on 028 9076 8025.

I hope this note provides reassurance that the LGPS (NI) scheme is one of the most secure schemes available. If you require financial advice please speak to your financial adviser. If you need further information about LGPS (NI) please either speak to your employer (if you are a contributing member) or contact us directly on 028 9076 8025.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David A. Murphy'. The signature is written in a cursive style with a large initial 'D'.

David Murphy
Deputy Secretary