

Short Guide

to the
Local Government Pension Scheme
(Northern Ireland)



This Short Guide describes the changes to the Local Government Pension Scheme Northern Ireland (LGPS (NI)) from 1 April 2009 and briefly outlines the benefits provided by the LGPS (NI). In the event of any dispute as to eligibility for membership of, or benefits due under, the LGPS (NI) the appropriate legislation will prevail. This Guide does not confer any contractual or statutory rights and is provided for information purposes only.

Contents

1) The Local Government Pension Scheme (Northern Ireland)	Page 2
2) Retirement	Page 5
3) The Benefits	Page 9
4) Protection for Your Family	Page 12
5) Leaving Before Your Pension is Payable	Page 14
6) Definition of Terms	Page 16
7) Further Information and How to Contact Us	Page 18

This is a short description of the conditions of membership and main scheme benefits that apply if you pay into the Local Government Pension Scheme (Northern Ireland), hereafter known as 'the Scheme', on or after 1 April 2009.

What kind of Scheme is it?

The Scheme is a tax approved, defined benefit occupational pension scheme first established on 1st April 1950. It is a 'final salary' scheme and is administered by the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). The benefits paid under the Scheme are based on the length of your membership and your final pay.

Who can join?

The Scheme covers the employees of local government and other admitted bodies that have chosen to participate in it. If you wish to join the Scheme you must have a contract of employment with one of these bodies that is for at least three months and be under age 75. Police, firefighters, teachers and academic staff (eligible to participate in the Universities' Superannuation Scheme) of the University of Ulster are not allowed to join.

If you are eligible for membership of the Scheme you will automatically become a member unless you notify your employer in writing that you do not wish to become a member.

How do I ensure that I have become a member of the Scheme?

To secure your entitlement to the Scheme benefits it is important that you complete and return the joining form (LGS1). On receipt of your form, relevant records will be set up and an official notification of your membership of the Scheme will be sent to you. You should also check your pay slip to make sure that pension contributions are being deducted.

Can I opt-out of the Scheme and re-join the Scheme at a later date?

You can leave the Scheme at any time by giving your employer notice in writing. If you opt-out, you can opt back into the Scheme provided at that time you have a contract of employment that's for at least three months and you are under 75. You may wish to obtain independent financial advice before you make a decision to opt-out of the Scheme. If you have opted out more than once you may only reapply if your employer or future employer consents. If you have more than one job with your employer, you may opt out in respect of some, one or all of the jobs.

What do I pay?

Your contribution rate depends on how much you are paid but it will be between 5.5% and 7.5% of your pensionable pay. The rate you pay depends on which pay band you fall into.

If you work part-time, your rate will be based on the whole-time pay rate for your job, although you will only pay contributions on the pay you actually earn.

Here are the pay bands that apply from 1 April 2009 – they will increase in line with inflation from 1st April 2010 and every April afterwards.

If your Whole-Time Pay Rate is:	You pay a contribution rate of:
Up to £12,600	5.5%
£12,601 to £14,700	5.8%
£14,701 to £18,900	5.9%
£18,901 to £31,500	6.5%
£31,501 to £42,000	6.8%
£42,001 to £78,700	7.2%
More than £78,700	7.5%

As a member of the Scheme, your contributions will attract tax relief at the time they are deducted from your pay and you will be contracted out of the State Second Pension Scheme (S2P). Whilst you are a member of the Scheme you will, prior to State Pension Age, pay reduced National Insurance contributions.

Let's take a look at members who work full time at a pay rate of £22,000.

They'll pay 6.5% on their pay. That gives monthly contributions of approximately £119.

If they were working half-time, they'd still pay the same contribution rate of 6.5%. That's because the whole-time rate for their job is still £22,000, but their contribution would be based on their part-time earnings, so they'd pay approximately £60 per month in contributions.

What if I was a protected 5% contributor (manual worker)?

Members who had the right to pay 5% contributions will be transferred to new contribution rates from 1 April 2009 as below:

Year starting	Contribution Rate
1 April 2009	5.25%
1 April 2010	5.50%
1 April 2011	6.5% or the rate applicable to the member's pay range, whichever is the lower
1 April 2012	Contribution rate applicable to the member's pay range

Does my employer contribute?

Your employer pays the balance of the cost of providing your benefits in the Scheme. Every three years an independent review is undertaken to calculate how much your employer should contribute to the Scheme. The Government is considering how future increases or decreases in scheme costs can be shared between members and employers. There will be a separate consultation on the cost sharing principles and these principles are planned to be put in place by April 2010.

Can I pay more to increase my benefits?

You can pay extra to increase your retirement benefits. You can do this either by paying additional contributions (known as ARCs) to buy extra scheme pension, by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangement, or by making payments to a personal pension, stakeholder pension or Free-standing AVC scheme of your own choice.

Can I transfer pension benefits into the Scheme?

Generally speaking, benefits that you have previously accrued in the Scheme or in other pension arrangements can be transferred and will buy membership in the Scheme. An option to transfer must be made within twelve months of joining.

You must have at least three months membership or have transferred other pension rights into the Scheme to be entitled to Scheme retirement benefits.

2 Retirement

When can I retire?

You can retire and receive your Scheme benefits in full once you have reached age 65. The Scheme also makes provisions for the early payment of your benefits.

What are my Scheme retirement benefits?

When you retire, you will receive a pension and have the option to take part of your pension as a tax-free lump sum. If you joined the Scheme before 1 April 2009, your standard benefit package will include an automatic tax-free lump sum as described in The Benefits section of this guide.

Can I retire early?

You can elect to retire and receive your Scheme benefits from age 60 onwards. You may be able to retire and receive your Scheme benefits from age 55 but only if your employer agrees. However, if you were paying into the Scheme on 31 March 2009 the earliest age you may be able to retire with your employer's consent and receive your benefits is age 50, rather than age 55, provided you do so before 31 March 2010. Employer's consent to draw benefits before age 60 is an employer discretion. Your employer must set out its policy on this in a published statement.

Are there any reductions for retiring early and drawing immediate benefits?

If you retire between age 60 and 65 your Scheme benefits, initially calculated as set out in The Benefits section of this guide, will be reduced to take account of their early payment and the fact that your pension will be payable for longer. However, if

you joined the scheme before 1 October 2006 you will have some protections from reduction under the Rule of 85. Please see the section on Removal of the Rule of 85.

Removal of the Rule of 85

The Rule of 85 refers to a provision of the Scheme which allowed members who retired early to take their pension entitlements, without actuarial reduction, if the sum of their age and length of membership equalled 85 years or more. Members over age 60 could do this as of right; members over age 50 but less than age 60 required their employer's consent. The Rule of 85 has been abolished from 1 October 2006 in order to comply with the European Union Directive on Age Discrimination. Anyone joining the Scheme after 30 September 2006 will have his or her pension benefits actuarially reduced if he / she retires before age 65 to take account of early payment.

Existing members, who were contributing to the Scheme on 30 September 2006, have some Rule of 85 protections. These protections are as follows:

- *All existing members at 30 September 2006 are protected until 31 March 2008 i.e. the benefits you accrue up to 31 March 2008 will be protected under the 85 year rule.*
- *Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule by 31 March 2016 are fully protected i.e. the benefits you accrue up to 31 March 2016 will be protected under the 85 year rule.*
- *Those existing members at 30 September 2006 who will be 60 or over and meet the 85 year rule between 1 April 2016 and 31 March 2020 will have full 85 year rule protection to 31 March 2008 and have some 85 year rule protection, on a sliding scale, to 31 March 2020.*

What if my employer retires me on grounds of redundancy or business efficiency?

If you are aged 55 or over you will be entitled to the immediate unreduced payment of your Scheme benefits. However, if you were a member of the Scheme on 31 March 2009 and retire on grounds of redundancy or business efficiency before 31 March 2010 you will receive immediate unreduced payment of your Scheme benefits providing you are aged 50 or more.

What happens if I have to retire early due to ill-health?

If you have to leave work at any age due to permanent ill-health which prevents you from doing your job and you have at least one year's Scheme membership, the Scheme provides a tiered ill-health retirement package.

To qualify for ill-health benefits, the Committee must be satisfied that you will be permanently unable to do your own job and have a reduced likelihood of obtaining another job before age 65. The Committee's decision is based on a report from an independent registered medical practitioner qualified in occupational health medicine.

The tiers provide pension benefits dependent on the severity of the illness and are described below:

Tier 1 - If you are permanently incapable of doing your job and have no reasonable prospect of gaining any employment before age 65, your pension is based on accrued membership plus 100% of prospective membership between leaving and age 65.

Tier 2 – If you are permanently incapable of doing your job and have a reasonable prospect of obtaining gainful employment, then your pension is based on accrued membership plus 25% of prospective membership between leaving and age 65.

'Gainful employment' is defined as paid employment for not less than 30 hours in each week for a period of not less than 12 months.

'Permanently incapable' is defined as the member will, more likely than not, be incapable until, at the earliest, his 65th birthday.

If you are part-time, any extra membership awarded due to ill-health retirement will be reduced to reflect your part-time hours at leaving.



What if I want to have a gradual move into retirement?

This is known as flexible retirement. From age 55, if you reduce your hours or move to a less senior position on a reduced pay scale, and provided your employer agrees, you can draw some or all the pension benefits you have built up – helping you ease into retirement. If you were a member of the Scheme on 31 March 2009 and you do not have a break in your employment with your employer then, the earliest age at which you may be able to draw some or all of your benefits on flexible retirement is 50, rather than 55, provided you take flexible retirement before 31 March 2010. If you take flexible retirement before age 65, your benefits may be reduced to take account of their early payment unless your employer agrees to waive the reduction in whole or in part.

What if I carry on working after age 65?

If you carry on working after age 65 you will continue to pay into the Scheme, building up further benefits. We will pay your pension when you retire, or when you reach the eve of your 75th birthday, or if you take flexible retirement with your employer's consent, whichever occurs first. If you draw your pension after age 65, it will be increased to reflect the fact that it will be paid for a shorter time. Your pension has to be paid by your 75th birthday.



3 The Benefits

How much will my pension be?

Your pension is based on your total membership in the Scheme and the pensionable pay you receive in, normally, your final year of service. If you are part-time, your Scheme membership will count at its part-time length when working out your pension and your final pay is increased to what you would have received had you been full-time. The examples below show how benefits based on membership in the Scheme built up after 31 March 2009 are calculated. You receive an annual pension based on 1/60th of your final year's pensionable pay for membership you build up after 31 March 2009.

Can I exchange part of my pension as a lump sum?

You can exchange part of your annual pension for a one off tax-free cash payment. You can take up to 25% of the overall capital value of your pension benefits as a lump sum and you will receive £12 lump sum for each £1 of pension given up, providing the total lump sum does not exceed £412,500 (2008/09 figure) less the value of any other pension rights you have in payment. The overall capital value of your pension benefits is calculated as:

$$(\text{Pension} \times 20) + \text{lump sum} + \text{value of AVC fund (if any)}.$$

However, it should be noted that this calculation is not as simple as it appears as it is the benefits after pension has been exchanged for lump sum which must be taken into account, i.e. the calculation must be repeated for the new lump sum and new reduced pension to ensure that the 25% limit is not exceeded. As the capital value of accrued rights and pension to lump sum conversion are interdependent, a reiterative calculation ensues.

In the current climate of long life expectancies and low interest rates, members are reminded that the cash sum may not be sufficient to replace the pension surrendered. If you are considering this option, you are strongly recommended to contact an Independent Financial Advisor for advice.

Example of pension and lump sum option calculation for membership after 31 March 2009.

On retirement at age 65, a Scheme member has 20 years total membership and has a final pay of £15,000.

The annual pension is:
 $20 \text{ years} \times 1/60 \times £15,000 = £5,000$

If he / she decides to give up £1,000 pension for a cash lump sum, then:

The reduced annual pension is:
 $£5,000 \text{ less } £1,000 = £4,000$

And he / she will get a tax free lump sum of: $£1,000 \times 12 = £12,000$

If the same employee had worked half-time (i.e. 20 years at half-time = 10).

The annual pension would be:
 $10 \text{ years} \times 1/60 \times £15,000 = £2,500$

If he / she decides to give up £500 pension for a cash lump sum, then:

The reduced annual pension is:
 $£2,500 \text{ less } £500 = £2,000$

And he / she would get a tax free lump sum of: $£500 \times 12 = £6,000$

What if I joined the Scheme before 1 April 2009?

Your benefits for membership built up before 1 April 2009 are calculated differently. For each year you have built up in the Scheme up to 31 March 2009 you will receive an annual pension based on 1/80th of your final year's pensionable pay and an automatic tax-free lump sum of three times your pension. You can also exchange part of your pre-April 2009 pension for extra lump sum as described above. Any benefits built up after 31 March 2009 are calculated as above.



Example of pension and lump sum option calculation for member with membership before and after 1 April 2009.

On retirement at age 65, a Scheme member has 40 years total membership composed of 20 years pre-1 April 2009 membership and 20 years post-1 April 2009 membership. The final pay is £15,000.

The annual pension is:
 $20 \text{ years} \times 1/80 \times £15,000 = £3,750$
 $20 \text{ years} \times 1/60 \times £15,000 = £5,000$

Total annual pension = £8,750

The standard lump sum is:
 $20 \text{ years} \times 3/80 \times £15,000 = £11,250$

The member could then choose to increase the lump sum by commuting £1 pension for £12 lump sum up to 25% of his / her fund value. The fund value is normally calculated as 20 times pension plus the lump sum.

What if I want to take AVCs as cash?

If you pay additional voluntary contributions (AVCs) via the Scheme you may elect to take up to 100% of the accumulated fund in your AVC account as a tax-free lump sum if you draw it at the same time as your Scheme pension benefits, provided when added to the Scheme lump sum it does not exceed 25% of the overall value of your Scheme benefits (including your AVC fund).

What pay is used to calculate retirement benefits?

Your retirement benefits will normally be calculated on your final year's pensionable pay (if you are part-time, your final pay is increased to what you would have received had you been full-time). However, your benefits can be calculated on one of the two previous years' pay if better and, if you downgrade in your last ten years with your employer, you have the option to have your benefits based on the average of any three consecutive years in the last ten years (ending on a 31 March).

Will my pension increase?

The Scheme provides statutory pension increases. This means that if you retire on or after age 55, your pension will be increased each year in line with the Retail Prices Index. If you retire before age 55, the accumulated effect of inflation since you retired will be added to your pension when you reach age 55. Ill-health pensions are increased each year in line with the Retail Prices Index regardless of age.

Protection for your Family

4

There are improvements to the Scheme's benefits if you die provided you pay into the Scheme on or after 1 April 2009.

What benefits will be paid if I die?

If you die in service as a member of the Scheme the benefits shown below are payable.

- *A widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension equal to 1/160th of your final pay times the total membership you would have built up in the scheme to age 65. However, civil partner's and nominated co-habiting partner's pensions will be less than this if you have membership in the scheme before 6 April 1988.*
- *Pensions for eligible children*
- *A lump sum death grant of three times annual pensionable pay. If you are part-time, it is three times annual pensionable part-time pay.*

If you die after retiring on pension, the benefits below are payable.

- *A widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension and pensions for eligible children are payable. A widow's and widower's pension is equal to 1/160th of your final pay times the total membership your pension is based on unless you marry after retirement in which case it could be less. A civil partner's and nominated partner's pension is equal to 1/160th of your final pay times your membership in the scheme after 5 April 1988.*

- A death grant is payable if your pension has been in payment for less than 10 years and you are under age 75 at the date of death. The balance of the pension which would have been payable for ten years is paid as a lump sum.

Death Grant Expression of Wish Form

The Scheme allows you to say who you would like any death grant to be paid to by completing a form. All members are strongly advised to complete a death grant expression of wish form and to ensure that it is kept up-to-date. A new form must be completed if marital circumstances change. This form is available from NILGOSC. It should be noted that under the regulations, the Committee retains absolute discretion when deciding who to pay any death grant to. This discretion enables the death grant normally to be paid free of inheritance tax.

Nomination of Cohabiting Partner Form

To nominate a cohabiting partner your relationship has to meet certain conditions laid down by the Scheme. [These conditions are detailed in the 'Definition of Terms' section on page 16.](#) A form is available from NILGOSC for nominations of this kind.



Can I have a refund of contributions?

If you leave with less than three months' total membership and have not brought a transfer into the Scheme you may take a refund of your contributions, less any deductions for tax and the cost of buying you back into the State Second Pension Scheme (S2P).

When are deferred benefits payable?

Deferred benefits are pension benefits which are calculated at the date of leaving but are not payable until a later date.

If you leave before age 65 and your total membership is three months or more or you have transferred other pension rights into the Scheme, you will be entitled to deferred benefits within the Scheme. Your deferred benefits will be calculated as described in The Benefits section using the length of your membership up to the date that you left the Scheme.

Unless you decide to transfer your deferred benefits to another pension scheme, they will normally be paid at age 65 (unless you elect to defer drawing them until later). However they may be brought into payment earlier, and in full, in the event of permanent ill-health.

You can, if you wish, elect to receive your deferred benefits early from age 60 onwards. You may be able to elect to receive your deferred benefits from age 55, but only if your former employer agrees. However, if you were paying into the Scheme on 31 March 2009 the earliest age you may be able to elect to receive your deferred benefits with your former employer's consent is 50, rather than 55, provided you do so before 1 April 2010. You must have your former employer's consent to draw your benefits before age 60. Benefits paid early, other than on the grounds of permanent ill-health, will be reduced to take account of their early payment and the fact that your pension will be paid for longer. If you die before your deferred benefits come into payment, a lump sum death grant equal to 5 years' pension will be paid.

A widow's, widower's, civil partner's or, subject to the certain qualifying conditions, a nominated co-habiting partner's pension and pensions for eligible children will also

be payable. A widow's or widower's pension is equal to 1/160th of your final pay times the total membership your deferred pension is based on unless you marry after leaving the scheme in which case it could be less. A civil partner's and nominated partner's pension is equal to 1/160th of your final pay times your membership in the Scheme after 5 April 1988.

Can I transfer my deferred benefits?

If you leave the Scheme at least one year before age 65 and you are entitled to deferred benefits you may transfer the cash equivalent of your pension benefits into a new employer's scheme (if they are willing and able to accept it), a personal or stakeholder pension scheme, or a 'buy-out' insurance policy. The method of valuing the cash equivalent of your pension rights complies with the requirements of the Pension Schemes Act 1993 and any value quoted is guaranteed for three months.

Alternatively, if you return to employment with an employer participating in the Scheme, then you may elect for the pension rights that you have built up to be added to your new period of membership in the Scheme. Such an election must be made within twelve months of re-joining the Scheme.



Civil Partnership

A civil partnership is a relationship between two people of the same sex ("civil partners") which is formed when they register as civil partners of each other.

Cohabiting Partner

If a member wishes to nominate a cohabiting partner to receive survivor benefits in the event of the member's death, NILGOSC must receive a declaration form, signed by both the member and the cohabiting partner, to confirm that the following conditions have been satisfied for a continuous period of at least 2 years, including the day on which the declaration is signed:

- *The member and cohabiting partner must be legally free to marry or form a civil partnership with each other; and*
- *The member and the cohabiting partner must be living together as if they were husband and wife or as if they were civil partners; and*
- *Neither member nor cohabiting partner is living with a third person as if they were husband and wife or as if they were civil partners; and*
- *Either the nominated cohabiting partner is financially dependent on the member or both are financially interdependent.*

Cost Sharing Mechanism

An element of the Scheme is that there is to be a degree of cost sharing in the future between employees and employers. At present, employees pay a fixed employee contribution rate and the employer meets the balance of all pension costs. The intention is to provide long-term sustainability and affordability for all stakeholders and to deal with the issues of increased life expectancy, changing demographics and rising pension costs.

Eligible Child

A child is an eligible child of a deceased member if (s)he is wholly or mainly dependent on the member and is less than 18 years of age at the date of the member's death. If the child is continuing in full-time education, (s)he will be treated as a dependant until (s)he reaches the age of 23 (or earlier if (s)he completes his / her course of study).

A child who is disabled within the meaning of the Disability Discrimination Act 1995(a), that is, has "a physical or mental impairment which has a substantial and long-term adverse effect on his ability to carry out normal day-to-day activities" may be treated as an eligible child.

Pensionable Pay

Pensionable pay is the total of all salary, wages, and payments such as contractual overtime, shift allowance, bonus or acting up allowance. It does not include non-contractual overtime, travelling or subsistence allowance, or pay in lieu of holidays.



This Short Guide is intended to be a brief introduction to the Scheme. You can find more detailed information in other Scheme literature which can be requested from your employer, directly from NILGOSC on the details below, or viewed on our website at www.nilgosc.org.uk.

If you have any questions on the content of this leaflet or on any aspect of the Local Government Pension Scheme (NI), please contact the Pension Administration Team by any of the methods below:

Postal address: NILGOSC
Templeton House
411 Holywood Road
Belfast
BT4 2LP

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.

We are happy to deal with enquiries made in person, by telephone, in writing or by email. Alternatively, you may find the information you require by visiting our website at www.nilgosc.org.uk

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.

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 Scheme. 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 their data on Data Protection Act grounds should write to the Data Protection Officer at NILGOSC.