

NILGOSC MEMBER UPDATE

The Department for Communities recently made some changes to the Scheme which may affect your pension benefits or the contributions that you pay. These changes came into effect on 18 November 2019.

CONTRIBUTION CHANGES

CONTRIBUTIONS IF YOU ARE OFF WORK WITH PERMISSION

If you are off work with permission and are receiving reduced or no pay e.g. a few days of unpaid leave or a career break, you and your employer must now pay pension contributions for the first 30 days of your absence. These contributions are paid at your normal contribution rate and will be based on the pay you would have received had you been at work. This is known as Assumed Pensionable Pay (see the Changes to Pay section opposite). You must continue to pay Additional Pension Contributions and Shared Cost Additional Voluntary Contributions while you are absent. You can continue to pay Additional Voluntary Contributions during this time if you wish.

ADDITIONAL PENSION CONTRIBUTIONS (APCS)

You may make APCs to buy extra pension or to cover 'lost' pension due to absence. New gender-neutral factors for calculating APCs took effect from 1 January 2020. If you have an existing contract that extends past 31 March 2020 then we will have to recalculate your contributions on the new rates. We will write to both you and your employer before 1 April 2020 advising of the revised contribution rates.

Pensionable Pay taking into account any pay received in the last three months or twelve weeks before you went on reduced pay. However, in some cases this formula results in a pay that was much higher or lower than you would normally have received. If this happens your employer may substitute a revised level of pay to reflect what you normally receive.

CHANGES TO PAY FOR PENSION PURPOSES

PENSIONABLE PAY

There may be elements of your pay that you don't pay pension contributions on e.g. travelling allowances. A new element has been added to this list – any non-consolidated non-pensionable payment paid to you as part of an annual pay award. This is an allowance or amount paid on top of your basic salary.

ASSUMED PENSIONABLE PAY

Assumed Pensionable Pay is an estimate of your pay when you have periods of reduced pay or no pay due to illness, injury or absence on reserved forces service leave. A formula sets out how employers should calculate this Assumed



CONTENTS

Contribution Changes	1
Changes to Pay for Pension Purposes	1
Changes to Partner's Pensions	2
Additional Voluntary Contributions (AVCs)	2
Time to Receive your Pension	3
Transfers In	3
Changes for Pension Credit Members	3
My NILGOSC Pension Online	3
Tax Charges	4
Update - Possible Changes to the Scheme	4



CHANGES TO PARTNER'S PENSIONS

COHABITING PARTNERS

Cohabiting partners are eligible for survivor benefits if the following conditions are all met:

- You must be able to marry or form a civil partnership with your partner
- You and your partner are living together as if you are a married couple or as if you are civil partners
- Neither you or your partner is living with a third person as if you are a married couple or as if you are civil partners
- Either your partner is financially dependent on you or you are both financially interdependent. This means that you rely on your joint income to support your standard of living – even if you don't contribute equally.

The first condition must apply at the date of your death. The 2nd, 3rd and 4th conditions must have applied for a continuous period of at least two years before the date you died. Cohabiting partners will have to provide evidence that they were financially dependent or interdependent.

There is no longer any requirement to nominate a cohabiting partner for a pension – the right to a cohabiting pension is automatic, if the conditions are met.

However, if you haven't already you may wish to complete a Death Grant Expression of Wish form to tell us who you would like to receive any death grant. It is not limited to your family or partner. This form is available on our website or members can update it directly using our My NILGOSC Pension *Online* facility.

Cohabiting partners' pensions only apply if you were paying into the Scheme after 31 March 2009.

SAME-SEX MARRIAGES AND OPPOSITE-SEX CIVIL PARTNERSHIPS

The Secretary of State recently brought forward legislation requiring changes to the law in Northern Ireland to introduce same sex marriage and opposite sex civil partnerships. In general, same sex spouses and opposite sex civil partners will have the same benefits under the Scheme as opposite sex spouses and same sex civil partners currently enjoy. Scheme amendments, effective from 13 January 2020, provide that the calculation of survivor benefits for those same sex couples who get married after they leave the Scheme shall be that, regardless of gender, they are treated the same as a widow of a post-leaving opposite sex marriage with service counting from 5 April 1978. The calculation of survivor benefits for same sex civil partnerships (entered into after leaving the Scheme) will from that date be calculated in the same way as same sex marriage. Survivor benefits from opposite sex civil partnerships (entered into after leaving the Scheme) will be treated in the same way as post-leaving opposite sex

marriages, which continue to be based on gender with female survivor benefits having service counted from 5 April 1978 and male survivor benefits having service counted from 5 April 1988.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

In the past you did not have to claim your AVCs and main Scheme benefits at the same time. This option has been removed and both benefits must now be taken together.



Any new Expressions of Wish to cover payment of death grants now also include AVC funds payable on death. If you took your AVC contract out before 1 April 2015, you may wish to complete a new Expression of Wish to let us know how you would like your benefits to be distributed. You can update this on My NILGOSC Pension *Online* or by downloading the Expression of Wish form (LGS20) from our website.

It has been confirmed that AVC contracts taken out before and after 1 April 2015 should be treated in the same way although one difference remains. The difference is that the normal pension age (NPA) for pre-1 April 2015 AVCs is 65 and those taken out after 1 April 2015 are linked to your State Pension Age with a minimum of age 65. In other words your NPA for your AVCs may be different depending when you entered into your AVC contract. This change impacts on how some of Prudential's policy terms apply.

- If your AVC is invested in the With-Profits fund, it is guaranteed that a Market Value Reduction won't apply at your AVC NPA or on death
- If your AVC is invested in a Lifestyle profile, automatic de-risking of assets targets your AVC NPA where you have not chosen a Selected Retirement Age
- If you have AVC life cover, this will automatically stop at age 65 for contracts taken out before 1 April 2015 and will stop at your State Pension Age (subject to a minimum of age 65) for post 31 March 2015 plans.

TIME TO RECEIVE YOUR PENSION

It is confirmed that you must have your pension paid by age 75 even if you are continuing to work. If you do not claim your pension by age 75 you lose the right to give up any annual pension for a lump sum and there may also be tax charges.

TRANSFERS IN

When the Scheme changed from final salary to career average on 1 April 2015 a type of protection called a statutory underpin was introduced. This means that if you were a contributing member of a public service pension scheme at 31 March 2012 and were born before 1 April 1957, subject to certain conditions, you will

get a pension at least equal to what you would have received had the Scheme stayed as final salary. It has been confirmed that the statutory underpin applies to protected pension benefits transferred into the Scheme after 1 April 2015.

CHANGES FOR PENSION CREDIT MEMBERS

Pension Credit members have been awarded some of a former spouse or civil partner's pension benefits under a court order, known as a pension sharing order, as part of a divorce or dissolution. These members may now apply for early payment of their pension benefits from age 55, however their benefits will be reduced as they are being paid early. Please contact us if you would like more information.

MY NILGOSC PENSION ONLINE

Have you signed up to My NILGOSC Pension *Online*? We know that having access to your pension details when needed is important to you, so it's important to us. That's why we have introduced a new self-service facility that allows you to access your pension details securely and update your information – wherever and whenever. **We are delighted that over 17,000 members have signed up so far!**

WHAT CAN I DO?

That depends on whether you are an **active contributing member**, **deferred member** (left the Scheme but not yet receiving your pension) or **pensioner member**.

View and update your personal information and contact details	● ● ●
Make or alter your Expression of Wish – Death Grant nomination, so your family are taken care of should anything happen to you	● ● ●
See how much your pension is currently worth	● ●
Estimate your pension's value upon retirement	● ●
Check your membership history	● ●
View payslips and P60's	●
Check and update your bank details	●



● ACTIVE



● DEFERRED



● PENSIONER

Visit www.nilgosc.org.uk to get started.

HOW TO GET ONLINE IN 3 EASY STEPS

- 1 Visit www.nilgosc.org.uk and click on 'My NILGOSC Pension *Online*'
- 2 You will need your **National Insurance number** plus, either the **Activation Key** that was sent to you, or your **email address** (if you need to request an Activation Key)
- 3 Once you have the **Activation Key** you can complete the registration by creating your username, password and security responses



TAX CHARGES

As a member of the Scheme you receive tax relief on the contributions that you make, but if your pension savings increase by more than the Annual Allowance limit you may have to pay a tax charge. **Most members of the Scheme are not affected by this as their pension savings will not reach this limit.**

If your tax charge is less than £1,000 you can pay it directly to HMRC. If the charge is more than £1,000 NILGOSC can pay it on your behalf and reduce your pension accordingly using either Mandatory or Voluntary Scheme Pays. Mandatory Scheme Pays can be used if your tax charge is greater than £2,000 and on pension savings over £40,000. Voluntary Scheme Pays can be used if your tax charge is between £1,000 to £1,999 and/or tapered annual allowance applies to you.

REMINDER FROM HMRC

HMRC has asked us to remind you that, if applicable, you must declare details of any Annual Allowance charge on your Self-Assessment tax return. If you have exceeded your Annual Allowance for 2018/19 and do not have enough unused Annual Allowance to carry forward to cover the excess you must declare it on your Self-Assessment tax return, even if NILGOSC is paying the tax charge.

The *Pension savings - tax charges (Self Assessment helpsheet HS345)*, which can be found on the GOV.UK website, has specific information on declaring the Annual Allowance charge on Self-Assessment returns.



You can also find information about annual allowance and carrying forward unused annual allowance on GOV.UK and you can use HMRC's calculator to check whether you need to declare and pay an Annual Allowance tax charge. Information is also available on our website and on the links at the top of this page.

<https://www.gov.uk/government/publications/pensions-tax-charges-on-any-excess-over-the-lifetime-allowance-annual-allowance-special-annual-allowance-and-on-unauthorised-payments-hs345-self>

<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

<https://www.gov.uk/guidance/check-if-you-have-unused-annual-allowances-on-your-pension-savings>

<https://www.tax.service.gov.uk/pension-annual-allowance-calculator>

<https://www.nilgosc.org.uk/tax-limits-on-your-pension>

UPDATE ON POSSIBLE CHANGES TO THE SCHEME

In our newsletter in April 2019 we told you about a possible change to the Scheme relating to the cost cap mechanism. This mechanism was introduced when the Scheme changed in 2015 and was designed to ensure that the costs of the Scheme remained affordable and sustainable.

Due to uncertainty arising from a Court of Appeal judgement the Government announced a pause in the cost cap process. It has been determined by the Court of Appeal that the transitional protections that were introduced in 2015 to protect those aged 55 or over on 1 April 2012 were age discriminatory. The Government will now take steps to address the difference in treatment since 2015 across all public service pension schemes and for all members with relevant service. The current position for Northern Ireland schemes is summarised here: <https://www.finance-ni.gov.uk/publications/statement-mccloud-judgement>.

We will update you with more information when we receive it.



NEED HELP?

We hope you found this Pensions Update informative, but if you have any questions on any of the issues raised, please get in touch.

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