



Local Government Pension Scheme 2015

# A Guide for Human Resources Departments

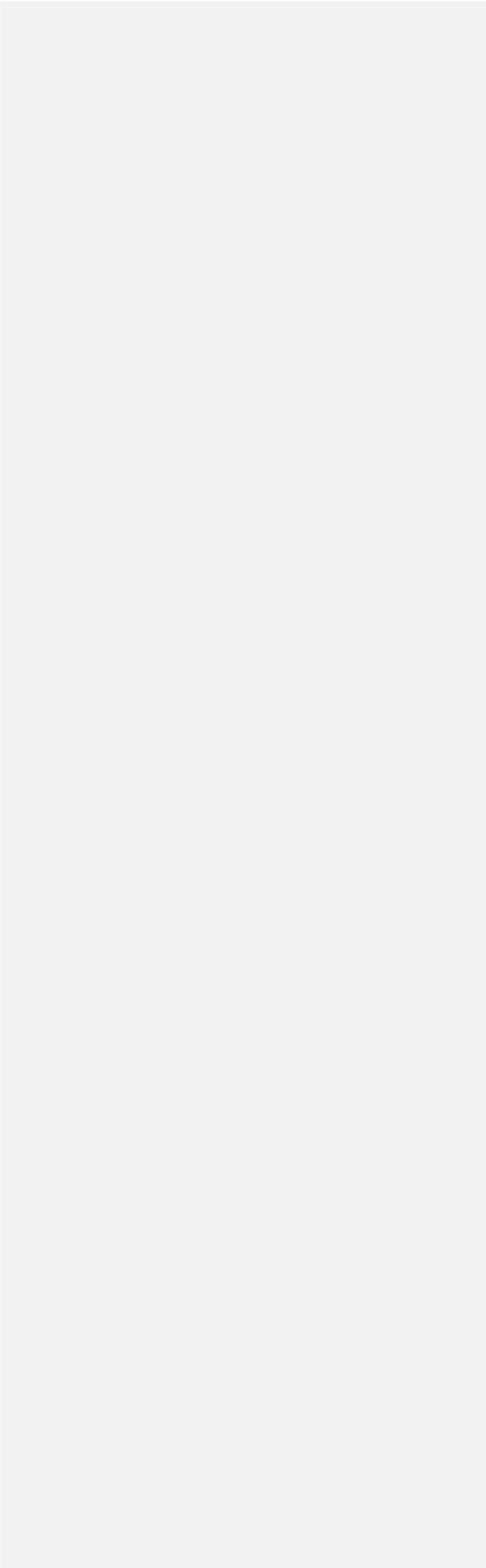
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## Introduction

This guide sets out the additional or changed requirements for Human Resources (HR) departments since the new Local Government Pension Scheme for Northern Ireland (LGPS (NI)) came into effect on 1 April 2015. Please note that this is not a replacement for any previous requirements agreed with NILGOSC regarding information to be provided. The examples provided in each section of this document are for illustration only and do not override any regulatory or statutory requirements.

You may find it helpful to read this guide in conjunction with the Payroll Guide as NILGOSC does not know how these functions are split within each employer.

**The rules of the Local Government Pension Scheme are set out in Statutory Regulations made by the Department for Communities. The relevant regulations are the Local Government Pension Scheme Regulations (Northern Ireland) 2014, the Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014. The regulations have since been amended by the Local Government Pension Scheme (Amendment No.2) Regulations (Northern Ireland) 2015 and the Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2016. This guide is intended to inform HR departments of the expected minimum additions and/or changes needed to effectively manage the new Scheme. ~~It is expected that there may be some changes to the above legislation before the new Scheme is introduced. Employers will be advised of any changes in due course.~~**

~~NILGOSC will be reviewing its administration and forms. Where possible template spreadsheets will be available from the Employer Section of our website.~~

A glossary provided at the end of the guide provides definitions of commonly used terms.

## Acknowledgements

This guide is a 'Northern Ireland' version of a similar guide that has been produced in England and Wales. The assistance of the Local Government Association and the excellent work undertaken by the Administration Working Group in England and Wales is gratefully acknowledged.

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## 1. Who can Join

There is no change to the range of employees (under age 75) who can join the LGPS (NI). They are:

- Employees of an employing authority (an employing authority is a body with employees who are eligible to be members or a local authority as defined in Article 2 of the 1972 Order i.e. councils and NILGOSC);
- or
- Employees of an admission body whose employer has designated them as being eligible for membership of the Scheme under the terms of the Admission Agreement the employer has with NILGOSC.

The only restrictions to membership relate to those employees aged 75 or above, those eligible for membership of another public sector pension scheme, retained or volunteer membership with the NI Fire and Rescue Service, those staff within the University of Ulster who are eligible to participate in the Universities' Superannuation Scheme and those employed by an employing authority who are members of another occupational pension scheme. All such employees are not permitted to join the Scheme.

As before, if an employee has a contract of employment for at least three months, they are [contractually enrolled](#) into the LGPS (NI) from their first day of employment or the first date they become eligible, if later.

A person who is an eligible jobholder and employed under a contract of employment of less than three months is under the terms of the Scheme enrolled on their [automatic enrolment date](#). This means that an [eligible jobholder](#) with a contract of less than three months would join the LGPS (NI) on the first day of employment unless the employer issues a [postponement notice](#) delaying the automatic enrolment date.

[Non-eligible jobholders](#) and [entitled workers](#) with a contract of less than three months will not be enrolled on their first day of employment. However, if they become an "eligible jobholder" they will be enrolled from the first day of the "pay reference period" in which they became eligible because of their earnings, or from age 22 if they first became an eligible jobholder on reaching that age (however, an employer could issue a "postponement notice" delaying the auto-enrolment date). Although these employees are not enrolled on their first day of employment they do have the right to join the Scheme at any time if they wish.

If a person employed under a contract of less than three months has that contract extended to three months or more and they have not already joined the LGPS (NI) they are obliged to be brought into the Scheme on the first day of the payment period following the extension to their contract. You cannot backdate the date of joining the Scheme to the date that they started employment.

## 2. New Joiners from 1 April 2015

On commencement of employment all new employees who are contractually eligible for membership of the Scheme and who have a contract of employment of three months or more must be enrolled into the main section of the 2015 Scheme

The rules for those with a contract of employment of less than three months are set out in Section 1.

A person cannot choose to join the [50/50 section](#) of the scheme before becoming a member of the main section of the Scheme. For example, a new joiner with a contract of employment of three months or more must initially be brought into the main section on their first day of employment. However, if they choose to join the 50/50 section before the first payroll is closed, they can be treated as being in the 50/50 section from the first day of employment.

Notification of a new joiner should be sent to both your Payroll Department (with confirmation of the relevant section – main or 50/50 – and the appropriate employee contribution rate) and to NILGOSC (with a copy of the election to join the 50/50 section if relevant). Forms are provided to enable members to make this choice and a template spreadsheet is available to allow employers to notify NILGOSC.

Disclosure of Information regulations require NILGOSC to provide basic information about the Scheme:

- a) automatically to prospective members if it is practicable to do so, and
- b) automatically to new members if not already provided under a), and
- c) on request to existing members (if they have not already been given the information within the last twelve months).

This basic information is included in the Member Guide which is provided by NILGOSC.

For those falling within a) or b) the information must be provided within two months of joining the Scheme and for those falling within c) by no later than two months of the request being made. If a person has been automatically enrolled the time limit is reduced to six weeks from the date that NILGOSC receives the jobholder information from the employer. The employer must provide the jobholder information to NILGOSC within six weeks of the employee's automatic enrolment date. There are significant fines for non-compliance.

The contribution bands for members from 1 April ~~2020/21~~ are detailed in [Table 1](#). The employee pays contributions at the appropriate band rate on all [pensionable pay](#) received for each job (or at half that rate if the employee is in the 50/50 section).

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**Table 1. Indicative Rates and Bands at 1 April ~~2020/21~~**

Band	Pensionable pay range for an employment	Contribution rate for that employment	
		Main Scheme	50/50 Scheme
1	Up to <del>£14,150</del> <del>00</del> <del>15,000</del>	5.5%	2.75%
2	<del>£14,150</del> <del>01</del> <del>15,001</del> to <del>£2122,513</del> <del>00</del> <del>£22,900</del>	5.8%	2.90%
3	<del>£2122,513</del> <del>01</del> <del>22,901</del> to <del>£3536,960</del> <del>00</del> <del>38,300</del>	6.5%	3.25%
4	<del>£3536,960</del> <del>01</del> <del>38,301</del> to <del>£4344,470</del> <del>00</del> <del>46,400</del>	6.8%	3.40%
5	<del>£4344,470</del> <del>01</del> <del>46,401</del> to <del>£8588,830</del> <del>00</del> <del>91,900</del>	8.5%	4.25%
6	More than <del>£8588,830</del> <del>00</del> <del>91,900</del>	10.5%	5.25%

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If a person has more than one employment and these are treated as separate jobs, each job (and the pensionable pay from that job) is assessed separately when determining the contribution rate. Therefore, one job could have a rate of 5.5% and the other a rate of 5.8%. Conversely, if the employer determines that a single employment relationship exists then the pay from each job should be combined to determine the single contribution rate.

#### Example 1

Bob works as Building Supervisor in a school where he earns £15,000 per year. He also works as a Cleaner in the same school where he earns £5,000 per year. As these are two separate jobs his contribution rate for each job will be worked out separately.

As per Table 1 he will pay contributions of 5.8% in his role as a Building Supervisor and 5.5% in his role as a Cleaner.

5.8% of £15,000 = £870 per year / £72.50 per month  
5.5% of £5,000 = £275 per year / £22.92 per month

#### Example 2

Mary works as a HR Advisor where she earns £20,000 per year. She also works as a Staff Mentor with the same employer where she earns £10,000 per year. If Mary left one job she would have to leave both jobs, meaning that these jobs have a single employment relationship. Therefore her contributions are worked out by adding both of her pays together to create a single pay figure.

$£20,000 + £10,000 = £30,000$

As per Table 1 Mary will pay contributions of 6.5%.

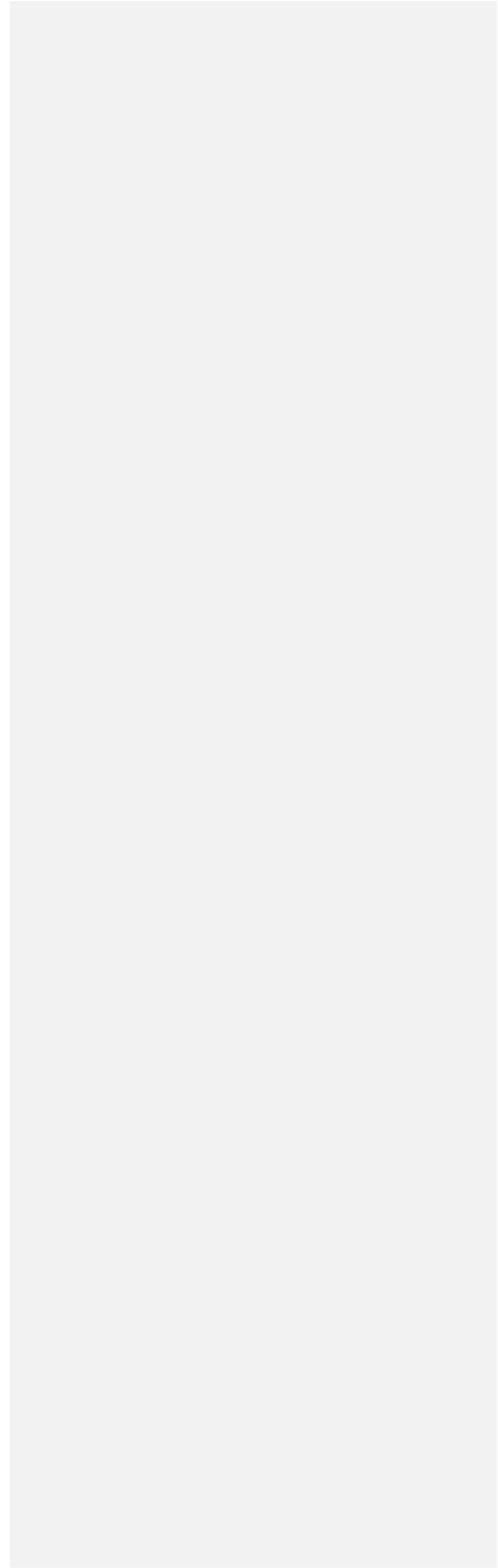
6.5% of £30,000 = £1950 per year / £162.50 per month

The pensionable pay ranges in Table 1 ~~are will be~~ reviewed on 1 April each year in line with Pensions Increase Orders.

The appropriate contribution rate is determined by the employer by estimating the annual equivalent of the actual (NOT full time equivalent) pay to be received in a full Scheme year (1 April to 31 March). This can be done in a number of ways, for example:

- The annual rate of contractual pay
- The annual rate of contractual pay plus an estimate of non-contractual overtime to be worked in a full year
- The hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year
- The weekly contractual rate multiplied by 52.143 (or whatever multiplier the employer deems appropriate)
- The weekly contractual rate multiplied by 52.143 plus an estimate of other pensionable payments to be made in a full year (or whatever multiplier the

employer deems appropriate)





Each employer should assess the appropriate rate in a reasonable and consistent manner e.g. on 1 April each year. It is advisable that each employer has a contribution banding policy in place, although this is not a regulatory requirement. Any reductions in pensionable pay at that time due to sickness, child-related leave, reserve forces leave or other absence from work are to be disregarded when determining the appropriate contribution rate.

Allocating employees to a contribution band should be relatively straightforward where the employee does not undertake additional hours or overtime. However, it is less straightforward where the number of hours an employee may work in a year is not known. An employer may wish to use the method in the second bullet point above to allocate an individual working additional hours or overtime to a contribution band.

If employees have no contractual hours of employment e.g. casual employees or those on zero hours contracts the employer may use one of the following methods:

- Make a reasonable assessment of the number of hours the person is likely to work on an annual basis and review the band allocation at an appropriate time, or
- Allocate the employee to the lowest band and review the band allocation at an appropriate time, or
- Allocate the employee to the 6.5% band on the basis that this is the average contribution rate for Scheme members and review the band allocation at an appropriate time.

Once a contribution rate is determined, the employer must notify the employee of the contribution rate to be deducted from their pensionable pay and the date from which the rate is payable. The employer can decide how to notify the employee, however they must provide the address where further information on the decision can be found and advise the employee of the right of appeal to the county court.

On joining the Scheme NILGOSC will issue the employee with a membership pack which will include a declaration form for them to advise of any previous pensionable employment. This information allows NILGOSC to determine what options are available to new members e.g. aggregation of benefits, qualifying breaks in service.

### 3. Existing employees on 31 March 2015

To help employers communicate the changes to the Scheme NILGOSC can provide leaflets, PowerPoint presentations and articles for in-house newsletters and staff intranets. NILGOSC wrote directly to all active members providing an overview of the new Scheme in October/November 2014 and sent a more in-depth Member Guide to all active members early in 2015.

On 1 April 2015 all active members of the scheme on 31 March 2015 automatically became active members of the main section of the 2015 Scheme unless they chose to opt out, join the 50/50 section or if they ceased to be eligible for membership on that date e.g. they reached age 75.

The employer must have determined the appropriate employee contribution rate for each employee moving into the 2015 Scheme on 1 April 2015 and notified its Payroll Department. Any reductions in pensionable pay at that time due to sickness, child-related leave, reserve forces leave or other absence from work are to be disregarded when making this decision.

In many cases the contribution rate from 1 April 2015 was different to the previous rate because the band an employee falls within is determined by the actual pay received (not the full-time equivalent rate of pay). **In addition pensionable pay, from 1 April 2015, includes non-contractual overtime and additional hours.**

Once a contribution rate is determined, the employer must notify the employee of the contribution rate to be deducted from their pensionable pay and the date from which the rate is payable. The employer can decide how to notify the employee, however they must provide the address where further information on the decision can be found and advise the employee of the right of appeal to the county court.

#### 4. Opting out

A person ceases to be an active member of the Scheme from the date they specify in the Opt-Out Notice (LGS2), which is given to their employer. If no date is specified, or the form is dated earlier than the date the notice is given to the employer, they cease to be an active member in that employment at the end of the payment period during which the notice is given (so from the end of the week, end of the month and so on). If an employee has more than one job they must opt-out of each job separately.

If they opt out within three months of joining, they will be treated as not having been a member of the LGPS (NI) on that occasion and will be entitled to a refund via Payroll.

If they opt out after having been in the Scheme for three months they should be treated as a normal leaver.

If they opt out after three months but before two years they will be entitled to claim a refund via NILGOSC, unless they are disqualified from receiving a refund e.g. they already have a deferred pension, or they could opt for a cash equivalent transfer to another Scheme.

If the member was an active member on 31 March 2015 and moved to the 2015 Scheme on 1 April 2015 they can choose to have a deferred benefit instead of a refund, a cash equivalent transfer or an immediate benefit if they have reached their normal retirement age under the 2009 Scheme and have ceased the employment from which they opted out.

If the opt out was after two years' service, they would be entitled to a deferred benefit and would become a deferred member.

The opt-out forms are **only** available from NILGOSC and can be obtained by the member by one of the following methods:

- download from NILGOSC's website [www.nilgosc.org.uk](http://www.nilgosc.org.uk)
- email [optout@nilgosc.org.uk](mailto:optout@nilgosc.org.uk)
- telephone NILGOSC on [0845-308-73460345 3197 325](tel:0845-308-73460345-3197-325)
- write to NILGOSC

Opt-out forms are only available from NILGOSC to ensure that no employer can inadvertently breach automatic enrolment rules by issuing a member with an opt-out form. The opt-out form is in two parts, the first part, which is the opt-out request, must be returned directly to the employer and the second part, the monitoring section, should be returned to NILGOSC.

A person cannot complete an opt-out form before commencing employment or the date they join the Scheme.

For those employers who have reached their automatic enrolment staging date NILGOSC must be notified by MS Excel spreadsheet template of all optants out. In addition, LGS15s (Leavers' Forms) are required for all optants out with more than three months' membership.

For those employers who have not reached their automatic enrolment staging date NILGOSC should be notified by the Employee Membership Form (LGS1) or by MS Excel spreadsheet template of all optants out. All spreadsheets can be found in the *Employer Section* of the NILGOSC website. In addition, Leavers' Forms (LGS15s) are required for all optants out with more than three months' membership.

Employers must retain the employee's opt-out notice for four years, in line with legislation.

## 5. Re-joining after opting out

A person who is eligible for membership, but who is not an active member in that employment, can apply at any time to their employer to re-join the Scheme. If they do, they become an active member in the main section of the Scheme on the first day of the payment period following the application. A person is free to opt out of the Scheme and re-join as many times as they wish. However, the right to join previous benefits with new benefits does not apply if you have opted out.

A person cannot choose to join the 50/50 section of the Scheme before becoming a member of the main section of the scheme. Therefore, an employee opting to re-join the Scheme will initially be put into the main section. However, if they choose to join the 50/50 section before the first payroll is closed, they can be treated as being in the 50/50 section from the first day of re-joining the Scheme. Notification of the new member should be sent to both your Payroll Department (together with the confirmation of the relevant section – main or 50/50 – and the appropriate contribution rate) and to NILGOSC.

Any reductions in pensionable pay at that time due to sickness, child-related leave, reserve forces leave or other absence from work are to be disregarded when determining the appropriate contribution rate.

Once a contribution rate is determined, the employer must notify the employee of the contribution rate to be deducted from their pensionable pay and the date from which the rate is payable. The employer can decide how to notify the employee, however they must provide the address where further information on the decision can be found and advise the employee of the right of appeal to the county court.

For those employers who have reached their staging date NILGOSC must be advised of the new joiner on a new member MS Excel spreadsheet template together with a copy of the election to join the Scheme and, if relevant, the election to join the 50/50 section.

For those employers who have not reached their staging date NILGOSC should be notified of new members by the Employee Membership form (LGS1) or by MS Excel spreadsheet template for new members.

## 6. Automatic enrolment

When your employer reaches its automatic enrolment date or automatic re-enrolment date all "eligible jobholders" who are eligible for membership, but who are not active members in that employment are brought into the main section of the Scheme. This does not apply if the employer has applied the transitional period or the member has opted out within 12 months before the automatic enrolment date.

Although the member would initially be brought into the main section they could choose, on or after joining the main section, to join the 50/50 section. If they do so before the first payroll is closed (after they are enrolled into the Scheme), they can, in effect, be brought into the 50/50 section from the first day of joining the Scheme.

Notification of the new member should be sent to both your Payroll Department (together with the confirmation of the relevant section – main or 50/50 - and the appropriate contribution rate) and to NILGOSC.

Any reductions in pensionable pay at that time due to sickness, child-related leave, reserve forces leave or other absence from work are to be disregarded when determining the appropriate contribution rate.

Once a contribution rate is determined, the employer must notify the employee of the contribution rate to be deducted from their pensionable pay and the date from which the rate is payable. The employer can decide how to notify the employee, however they must provide the address where further information on the decision can be found and advise the employee of the right of appeal to the county court.

NILGOSC must be advised of the new joiner on a new member MS Excel spreadsheet template together with a copy of the election to join the Scheme and, if relevant, the election to join the 50/50 section.

It should be noted that where an employer has an 'eligible jobholder' who has opted out of the LGPS (NI) and the employer has then enrolled them into another qualifying scheme before what would have been their automatic enrolment date or automatic re-enrolment date, that person will not be automatically enrolled or re-enrolled into the LGPS (NI) as they are already in a qualifying scheme. However, they and any other non-eligible jobholders or entitled workers who have opted out of the Scheme and been enrolled into another qualifying scheme do have the right to ask to join the LGPS (NI) at any time up to age 75.

Both the main section of the Scheme and the 50/50 section of the Scheme are a [qualifying scheme](#) for automatic enrolment purposes from April 2015.

## 7. Pensionable Pay

The definition of Pensionable Pay is similar to the 2009 scheme – i.e. all payments in respect of the job, apart from those listed in regulations as exclusions, but there are three main differences.

The first change is that non-contractual overtime has been removed from the exclusions list and so, from 1 April 2015, non-contractual overtime becomes pensionable.

The second change is that a payment in consideration of loss of future pensionable payments or benefits is from 1 April 2015 not pensionable. This will include *marked time* payments i.e. no increments or cost of living increases are paid until the old earnings are overtaken by the level of earnings under the new arrangements.

The third change is that any actual pay paid by the scheme employer to a reservist during Reserves Forces Service Leave is not pensionable. While on reserve forces leave the employee and the Ministry of Defence pay contributions on the amount of [Assumed Pensionable Pay \(APP\)](#).

Fluctuating emoluments to the clerk of a district council should be added to the post 31 March 2015 pensionable pay (the CARE pay). However fluctuating emoluments to the clerk of a district council relating to the period before 1 April 2015 should be averaged over 3 years and added to the final pensionable pay for the purpose of calculating benefits.

The full list of exclusions from pensionable pay after 1 April 2015 is shown below:

- any sum which has not had income tax liability determined on it;
- any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;
- any payment in consideration of loss of holidays;
- any payment in lieu of notice to terminate a contract of employment;
- any payment as an inducement not to terminate employment before the payment is made;
- any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision;
- any payment in consideration of loss of future pensionable payments or benefits;
- any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation of other employees; or
- any payment made by the employing authority to a member on reserve forces service leave
- [Any non-consolidated non-pensionable payment paid to a member as part of an annual pay award.](#)

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## 8. Pensionable Pay and Salary Sacrifice

HMRC approved salary sacrifice arrangements where an employee has their contractual pay reduced by an agreed amount (supported by a variation to their contract) in return for a tax assessable benefit in kind from which income tax liability is then removed will remain pensionable under the 2015 Scheme (where the benefit in kind is specified in the employee's contract of employment as being a pensionable emolument).

Where holiday entitlement is sold in return for additional remuneration the extra pay will not be pensionable as it is a 'payment in consideration of loss of holidays'.

## 9. Records to be maintained

A separate record must be maintained for each job the employee holds unless the employer determines that a single employment relationship exists. This is the same requirement as under automatic enrolment legislation and, although not a change from current requirements, the need to calculate pensions on a year by year basis means that separate records are essential.

Examples of where the employer may determine a single employment relationship exists are:

- Two concurrent employments where, if one is terminated, the other must be terminated at the same time
- Sequential employments without a break (e.g. a promotion).

Where a single relationship does not exist, separate records will be required for each job in order to calculate and hold the data needed to correctly determine the amount of pension accrued in each year for each job.

Example: An employee commences a new job and already holds a job with the same employer. Unless a single employment relationship exists they are to be treated as a new joiner for pension purposes with Payroll instructed to hold a separate record and NILGOSC notified of a new joiner.

## 10. The two sections to the 2015 Scheme

The 2015 Scheme contains two sections – the main section and the 50/50 section. In the main section a member accrues pension benefits at 1/49th of pensionable pay for each year. In the 50/50 section a member pays half the contributions and builds up pension benefits at 1/98th of pensionable pay for each year.

Full employer contributions are paid while the employee is in the main section. **The employer contribution for someone in the 50/50 section is also the normal full contribution rate (not half).**

If a member dies in service or retires with an ill-health pension while in the 50/50 section, the lump sum death grant (in the case of death in service) and the amount of ill-health enhancement granted (in the case of ill-health retirement) will be calculated as if the member was in the main section of the Scheme. Any survivor benefits payable following a member's death are not affected by the member being in the 50/50 section.

The employee may elect to move between the main and 50/50 sections of the Scheme any number of times but the election only takes effect from the next available pay period. For concurrent employments the employee may elect to move between sections for any or all of the employments they hold.

An employer must give an employee who elects to join the 50/50 section information on the effect that this decision is likely to have on their benefits from the 2015 Scheme. NILGOSC has provided this information on the 50/50 election form (LGS12) to enable the employer to provide this information to the employee.

Forms LGS11 (election to join main section of the Scheme) and LGS12 (election to join 50/50 section of the Scheme) and spreadsheet templates SS11 and SS12 are provided by NILGOSC to capture these changes as the employer needs to notify both its Payroll Department and NILGOSC of the date that an employee moves to a different section of the Scheme. The employer will also need to maintain a record of elections and pay earned in each section of the Scheme. Furthermore, at year end (or date of leaving if earlier), employers should confirm to NILGOSC which section of the Scheme the member was in at that time. It is likely that this will be a new annual return requirement.

Each employer will need to determine the most effective method to record dates of election and pay earned in each section of the Scheme, which may or may not involve Payroll systems holding this information. Employees must always be put into the main section on being brought into, or upon electing to join the Scheme in an employment. After joining the following events may lead to a change of section during the Scheme year:

Event	Action
Notification that the employee has elected to move either way between the main section and the 50/50 section	Move the employee from the beginning of the next pay period following the election.
The employee is in the 50/50 section and goes onto nil pay due to sickness or injury	<p>The employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay due to sickness or injury at that time (but not if they are on nil pay for some other reason). This would even be the case where, for example, an employer has a policy of nil pay for the first three days of sickness, and the first two days of sickness fall at the end of one pay period and the third day is the first day of the following pay period – in such a situation the employee would have to be put into the main section from the beginning of that next pay period. The employee could make a further 50/50 election which, if made before the payroll closes, would mean the employee has continuous 50/50 membership.</p> <p><b>Example</b> Bob is in the 50/50 section of the Scheme and is paid on 25th of each month. He falls ill and has to take 3 days off work (24th, 25th and 26th of that month). As Bob's employer has a policy of nil pay for the first three days of sickness he will not get paid for this time off.</p> <p>As his period of sickness falls over 2 pay periods Bob must be put back into the main section of the Scheme from the first day of the second pay period (26th). However if Bob chooses to move back into the 50/50 section before the payroll for that month closes he can be treated as having continuous 50/50 membership.</p>
The employee is in the 50/50 section and goes on to no pay during ordinary maternity, adoption or paternity leave	The employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.
The employee is in the 50/50 section and the employer reaches its automatic enrolment date	The employee then must be moved back to the main section from the beginning of the pay period following the employer's automatic re-enrolment date.
A member has elected for 50/50 and the employer has yet to stage	The member does not need to join the main section at the initial staging date.

## 11. Impact on APC and AVC contracts of moving between the Main and 50/50 Sections

[Additional pension contribution contracts \(APC\)](#) can be taken out to buy additional pension up to a maximum of ~~£6,448~~~~43,578~~~~7,127~~ per year (~~2017/86/1897-2020/21~~ rates). These contributions can be paid fully by the employee, fully by the employer or the cost can be shared between them. More information on APCs is available in section 14.

The tables below set out the actions that can be taken on moving either to and from the main section and the 50/50 section as well as the options that are available while in each section.

### Moving to the 50/50 Section

Type	Action
Additional Pension Contribution (APC) contract	Must stop if being paid fully by the employee (unless to purchase pension lost due to a trade dispute in which case contributions continue to be paid in full or due to a period of unauthorised leave of absence or period of unpaid additional maternity, paternity, adoption leave or unpaid shared parental leave where the member is paying the full cost of the APC, in which case it continues unless the member terminates the contract).
Shared Cost Additional Pension Contribution (SCAPC)	Must stop (unless it is to purchase pension lost due to a period of authorised unpaid leave of absence or during an unpaid period of additional maternity, paternity, adoption leave or unpaid shared parental leave, in which case it continues at the full rate unless the member terminates the contract).
AVC or Shared Cost AVC	Continues at the normal rate unless member decides to terminate the contract.

### While in the 50/50 Section

Type	Action
Additional Pension Contribution (APC) contract	Cannot start an APC if the employee is covering the whole cost (unless it is to purchase an amount of pension lost due to a trade dispute or due to a period of authorised leave of absence or period of unpaid additional maternity, paternity, adoption or unpaid shared parental leave where the member is paying the full cost of the APC).
Shared Cost Additional Pension Contribution (SCAPC)	Can start an SPAVC only if it is to purchase an amount of pension lost during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity, paternity, adoption or unpaid shared parental leave.
AVC or Shared Cost AVC	Can start an AVC or Shared Cost AVC while in the 50/50 section.
Preston part-time buy back contributions	Can start while in the 50/50 section.

**Moving to the Main Section**

Type	Action
Additional Pension Contribution (APC) contract	Must continue
Shared Cost Additional Pension Contribution (SCAPC)	Must continue
ARCs, added years, additional survivor benefit contributions (ASBC)	Must continue
AVC or Shared Cost AVC	Must continue unless member decides to terminate contract/arrangement
Preston part-time buy back contributions	Must continue

**While in the main section**

Type	Action
Additional Pension Contribution (APC) contract	Can start
Shared Cost Additional Pension Contribution (SCAPC)	Can start
AVC or Shared Cost AVC	Can start
Preston part-time buy back contributions * see section 18	Can start

**12. Reassessment and Movements between Contribution Bands**

Once the initial band is set for contributions the employer is required to reassess it each April (in the pay period in which 1 April falls) and is permitted to review the appropriate band on any material change in pay. In practice this means that the employer can review a band during the Scheme year if an employee has had a material change in contractual pay e.g. a promotion, pay award or a change in contractual hours.

However, where the initial band was set as an estimate the employer may wish to put a process in place to regularly review the actual pensionable pay received to ensure that the correct band is applied.

These reviews could take place each pay period with the band changing accordingly (although any lump sums or retrospective payments covering more than one pay period would probably need to be excluded) or each year with the band for the next year being set by the actual pensionable pay received in the previous year. Any reductions in pensionable pay due to sickness, or child related leave, reserve forces service leave or other absence from work are

to be disregarded when assessing / reviewing the appropriate band.

It is advisable that employers have a contribution banding policy in place to ensure that any review process is reasonable and consistent in its application.

Example: The contribution band for an employee is set on the first day of employment and is based on contractual annual pay. However, when the band is reviewed at the end of the year, it is clear that the employee worked a significant amount of non-contractual overtime that would have placed them in the next band up. The employer may choose to apply the higher band for the following year.

Once a contribution rate is determined, the employer must notify the employee of the contribution rate to be deducted from their pensionable pay and the date from which the rate is payable. The employer can decide how to notify the employee, however they must provide the address where further information on the decision can be found and advise the employee of the right of appeal to the county court.

### 13. Assumed Pensionable Pay (APP)

If an employee moves to:

- a period of reduced contractual pay or nil pay as a result of sickness or injury, or
- reduced or nil pensionable pay during relevant child related leave (i.e. ordinary maternity, paternity or adoption leave and any paid additional maternity, shared parental or adoption leave)

then your Payroll Department must be notified of the date of the reduction and the requirement to apply [Assumed Pensionable Pay \(APP\)](#) for pension purposes (other than during any part of relevant child related leave where the pensionable pay received is greater than the APP for that part of the leave period). **The employee will pay contributions on any pensionable pay received during the periods of absence but the employer will (other than during any part of relevant child related leave where the pensionable pay received is greater than the APP for that part of the leave period) pay contributions on the APP. This is a significant change that employers need to take into account.**

APP does NOT apply during any part of relevant child related leave (i.e. ordinary maternity paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) during which the pensionable pay received is greater than the assumed pensionable pay for that part of the leave period. On those days, the employee and employer pay contributions on the actual pay received.

APP does NOT apply during any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave available at the end of relevant child related leave. This is treated as unpaid leave of absence.

If the employee has a period of authorised unpaid leave of absence or is absent due to industrial action, APP must not be added to the pensionable pay cumulative for that period of absence.

If the member was in the 50/50 section prior to dropping to nil contractual pay because of sickness or injury they must be returned to the main section from the beginning of the next pay period (provided they are still on no pay at that time due to sickness or injury).

#### APP and Change of Employments

The calculation of APP uses the pensionable pay for the three complete months or 12 complete weeks that the member received relating to that employment before the period of reduced contractual pay or nil pay.

A member may cease one employment and be re-employed on a new contract of employment during the three months or 12 weeks before the period of reduced contractual pay or nil pay. In these circumstances the calculation of the value of APP is based on the pensionable pay received in the new employment only using the number of complete weeks or complete months available in that employment to calculate the APP.

### **Reserve Forces Leave**

While an employee is on Reserve Forces Leave the employer will calculate assumed pensionable pay (APP) and add that into the employee's pensionable pay cumulative on the payroll (i.e. into the main or 50/50 section) so the employee continues to build up a pension as if they were still at work.

The employer does not pay employer contributions to NILGOSC on that APP. They inform both the reservist and, via the reservist, the Ministry of Defence (MoD) of both the APP figure and the employee and employer contributions due on that amount. The employer should also include any additional contributions being paid by the employee and employer (apart from where the MoD pay is less than the employee's pensionable pay under the 2009 Scheme and the additional contributions are Additional Regular Contributions (ARCs), contributions to purchase added years or Additional Survivor Benefit Contributions (ASBCs)). The MoD will deduct the employee contribution and any additional employee contributions from the reservist and pay that, together with the employer contribution and any additional employer contributions directly over to NILGOSC or the AVC provider as appropriate.

If the employer continues to pay the reservist some pay whilst they are on reserve forces service leave, neither employee nor employer contributions are payable on that pay (because contributions are payable on the assumed pensionable pay figure). In addition that pay is not added into the person's cumulatives (i.e. into the main or 50/50 section) because the assumed pensionable pay has been added into the cumulatives.

### **Cessation of APP accrual**

APP ceases to accrue when a member ceases to be absent on reduced contractual pay or nil pay as a result of sickness or injury or on ceasing relevant child related leave or reserve forces service leave.

### **APP on ill-health retirement or death**

APP will need to be calculated by an employer when a member is awarded ill-health retirement benefits or when an active member dies in service. The APP figure is calculated in the normal way but using the average of the pensionable pay for the three monthly or 12 weekly complete pay periods prior to the date of termination/death. Any regular lump sums paid in the 12 months prior to the date of retirement or death, which the employer determines would have been paid again to the member are added back into the annual amount of APP.

This APP figure is needed to calculate the amount of enhancement to the pension benefits on ill-health retirement. Where the Independent Registered Medical Practitioner certifies that the member was working reduced contractual hours during the relevant 12 weekly or three monthly pay periods as a consequence of ill-health the APP figure is calculated on the pay the member would have received during the relevant pay periods if they had not been working reduced contractual hours.

APP is needed to calculate the death grant of an active member as the amount payable is three times the member's APP as at the date of the member's death. It is also required to calculate the increase due in a survivor's pension relating to the period from the deceased's date of death to the deceased member's normal pension age.

## 14. Buying extra pension

There are three methods of buying extra pension under the 2015 Scheme:

- a) Employee only APCs and employee/employer shared costs APCs
- b) Employer only APCs
- c) AVCs

These methods are discussed separately below.

### a) **Employee only APCs and employee/employer shared cost APCs**

Active members may choose to buy extra annual pension, up to a maximum of [£6,644,843,578.127](#) (~~2017/86/18972020/21~~ rates), using Additional Pension Contributions (APCs) with or without a contribution from the employer. These are known as [shared cost APCs](#) when there is a contribution from the employer. The limit of [£6,644,843,578.127](#) will be reviewed each April by Pensions Increase.

An employee can buy APCs to:

- Buy extra pension
- Buy 'lost' pension due to an authorised unpaid leave of absence
- Buy pension 'lost' during a trade dispute

**Buying extra pension.** The member may choose to make a one-off contribution or regular additional contributions in order to buy a set amount of additional pension. The cost (a cash amount NOT a percentage of pay) is determined by the member's age and the amount they wish to purchase. An employer may, if they wish, agree to meet some or all of the cost of any additional pension purchased. A medical, which the member must pay for will be required to confirm that the employee is in good health.

A member cannot commence an APC in this circumstance if they are in the 50/50 section.

**To buy lost pension for authorised unpaid leave of absence.** This includes any period of unpaid authorised leave, such as:

- unpaid additional maternity, paternity, or adoption leave
- unpaid shared parental leave
- parental leave
- career breaks
- jury service

*Please note this list is not exhaustive.*

Where a member elects to pay an APC to purchase any or all of the lost amount of pension within 30 days of returning to work (or such longer period as the employer may allow) the employer shall, for any individual period of absence up to 36 months, pay 2/3rds of the cost of the APC (a shared cost APC). The amount of lost pension shall be calculated as 1/49th of the lost pensionable pay for the period of unpaid leave if they were in the main section during that period, or 1/98th of the lost pensionable pay for the period of unpaid leave if they were in the 50/50 section during that period.

A member can commence an APC or shared cost APC in this circumstance even if they are in the 50/50 section.

In the 2015 Scheme it is no longer compulsory for the member and employer to pay contributions for the first 30 days of authorised unpaid leave of absence. Instead the member can choose whether or not to pay contributions to cover the pension 'lost' during this time. If the member wishes to buy back what could be a small amount of 'lost' pension they can do so by paying an age-related APC either over a period of time or as a one-off lump sum. NILGOSC may determine that payment by regular contributions would not be practicable for very small amounts.

If a member chooses to do this within 30 days of returning to work (or such longer period as the employer may allow) the costs of the APC contract, for any individual period of absence up to 36 months, will be split 1/3rd employee, 2/3rd employer. If the election is made after the 30 day period (or outside such longer period as the employer may allow) the cost of the APC contract will be at full cost to the employee unless the employer chooses to contribute to the cost. The cost of purchasing 'lost' pension for a period of absence beyond 36 months will be at full cost to the employee as the employer cannot make any contributions to cover lost pension for a period greater than 36 months.

Members may wish to cover 'lost' pay to protect any final pensionable pay calculations for pre-1 April 2015 membership or to protect [85 year rule](#) dates, which could be later if the break is not covered.

**To buy lost pension for strike.** Where an active member takes strike action they may choose to buy extra pension to replace the amount lost. The amount of lost pension shall be calculated as 1/49th of the lost pensionable pay during the period of strike if they were in the main section during that period, or 1/98th of the lost pensionable pay for the period of strike if they were in the 50/50 section during that period. Please note that where the employee has pre-2015 LGPS (NI) membership different rules apply (see section 16).

An employee can commence an APC in this circumstance even if they are in the 50/50 section.

**Purchase of additional pension.** A self-service APC calculator with printable application forms is available on NILGOSC's website at [www.nilgosc.org.uk/additional-pension-contributions-apcs](http://www.nilgosc.org.uk/additional-pension-contributions-apcs). If the member wishes to go ahead with a purchase of extra pension in any of the above circumstances they will need to sign a contract to do so. Both your Payroll Department and NILGOSC must be notified of the amount to be purchased, the cash contribution, the period over which it is to be paid and the reason for the purchase. NILGOSC may determine that payment by regular contributions would not be practicable for very small amounts.

#### **b) Employer only Additional Pension Contributions (APCs)**

Employers can award additional annual pension to active members of up to [£6,644,843,5787.127 \(201786/19972020/21\)](#) rates) (less any amount of additional pension that the employer is already contributing to or is contributing under a shared cost APC). This is an increase from the 2009 Scheme maximum of £5,000 and will be reviewed each April by Pensions Increase. This type of award can be made up to six months after leaving providing the reason for leaving is redundancy or business efficiency.

The employer makes a one-off lump sum contribution to buy a set amount of additional pension for the member. The cost is determined by the employee's age, sex and the amount purchased.

#### **c) Additional Voluntary Contributions (AVCs)**

AVCs can be made by the employee or, in the case of a Shared Cost AVC (SCAVC), by both the employer and employee. Such contributions will be either a cash amount or a percentage of pensionable pay. The in-house AVC provider is Prudential and employees can set up a new AVC directly with Prudential by ringing 0800 032 6674. Prudential will notify the relevant Payroll Department of the employee amount or percentage per pay period and, in the case of a SCAVC, the employer amount or percentage per pay period. NILGOSC will also be notified by Prudential. The split between an employee's and employer's additional contributions for an SCAVC can be any proportion as agreed but not 100% cost to the employer.

The 2015 Scheme limits AVC contributions to 50% of pensionable pay and it is possible for all of a member's AVC fund to be taken as tax free cash at retirement, subject to HMRC rules.

**During any period of:**

- Sickness or injury on reduced contractual pay or no pay, or
- Relevant child related leave (ordinary maternity, adoption or paternity leave or paid shared parental leave, plus additional maternity or adoption leave), or
- Reserve forces leave

AVC/ SCAVC contracts entered into after 31 March 2015 remain payable (unless the member or the employer in the case of a SCAVC end the contract) for so long as the member has enough pay to cover them. Any member paying AVCs for additional life assurance cover will have to make arrangements to continue to pay these to ensure that their life assurance cover does not lapse.

**During any period of:**

- unpaid maternity leave, paternity or adoption leave or unpaid shared parental leave, or
- absence due to a trade dispute, or
- any other period of authorised leave of absence

the member may elect to continue payments in respect of any AVC/SCAVC contract that was entered into after 31 March 2015.

**Reserve Forces Service Leave**

During any period of reserve forces leave any AVC/ SCAVC/ APC/ SCAPC contracts entered into after 31 March 2015 remain payable (unless the member or the employer in the case of a SCAVC end the contract) for so long as the member has enough pay to cover them. Any member paying AVCs for additional life assurance cover will have to make arrangements to continue to pay these to ensure that their life assurance cover does not lapse. When a member is going on reserve forces service leave the employer sends the relevant details to the reservist who should pass them on to the Ministry of Defence (MoD) in order to get them to arrange the relevant deductions from the MoD reservist's pay. The MoD should then pay the APC amounts to NILGOSC and the AVC amounts to the relevant AVC provider. Any employer contributions to a SCAPC or SCAVC remain payable by the employer.

**15. Termination**

Where a member either opts out of the Scheme or ceases pensionable employment both your Payroll Department and NILGOSC must be notified of:

- The date of opt-out or cessation
- The reason for cessation
- The relevant section of the Scheme on cessation i.e. main section or 50/50 section
- Any existing APC/ SCAPC contracts in force
- Pension contributions paid in relation to the job in the final Scheme year
- Cumulative pensionable pay (per section) in relation to the job in the final Scheme year
- An Assumed Pensionable Pay figure where an active member dies in service or employment has been terminated on ill-health grounds with a Tier 1 or Tier 2 ill-health pension. This APP figure is needed to calculate the amount of the enhancement to the benefits due under the LGPS (NI).

- The final pensionable pay figure, as under the 2009 Scheme and excluding additional hours and non-contractual overtime, for those members who were in the Scheme before 31 March 2015.
- Any changes in contractual hours or weeks or any service breaks which have not already been notified to NILGOSC for those members who were in the Scheme on 31 March 2015.
- Whether the employer has agreed under its discretions policy to apply the 85 year rule protection (for retirees who were members of the Scheme on 30 September 2006) for those members taking voluntary (non-flexible) retirement on or after age 55 and before age 60.
- Whether actuarial reductions are to be waived for voluntary and flexible retirements in accordance with the employer's discretions policy.

The LGS15 Leaver's Form will collect these details.

## 16. Retirements

A significant change to the retirement provisions under the 2015 Scheme is that a member may opt for retirement from age 55 onwards. **The member will not require employer consent** and an estimate of the reduction to their pension should have been requested before making this decision. The 85 year rule protections for those members subject to the 85 year rule (must have been a member on 30 September 2006) continue to automatically apply to the benefits from both the pre and post 2015 membership if benefits are drawn from age 60 onwards. The 85 year rule does not automatically apply if the employee decides to voluntarily draw benefits on or after age 55 and before age 60 – but the employer can, subject to their discretions policy, agree to apply the 85 year rule. If the employer decides to apply the 85 year rule then the employer would have to meet the cost of any strain on the Fund. If the employer does not apply the 85 year rule then the member would meet the cost of any strain on the Fund by an actuarial reduction to their pension. The employer has the discretion, if their discretions policy permits, to waive actuarial reductions (at a cost to the employer) on benefits voluntarily drawn before normal pension age.

[Normal Pension Age \(NPA\)](#) has been redefined and is the employee's State Pension Age (with a minimum of age 65) for any benefits built up from 1 April 2015. Any benefits built up before 1 April 2015 will continue to be payable without reduction from age 65, however, pre 1 April 2015 benefits cannot be drawn earlier than the post 31 March 2015 benefits (other than on flexible retirement).

The normal ill-health retirement, flexible retirement (from age 55, subject to the employers discretions policy) and redundancy / efficiency retirement provisions from age 55 continue. It should be noted that some areas now require a qualifying period of two years' membership and not three months as previously.

There are some minor changes to the wording for ill-health retirement and ill-health certificates have been updated. NILGOSC can use an old certificate obtained from an Independent Registered Medical Practitioner before 1 April 2015 where the retirement occurs on or after that date.

When an employer agrees to flexible retirement the employee will have to draw:

- all of their pre 1 April 2009 benefits
- some, all or none of their benefits accrued between 1 April 2009 and 31 March 2015
- some, all or none of their benefits accrued after 31 March 2015.

The 85 year rule automatically applies to flexible retirements (where the Scheme member is subject to the 85 year rule) even when flexible retirement occurs on or after age 55 and before age 60. Where flexible retirement occurs before NPA, the employer has discretion to waive in whole or in part (at a cost to the employer) any reductions that may apply.

Any other benefits that a member has paid extra contributions for will be payable in accordance with guidance issued by the Department for Communities.

## 17. Payments made after leaving

Any retrospective payments that fall within the definition of pensionable pay will require the relevant employee and employer contributions paid on them. If further pensionable payments are made after termination of Scheme membership in a job and after data has already been submitted to NILGOSC, the revised data (if the payment is made in the year of leaving) or new data (if the payment is made in a year after leaving) must be submitted to NILGOSC together with the date the additional payment was made.

The additional pension resulting from a retrospective payment made after leaving (e.g. from a backdated pay award or backdated re-grading) is treated as if it were received on the day before the active member's account was closed and the pension in the account is retrospectively recalculated. For a pension already in payment, NILGOSC would be required to calculate and pay any arrears due and to undertake new lifetime allowance and annual allowance checks.

Note that if the member has pre-1 April 2015 membership the retrospective pay will result in a recalculation of the final year's pensionable pay and any pension already paid in respect of the pre-2015 membership (or the [underpin](#)) will need to be recalculated and, consequently, arrears of pension paid.

## 18. 2009 Scheme processes

The following elements of the existing 2009 Scheme are carried forward:

- Additional Voluntary Contributions (AVCs)
- Additional Regular Contributions (ARCs)
- Added years contracts
- Preston part-time buy-back contracts
- Additional Survivor Benefit Contributions (ASBCs) for cohabitee survivor's pension
- Industrial Action/Strike
- Final pay and changes in contractual hours and weeks
- Service Breaks

as outlined below.

### **Additional Voluntary Contributions (AVCs)**

Contributions made to an AVC by an employee or a shared cost AVC (SCAVC) by an employee and employer where the contract was taken out before 1 April 2015 continue to be payable. These contributions will be either a cash amount or a percentage of pensionable pay and are limited to 50% of pensionable pay (as defined under the 2009 Scheme i.e. excluding additional hours and overtime). Usually Prudential will notify NILGOSC and your Payroll Department of the amount or percentage per pay period and, in the case of a SCAVC, the employer amount or percentage per pay period. The split between an employee's and an employer's additional contributions for an SCAVC can be any proportion as agreed but not 100% cost to the employer.

During any period of:

- sickness on reduced contractual pay or no pay, or
- relevant child related leave (ordinary maternity, adoption or paternity leave, plus paid additional maternity, paternity or adoption leave), plus unpaid additional maternity, paternity or adoption leave, or
- reserve forces service leave, or
- absence due to industrial action/strike, or
- jury service on reduced or no pay, or
- any other period of authorised leave of absence, or
- any period of unauthorised unpaid absence

the employee can continue with any pre-existing AVC/ SCAVC contract entered into before 1 April 2015 or can choose to stop the contract. If the member is paying AVCs for additional life assurance they will need to continue to pay the AVC even when there is no pay to ensure that the cover does not lapse.

#### **Additional Regular Contributions (ARCs)**

Contributions under existing ARC contracts entered into before 1 April 2015 continue to be payable (but the member can elect to stop the contract). Payments under these contracts are flat sums payable per pay period (not percentages of pensionable pay). It should be noted that during any period of:

- relevant child related leave (ordinary maternity, adoption or paternity leave, plus paid additional maternity, paternity or adoption leave), plus unpaid additional maternity, paternity or adoption leave, or
- reserve forces service leave where the reserve forces pay is equal to or greater than the pay that would have been paid had the member continued to be employed by the Scheme employer, or
- absence due to industrial action/strike, or
- jury service on reduced or no pay, or
- any other period of authorised leave of absence, or
- any period of unauthorised unpaid absence

the employee must continue to pay contributions under any pre-existing ARC contract entered into before 1 April 2015 (unless the employee decides to end the contract).

During any period of absence due to sickness or injury on full or reduced pay the member will continue to pay the contributions under the ARC contract on the pay received. They do not pay contributions under the ARC contract during a period of sick leave on no pay.

During any period of reserve forces service leave where the reserve forces pay is less than the pay that would have been paid had the member continued to be employed by the Scheme employer, the employee is not required to pay contributions under the ARC contract (the contributions are deemed to have been paid).

No new ARC contracts can be taken out after 31 March 2015 (but the member can take out an Additional Pension Contributions contract).

### Added Years Contracts

Existing contracts entered into by members who elected before 1st April 2009 to purchase added years of membership continue in force (unless the member decides to stop the contract). Payments under these contracts are expressed as a percentage of the member's pensionable pay. The contributions should only be deducted on the 2009 Scheme definition of pensionable pay i.e. excluding any pay that is pensionable in the 2015 Scheme but which was not pensionable in the 2009 Scheme – such as non-contractual overtime.

It should be noted that during any period of:

- relevant child related leave (ordinary maternity, adoption or paternity leave, plus paid additional maternity, paternity or adoption leave), plus unpaid additional maternity, paternity or adoption leave, or
- reserve forces service leave where the reserve forces pay is equal to or greater than the pay that would have been paid had the member continued to be employed by the Scheme employer, or
- absence due to industrial action/strike, or
- jury service on reduced or no pay, or
- any other period of authorised leave of absence, or
- any period of unauthorised unpaid absence

the employee must continue to pay contributions under any pre-existing added years contract entered into before 1st April 2009 (unless the employee decides to end the contract).

During any period of absence due to sickness or injury on full or reduced pay the member will continue to pay the contributions under the added years' contract on the pay received. They do not pay contributions under the added years contract during a period of sick leave on no pay.

During any period of reserve forces service leave where the reserve forces pay is less than the pay that would have been paid had the member continued to be employed by the Scheme employer, the employee is not required to pay contributions under the added years contract (the contributions are deemed to have been paid).

### Preston part-time buy-back contracts

Any existing *Preston* part-time buy-back contracts continue to be payable and, where any new cases are conceded by the employer, the Scheme member can enter into a new contract to buy-back the part-time membership. Payments under these contracts are flat sums payable per pay period (not percentages of pensionable pay).

It should be noted that during any period of:

- sickness on reduced contractual pay or no pay, or
- relevant child related leave (ordinary maternity, adoption or paternity leave, plus paid additional maternity, paternity or adoption leave), plus unpaid additional maternity, paternity or adoption leave, or
- reserve forces service leave, or
- absence due to industrial action/strike, or
- jury service on reduced or no pay, or
- any other period of authorised leave of absence, or
- any period of unauthorised unpaid absence

the employee must continue to pay contributions under any Preston part-time buy-back contract.

### **Additional Survivor Benefit Contributions (ASBCs) for cohabitee survivor's pension**

Any existing ASBC contracts continue to be paid (unless the member elects to end the contract). Members who have not entered into an ASBC contract for all or part of their pre 6 April 1988 membership to count for a cohabitee survivor's pension will not be able to enter into a contract to achieve this after 31st March 2015. Payments under existing ASBC contracts at 31 March 2015 are expressed as a percentage of the member's full time equivalent pensionable pay. The contributions should only be deducted on the 2009 Scheme definition of pensionable pay i.e. excluding any pay that is pensionable in the 2015 Scheme but which was not pensionable in the 2009 Scheme – such as non-contractual overtime).

It should be noted that during any period of:

- relevant child related leave (ordinary maternity, adoption or paternity leave, plus paid additional maternity, paternity or adoption leave), plus unpaid additional maternity, paternity or adoption leave, or
- reserve forces service leave where the reserve forces pay is equal to or greater than the pay that would have been paid had the member continued to be employed by the Scheme employer, or
- absence due to industrial action/strike, or
- jury service on reduced or no pay, or
- any other period of authorised leave of absence, or
- any period of unauthorised unpaid absence

the employee must continue to pay contributions under any pre-existing ASBC contract entered into before 1 April 2015 (unless the employee decides to end the contract).

During any period of absence due to sickness or injury on full or reduced pay the member will continue to pay the contributions under the ASBC contract on the pay received. They do not pay contributions under the ASBC contract during a period of sick leave on no pay.

During any period of reserve forces service leave where the reserve forces pay is less than the pay that would have been paid had the member continued to be employed by the Scheme employer, the employee is not required to pay contributions under the ASBC contract (the contributions are deemed to have been paid).

### **Industrial Action/Strike**

Where an employee with pre-2015 LGPS (NI) membership is absent due to industrial action/strike they may choose to purchase the lost pension in the 2015 Scheme and final salary protection at a cost of 16% of the lost pensionable pay for the period of industrial action/strike. This will buy full final salary protection and whatever such an APC amount would purchase in the 2015 Scheme by reference to the age of the member.

### **Final Pay and changes of hours and/or weeks**

Employers will still be responsible for providing NILGOSC with:

- a) Final Pay at each 31 March, and on ceasing membership of the Scheme (opting out or termination of pensionable employment or attaining age 75), for use in calculating pre-1 April 2015 benefits, and

- b) Final Pay at Normal Pension Age (NPA) (2009 Scheme definition – normally age 65) or at cessation of active membership, if earlier, to enable NILGOSC to calculate the underpin on the post-31 March 2015 benefits for those members to whom the underpin applies. The underpin has to be calculated for those (apart from councillors) who:
- were active members on 31 March 2012,
  - were within 10 years of their NPA on 1 April 2012,
  - have not (after 31 March 2012) had a continuous break of more than five years in membership of a public service pension scheme,
  - have not already drawn any benefits from the 2015 Scheme in relation to that employment e.g. on flexible retirement, and
  - have either ceased to be an active member before NPA (2009 Scheme definition) or are still an active member at NPA (2009 Scheme definition).

The final pay figure (2009 Scheme definition) for the underpin is the pay due for, normally, the 12 months preceding the date of cessation or NPA, whichever is the earlier. (Note: the underpin is calculated at NPA for those who continue working beyond NPA). The 2009 definition of final pay continues to apply i.e. the pay used in calculating retirement benefits is either the last 12 months' pay or that in either of the two preceding years, if that is higher.

It should be noted that, where a Scheme member is subject to a reduction or restriction in pay, regulations 8 and 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009 continue to apply for the purposes of the final pay calculation for (a) and (b) above regardless of whether the reduction or restriction in pay occurs before, on or after 1 April 2015.

- c) Details of changes of contractual hours for part-time employees in respect of:
- members to whom the underpin calculation applies where the change occurs before NPA (2009 Scheme definition – normally age 65) so that the underpin calculation can be accurately performed,
  - members who have an added years contract (as the added years contract has to be adjusted upon a change in contractual hours), and
  - members covered by regulation 20(7) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2009 (minimum ill-health enhancement for those who were active members before 1 April 2009, were aged 45 or over at that time, have been in continuous membership since then, and have not already received any benefits in respect of that membership) as a change in contractual hours can affect the level of the minimum ill-health enhancement.
- (d) Details of changes in contractual weeks / contractual days per year but only for:
- members to whom the underpin calculation applies where the change occurs prior to NPA (2009 Scheme definition – normally age 65) so that the underpin calculation can be accurately performed,
  - members who have an added years contract, and
  - members covered by regulation 20(7) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2009 (minimum ill-health enhancement for those who were active members before 1 April 2009, were aged 45 or over at that time, have been in continuous membership since then, and have not already received any benefits in respect of that membership) as a change in contractual weeks/days can affect the level of the minimum ill-health enhancement.

For all employees in (c) and (d), employers will need to provide, at each 31 March, the relevant changes that have occurred during the Scheme year (as the information is required by NILGOSC to calculate the member's benefits for the purposes of the Annual Benefits Statement and the annual allowance) and provide, at the date of leaving, the changes that have occurred during the Scheme year in which the date of leaving falls.

For the purposes of (a) and (b) above, if the employee elects to cover the whole of the amount of pension 'lost' during any period of absence due to industrial action/strike, authorised unpaid leave of absence or unpaid additional maternity, paternity or adoption leave by the payment of contributions under an Additional Pension Contribution (APC) contract or Shared Cost APC contract, in calculating the final pay for the employee, the employee must be treated as having received the pay they would otherwise have received but for the absence. If, however, the employee does not make such an election, or has a period of unauthorised unpaid leave of absence, the final pay (if the absence falls in the final pay period – usually the last 12 months) will be the pay received during that final pay period divided by the number of paid days in that period multiplied by 365.

### Service breaks

Employers will still be responsible for providing details to NILGOSC of breaks in "membership" that occur before Normal Pension Age (2009 Scheme definition) due to:

- industrial action/strike, or
- authorised unpaid leave of absence, or
- unpaid additional maternity, paternity or adoption leave, or
- unauthorised unpaid absence

but only for those members:

- to whom the underpin calculation applies, or
- to whom the 85 year rule applies

and who have not taken out an Additional Pension Contribution (APC) contract to cover the whole of the pension that would have accrued during the strike, or taken out an APC or Shared Cost APC contract to cover the whole of the pension that would have accrued during the period of unpaid leave of absence (with compulsory employer contributions to a shared cost APC being limited to a maximum period of 36 months) or period of unpaid additional maternity, paternity or adoption leave. Note that unauthorised unpaid absences will always constitute a break as there is no facility to pay an APC specifically to cover the whole of the pension that would have accrued during such a period of absence.

Notification of service breaks is required in order that NILGOSC can determine:

- whether the final salary benefit protection for members subject to the underpin exceeds their post 31 March 2015 career average pension, and
- when the member meets the 85 year rule (as a break can potentially put back to a later date the date when the 85 year rule is achieved).

## 19 Absences spanning 31 March 2015 / 1 April 2015

Where an absence spans 31 March 2015 and 1 April 2015 the absence prior to 1 April 2015 should be dealt with in accordance with the 2009 Scheme rules (see the paragraphs below) and the absence post 31 March 2015 should be dealt with in accordance with the 2015 Scheme rules (see section 14).

Where an employee has an absence spanning those dates it is important that the employer notifies the employee of this fact and, if the employer has written to the employee before 1 April 2015 informing them of the provisions under the 2009 Scheme, the employer should write to them again to explain that new rules apply in respect of the period of absence falling after 31 March 2015.

### 2009 Scheme – rules for absences before 1 April 2015

#### Authorised unpaid leave of absence

For any period of authorised unpaid leave of absence falling before 1 April 2015, employee and employer pension contributions must be paid for the first 30 days of absence (or up to 31 March 2015 if the 30 day period extends beyond that date). The contributions are payable on the pay the person would have received but for the absence. Where the absence extends beyond 30 days the employee may elect, within 30 days of returning to work (or within 30 days of leaving if the employee does not return) or such longer period as the employer may allow to pay contributions for the remainder of that part of the absence that falls before 1 April 2015 (subject to a maximum absence period of three years). Those contributions would, just like the contributions due for the first 30 days of absence, be based on the pay the person would have received but for the absence. If they make such an election the employer must also pay contributions on that amount of pay. Where contributions are paid, the period counts as pre 2015 membership.

#### Unauthorised unpaid absence

Any absence falling before 1 April 2015 which is unauthorised by the employer and for which the employee receives no pay does not count as membership and contributions cannot be deducted in respect of the absence, whatever the length.

#### Jury Service

Jury service is a special type of absence. Employee and employer pension contributions are mandatory for the whole of any jury service falling before 1 April 2015 (and not just the first 30 days) and are based on the pay the person would have received but for the absence.

#### Industrial Action/Strike

Absence due to industrial action/strike is treated, initially, the same as unauthorised absence, in as much as no pension contributions are payable and the membership does not count. However, the employee may elect within 30 days of returning to work (or within 30 days of leaving if the employee does not return) or such longer period as the employer may allow to make a payment, in respect of that part of the absence falling before 1 April 2015. The payment is the equivalent of 16% of the "lost" pay falling before that date and, if paid, entitles the member to count the period of absence due to a trade dispute prior to 1 April 2015 as membership. No employer contributions are due for that period.

#### Child-related leave

During any period of ordinary maternity, paternity or adoption leave and during any paid additional maternity, paternity or adoption leave falling before 1 April 2015 an employee must continue to pay pension contributions on the actual pay, if any, they are receiving. Benefits will continue to accrue as if they were working normally on full pay. The employer pension contributions are payable on notional full pay.

The employee can elect within 30 days of returning to work (or within 30 days of leaving if the employee does not return) or such longer period as the employer may allow to pay pension contributions for any period of unpaid additional maternity, paternity or adoption leave falling before 1 April 2015 so that the period of absence will count in full for pension purposes. The contributions will be calculated on the rate of pay (or reduced pay) that they were entitled to receive immediately before they commenced the period of unpaid leave. If they elect to pay contributions for this period, the employer will pay contributions on the employee's notional full pay for that period.

### **Reserve forces service leave**

During any period of reserve forces service leave falling before 1 April 2015 the employee will continue to accrue membership but will only have to pay pension contributions on their reserve forces pay if it equals or exceeds their normal pay for that period; otherwise, no employee contributions are due from their reserve forces pay. The Ministry of Defence will be responsible for employer contributions during that period of time.

### **Additional contributions**

The rules governing the payment of contributions under various types of added years, additional pension and AVC contracts that were entered into before 1 April 2015 are set out in Section 16.

## **20 Employer Discretions policy**

As is the case with the existing Scheme, each employer will be required to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS (NI). The main LGPS (NI) 2014 regulations stipulate this requirement in four areas, namely:

- Voluntary funding of additional pension by a Shared Cost Additional Pension Contributions (SCAPC) contract, either by regular ongoing contribution or one-off lump sum);
- Flexible retirement;
- Waiving all or part of any actuarial reduction; and
- Award of additional pension (at a whole cost to the employer).

The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 also require that employers have a policy on whether they agree to apply the 85 year rule to a Scheme member who wishes to voluntarily draw (non-flexible retirement) benefits on or after age 55 and before age 60. The 85 year rule does not automatically apply in these circumstances.

If the employer does apply the 85 year rule, the employer would have to meet the cost of any strain on the Fund (as under the 2009 Scheme).

If the employer does not apply the 85 year rule, the Scheme member would meet the cost of any strain on the Fund via an actuarial reduction applied to their pension. However, the employer has discretion to waive actuarial reductions (at cost to the employer).

While some of the existing discretions under the 2009 Scheme will simply disappear (e.g. the ability to augment membership), others are replaced by identical or similar provisions from April 2015 (granting additional pension, flexible retirement and waiving actuarial reductions) and this will necessitate a rewording of existing policies to reflect the provisions of the 2015 Scheme and make the correct regulatory cross-references.



It will also be necessary to draw up a new list of discretions for post-31 March 2009 / pre-1 April 2015 leavers as the employer will still have to publish a policy in respect of its discretions for these leavers.

The 2015 Scheme contains a provision that discretions policies under the Scheme must be prepared, published and copied to NILGOSC before 31 July 2015 and any subsequent revisions to the policies must be published and copied to NILGOSC within one month of the change in policy. Revisions to the policies applying under the 2009 Scheme have to be published and copied to NILGOSC within one month of the date of the change in policy.

Whilst this section has listed those discretions on which an employer must have a policy, there are numerous other discretions the employer may exercise for which they are not required to have a written policy. The employer may wish to have a written policy or a statement of intent as to how such discretions may be exercised.

## 21. Payment of sums to NILGOSC

As well as the payment of employee and employer pension contributions employers are required to pay to NILGOSC on or before such dates falling at intervals of not more than 12 months as NILGOSC may specify:

- any amount notified by NILGOSC during the interval to cover any extra charge for payment of ill-health pensions or early payment of deferred benefits or deferred pensioner benefits on ill-health grounds;
- the cost of any strain on the Fund in respect of flexible retirements, redundancy or business efficiency retirements;
- the cost of any strain on the Fund relating to the waiver by the employer of any actuarial reduction;
- the cost of any additional annual pension (up to £6,644,843.578 (2017/18 rates)) granted to the member by the employer;
- any amount specified in a notice given to the employer by NILGOSC in consequence of additional costs that have arisen as a result of the employer's level of performance; and
- Any employee and employer contributions received from the Ministry of Defence in respect of an employee on reserve forces service leave.

## 22. Glossary

Term	Definition
Additional Pension Contributions (APCs)	These allow Scheme members to buy additional pension by either regular or lump sum contributions. The maximum additional pension that can be bought is <a href="#">£6,644,843,578.127</a> per annum ( <a href="#">2017/86/18972020/21</a> rates).
Assumed Pensionable Pay (APP)	This replaces notional or deemed pensionable pay. Assumed Pensionable Pay (APP) is used in cases of reduced pensionable pay or nil pay as a result of sickness or injury, relevant child related leave (i.e. ordinary maternity, paternity or adoption leave and any paid additional maternity, shared parental or adoption leave) or while on reserve forces leave. This means that pensions for that period are worked out using the Assumed Pensionable Pay rather than the reduced rate of pay received.
Additional Voluntary Contributions (AVCs)	These voluntary contributions allow Scheme members to pay more to build up extra pension savings. AVC contributions continue to be limited to 50% of pensionable pay. AVCs can be made for both pension savings and life cover. The in-house AVC provider is Prudential.
Automatic enrolment date	The latest date by which an employer has to have an automatic enrolment scheme in place for its employees.
Career Average Revalued Earnings (CARE)	Pension benefits built up from 1 April 2015 are worked out using the pay in each Scheme year rather than the final pay, as under a final salary scheme.
Contractually enrolled	This means that a new employee is immediately enrolled in the LGPS (NI) from their first day of employment as their contract (of a duration of three months or more) makes them immediately eligible.

Term	Definition
Eligible jobholder	<p>An eligible jobholder must be automatically enrolled into the employer's automatic enrolment scheme if they:</p> <ul style="list-style-type: none"> <li>are not already in a workplace pension scheme</li> <li>are aged 22 or over</li> <li>are under State Pension age</li> <li>earn more than £10,000 a year (2017/18/19/20/21) and</li> <li>work, or usually work, in the UK.</li> </ul>
Entitled worker	<p>Entitled workers have a right to join their employer's pension scheme. They must be:</p> <ul style="list-style-type: none"> <li>aged 16-74</li> <li>working in the UK</li> <li>earning below £5,876.03/246,240 (2017/18/19/21).</li> </ul> <p>The employer only has to make a contribution for entitled workers if it is part of their contract of employment.</p>
Normal Pension Age (NPA)	<p>Normal pension age is now linked to a member's State Pension age for benefits built up from April 2015. If members take their benefits before their normal pension age, the benefits are reduced. If the benefits are drawn after normal pension age then they are increased. Benefits built up before 1 April 2015 are payable without reduction from age 65 but these benefits cannot be drawn earlier than the post 31 March 2015 benefits.</p>
Non-eligible jobholder	<p>Non-eligible jobholders are employees:</p> <ul style="list-style-type: none"> <li>aged between 16 - 21 or State Pension age - 74</li> <li>working in the UK</li> <li>earning above £10,000 (2017/18/19/21)</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>Aged between 16 and 74</li> <li>working in the UK</li> <li>earning above £5,876.03/246,240 but below £10,000 (2017/18/19/20/21)</li> </ul> <p>AND have a right to opt in to their employer's pension scheme</p>
Pensionable Pay	<p>The new definition of pensionable pay includes non-contractual overtime and additional hours.</p>

Term	Definition
Postponement notice	<p>Employers can postpone the automatic enrolment date of an individual for up to three months. An employer can postpone from one of three dates:</p> <ul style="list-style-type: none"> <li>• the employer's staging date</li> <li>• the date a new worker joins the organisation</li> <li>• the date on which an existing worker becomes eligible for automatic enrolment (for example, they turn 22 or earn more than £10,000 per year).</li> </ul>
Qualifying Scheme	<p>A qualifying scheme is one that meets the conditions for being an automatic enrolment scheme e.g. an occupational or personal pension scheme which is tax registered and satisfies minimum requirements.</p>
Revaluation Adjustment	<p>At the end of every Scheme year your pension account is revalued so that your pension keeps up with the cost of living. Your pension is revalued in line with Department of Finance Orders which will be based on the change in Consumer Price Index (CPI) over the year to the previous September.</p>
Rule of 85	<p>The Rule of 85 refers to a provision of the Scheme which allowed members who retired early to take their pension entitlements without penalty if the sum of their age and length of membership equalled 85 years or more. This rule was abolished on 1 October 2006 however members who joined before this have some protections:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Shared Cost Additional Pension Contributions (SCAPC)	<p>(SCAPC) occurs when a member decides to pay APCs to buy an additional amount of pension and the employer contributes towards the cost. SCAPCs can be one off or regular payments. SCAPCs can be used to cover the pension 'lost' during a period of unpaid leave of absence or unpaid child related leave providing the member makes an SCAPC election within 30 days of returning to work. In these cases the cost is shared 1/3 employee, 2/3 employer up to a period of 36 months.</p>

## Staging Date

All employers need to enrol their workers into a workplace pension. The date when an employer must do this is known as its staging date. The Pensions Regulator will write to each employer with its exact date nearer the time.

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## Term

## Definition

### Underpin

These are protections that apply to members who are close to retirement to ensure that they receive a pension at least equal to that which they would have received had the Scheme not changed on 1 April 2015.

Those members who are protected by the underpin have to meet the criteria below:

- Were active members on 31 March 2012, and
- Were within 10 years of their Normal Pension Age on 1 April 2012,
- Were active members immediately before the underpin date and receive payment of benefits on or after the underpin date,
- Have not had a disqualifying break in service of more than 5 years, and
- Have not drawn any benefits before the underpin date.

The underpin date is the date you reached age 65, or the date you died in service or the date you left the Scheme with an immediate entitlement to pension (including flexible and voluntary early retirement).

### 50/50 Section

The 50/50 section allows members to pay half the contributions and build up half the pension. The employer continues to pay the full level of employer's contributions, not half.