

news

For Members of the Scheme

2016



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It has been yet another busy and challenging year for the Local Government Pension Scheme (the Scheme) in Northern Ireland. The new Career Average Revalued Earnings (CARE) scheme came into operation on 1 April 2015 and brought with it arguably the biggest single change in the Scheme for the 65 years that NILGOSC has been in existence.

Despite the significant changes in scheme administration we are delighted that Scheme membership grew to 114,026 last year, and the value of the Fund hit a record high in May 2015, reaching £5.9bn. However, increasing investor uncertainty in the latter half of 2015 and into 2016 saw the Fund end the year a little lower at £5.82bn.

Nowadays it seems that there are more changes to pensions than ever before. Please keep an eye on the News section of our website (www.nilgosc.org.uk/news). We also publish news alerts on Twitter @NILGOSC.



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NEWS

Negative Inflation Affects Pension Savings

A key feature of the Local Government Pension Scheme is that each year, from April 2015, the cost of living is factored into members' pension accounts.

This annual cost of living revaluation is based on the Consumer Prices Index (CPI) set by the Government in September of the previous year.

However the CPI rate at September 2015 was -0.1% (a negative inflation rate) and the Government confirmed that active pension accounts for the year 1 April 2015 to 31 March 2016 would be decreased by 0.1% on 1 April 2016. We estimate that someone earning £20,000 per year and in the main Scheme will have any pension built up in the year after 31 March 2015 reduced by 41p.

As this applies from 1 April 2016 the effects of this reduction will be shown on your annual pension benefit statement for next year, rather than on the statement you received this year.



Changes to State Pension

The entire State Pension system had an overhaul from April 2016 as the government replaced the “two part” State Pension system with a single pension payment. Assuming you have not reached State Pension Age (SPA) before 5 April 2016, this will affect you not only in the amount of State Pension you build up in the future, but also how much you pay into the State Pension system. As contracting out ended in April 2016, the ability to receive a National Insurance rebate of 1.4% also ended, meaning many members started to pay more National Insurance from April 2016.

Naturally, if you are paying more National Insurance from April, you will expect more back in return. In today's money, the new State Pension will be £155 a week, compared to the basic State Pension of £116. You will also need to have 35 qualifying years to be able to get the full new State Pension.

More information on the new State Pension can be found at www.nidirect.gov.uk/state-pension.



If you are due to reach SPA in the first five years of the new system, you can ask for an estimate of your new State Pension now.

This applies if you are:

- a woman born between 6 April 1953 and 5 August 1955, or
- a man born between 6 April 1951 and 5 August 1955.

You can call the Future Pension Centre on **0345 3000 168** for a statement or get one online at: www.gov.uk/state-pension-statement.

Online Communications

Save Paper – Choose the greener option

We are changing the way we communicate with you. We want to be more environmentally friendly, reduce costs and continue to meet member demand, so we are encouraging you to register your email address with us. We can then send you non-personalised communications, such as this annual newsletter and general Scheme information, by email rather than post.

To register or update your email address please visit our website www.nilgosc.org.uk/emailcapture.aspx and provide us with your:

-  Full name
-  Email address
-  Date of birth
-  National Insurance number

All personalised information such as your yearly Pension Benefit Statement will continue to be posted to your home address for the time being.

For any written queries please allow us 10 working days to provide you with a response.



There is now a new way to keep in touch with all the news, views and updates of what is happening in the Scheme by following our Twitter feed at [@NILGOSC](https://twitter.com/NILGOSC).

New Department for NILGOSC

Department for Communities assumes responsibility for Local Government



On 25 May 2016, after the biggest reorganisation of NI central government in the last 16 years, the Department for Communities has taken over the role as NILGOSC's sponsoring Department, replacing the Department of the Environment (DoE). Paul Givan (DUP) was appointed Minister of the new department.

Vote to Leave the EU - Brexit

In June 2016 the UK voted to leave the EU. Members have been asking questions as to how this decision will affect the pension fund.

In simple terms, because your benefits are determined by law, there is no risk to your pension.

The calculation of your NILGOSC pension is based on your pensionable pay and is **not** dependent on the financial markets.

In the aftermath of the vote announcement the financial markets fell badly but they have since bounced back. Some commentators declared that market falls would affect pensions but they were referring to the more common 'Defined Contribution' pension schemes which are based on investment values and not 'Defined Benefit' schemes such as NILGOSC. Despite the financial turmoil our Fund has continued to perform well. You can read more about this in our Investment section on page 14.

As a member of the Scheme you should not be concerned that any turmoil in the financial markets will affect the calculation of your pension.



Pension Scams - Don't Get Stung



The Pensions Regulator, Financial Services Authority and HM Revenue and Customs have issued a warning about companies who are trying to encourage pension scheme members to turn their pensions into immediate cash or loans.

These companies use websites, cold-calls or adverts to suggest that people should transfer their existing occupational or private pension to a new arrangement in order to access their pension before age 55 or that they can take more than 25% of their pension as cash. Normally the earliest you can draw your benefits is age 55, unless you are retiring on ill-health.

So be very careful if you are approached by a company offering attractive ways to access a cash payment or loan from your pension pot. Always check the facts before you make an irreversible decision and if in doubt seek advice from an independent financial advisor.

As long as you are not a pensioner and are more than one year off your normal pension age, you are free to leave our Scheme and ask for a transfer to a DC scheme. Before we pay over the transfer value NILGOSC will make sure that at the point of transfer, the new receiving scheme is recognised and has not been suspected of pensions liberation.

Visit www.pension-scams.com to find out more.



Changes to the Scheme Regulations

The past year has seen two sets of amendments to the Scheme regulations

The Local Government Pension Scheme (Amendment) Regulations (Northern Ireland) 2016 (SRNI 2016/128)

These new regulations were made on 8 March 2016 and were backdated to 1 April 2015. These amendments mainly corrected and clarified the 2015 Scheme regulations along with some minor technical amendments. One significant change was the new provision to allow deferred members who had left the Scheme before 1 April 2015 to access their pension benefits on a reduced basis between ages 55 and 60 without needing employer consent.



The Local Government Pension Scheme (Nursery Assistants) (Amendment) Regulations (Northern Ireland) 2016 (SRNI 2016/329)

These regulations came into operation on 16 October 2016 and protect the pensions of nursery assistants employed by the Education Authority. Before 28 March 2016, nursery assistants had full-time hours of 32.5 hours per week. From 28 March 2016, any nursery assistants who signed up to the Collective Agreement will have full-time hours of 36 hours per week. These amending regulations ensure that pension benefits and pay used up to 27 March 2016 are based on 32.5 full-time hours per week.

New Committee Member



Ms Joan McCaffrey joined the NILGOSC Committee on 1 March 2016

Joan is currently Director of Corporate Services and Governance at Fermanagh and Omagh District Council. Prior to her appointment as Director of Corporate Services and Governance, she had been Chief Finance Officer at Omagh District Council for 28 years.

In addition to her Council work, Joan has held the positions of Chair, Vice-Chair and Treasurer of the Association of Local Government Finance Officers (ALGFO), Northern Ireland. Joan is a Fellow of the Chartered Institute of Management Accountants.

New Found Pensions Freedom

April 2015 saw the biggest shake up of the pensions industry in almost a century.

The changes were called “**Freedom and Choice**” and were designed to give people in some types of pension schemes more choice when accessing their pension pots from age 55.

These changes did not directly affect members of our Scheme as it is a defined benefit (DB) scheme. This means that your benefits are determined by a formula based on your membership and pay, and not on investment returns as would be the case in a defined contribution (DC) scheme.

Within the Scheme, all members already have the choice to exchange pension for tax-free cash at retirement. For each £1 of pension a member can receive £12 of tax free cash. This exchange is subject to tax limits as per the example below.

EXAMPLE

Niamh has been in the Scheme for 20 years and is about to retire. The value of her Scheme benefits are:

Annual Pension	£10,000
Tax Free Lump Sum	£15,000

If Niamh decided she wanted to choose the maximum tax free cash available her lump sum would increase to **£48,214** but her annual pension would reduce to **£7,232**

The maximum amount of tax-free cash that Niamh can take, as shown above, is 25% of her total pension value.

Her total pension value is calculated as:
(£7,232 x 20) + £48,214 = £192,854

The maximum amount of tax-free cash that she can take is then worked out as:
£192,854 x 25% = £48,214.

As long as you are not a pensioner and are more than one year off your normal pension age, you are free to leave our Scheme and ask for a transfer to a DC scheme. This would then allow you to use the new Freedom & Choice rules.

But beware - before doing this, you need to carefully consider the consequences....

- Your employer would be unlikely to pay into such a scheme.
- The receiving scheme may charge high fees and sales commission.
- You will be swapping your secure defined benefits, for a much riskier type of arrangement, where the value of everything you have built up could be adversely affected if your investments don't perform well.

Getting The Right Advice

Pensions can be confusing for many of us. Having Freedom and Choice is great, as long as we know what the right choice is!

If you do decide to transfer your Scheme benefits into a DC scheme and the transfer value is £30,000 or more, you will have to take advice from an advisor who is qualified to give advice on transfers and authorised by the Financial Conduct Authority.



The Government has set up a service called 'Pension Wise', which offers online help at: www.pensionwise.gov.uk. You can also get one-to-one information from organisations such as Citizens Advice.

Please be aware that the Government recently introduced a safeguard that would allow NILGOSC to reduce transfer values if members transferring out of the Scheme to access flexible benefits means there is a risk to the taxpayer funds. It is very unlikely that NILGOSC will need to implement this safeguard and it will need Department for Communities approval before it could do so.

How to Boost your Pension

Even though you are a member of a pension scheme that many believe offers very good benefits it may not be enough to give you the lifestyle you want at retirement.

If you think you might need to increase your benefits, you can boost your pension in the following ways:

Additional Voluntary Contributions (AVCs)

You can increase the amount you will get when you retire, including any lump sum, by paying Additional Voluntary Contributions (AVCs) with Prudential.

The contributions that you make are invested in a fund of your choice and when you retire you can use your AVC fund to buy extra annual pension, or take it as a tax-free lump sum (within tax limits).

AVCs attract tax relief, up to annual limits. For every £100 you contribute to your AVC, the cost to you will only be £80 if you are a basic rate taxpayer and £60 if you are a higher rate taxpayer. Your contributions are taken directly from your pay and you can choose how much you put in, up to a maximum of half of your salary.

As your contributions are invested in the financial markets, the value of your AVC fund can go down as well as up.

If you withdraw your AVC fund within three years of making your first AVC contribution, an exit charge may apply.

[Prudential has a dedicated website that includes an online facility where new members can join and existing members can view their AVC account. This can be found at: \[www.pru.co.uk/nilgosc\]\(http://www.pru.co.uk/nilgosc\). You can also contact Prudential on **0800 012 1378** from Monday to Friday, between 9am and 6pm.](#)

Additional Pension Contributions (APCs)

You can buy additional pension of up to £6,578 per year (2016/17 figures) to boost your pension at retirement.

Unlike AVCs, these contributions buy a guaranteed amount of pension.

You can either pay APCs by lump sum or make regular contributions. The cost depends on your age, the period you wish to pay over, whether you are male or female and your normal pension age. You must complete our medical to see if you are in good health before you can make your payment.

[You can calculate the cost of buying additional pension using the APC calculator on the members' section of our website at: \[www.nilgosc.org.uk/how-much-does-additional-pension-cost\]\(http://www.nilgosc.org.uk/how-much-does-additional-pension-cost\).](#)



Tax Limits on your Pension Savings

As a member of the Scheme you receive tax relief on the contributions that you make. But, if the size of your pension pot increases by more than a certain amount in a tax year, you may have to pay a tax charge. This limit is known as the 'Annual Allowance'.



There is another limit which also applies to pensions savings that you can build up over the course of your working life - known as the 'Lifetime Allowance'. We have explained more about this below.

Annual Allowance

This is a limit to cap the amount by which the size of your pension pot can grow from one year to the next without a tax charge. This is based on the total amount of benefits built up in the Scheme plus any contributions that are paid into your AVC fund.

The maximum that your pension savings can increase by in one year is currently £40,000. Most members will not be affected because the value of their pension savings will not increase by this amount. However, members with long service who receive a significant pay rise are at risk of reaching this limit.

You can carry forward unused annual allowance from the last three tax years, meaning that even if the value of your pension savings increases by more than £40,000 in a year, you may not have to pay a tax charge.

For 2016/17, a tapered annual allowance will apply for high earners. If you have a taxable income below £110,000 you will retain the annual allowance of £40,000.

If you exceed this level of income you will have an 'adjusted income' calculated for the year and

your annual allowance will be reduced by 50p for each £1 of adjusted income in excess of £150,000

Lifetime Allowance

The Lifetime Allowance (LTA) is a limit on the total value of ALL your pension savings that can be taken at retirement without a tax charge. It does not include survivors' pensions, State Pension and any other State benefits. If the value of your benefits when they come into payment is more than the limit, you will have to pay a tax charge on the excess.

The current LTA is £1 million from 6 April 2016 and due to go up from April 2018 in line with inflation. Most of our members will not be affected by the LTA limits.

The formula for working out the value of your pension pot for the purposes of the lifetime allowance is:

$$(20 \times \text{Pension}) + \text{Lump Sum} + \text{AVCs}$$

So a member with a yearly pension of £35,000, a lump sum of £80,000 and AVCs of £25,000 has a pot valued at £805,000 - close to the limit!

Members can apply to HMRC for either Fixed Protection 2016 or Individual Protection 2016.

More information on annual allowance and the tax rules is available on our website at: www.nilgosc.org.uk/tax-limits-on-your-pension.





YOUR PENSION SCHEME

How much do I pay into the Scheme?

The amount that you pay depends on how much you earn, but it will be between 5.5% and 10.5% of your pay, as set out below.

Band	Yearly Pay	You Pay
1	£0 to £14,000	5.5%
2	£14,001 to £21,300	5.8%
3	£21,301 to £35,600	6.5%
4	£35,601 to £43,000	6.8%
5	£43,001 to £85,000	8.5%
6	More than £85,000	10.5%

Are my contributions based on ALL of my pay?

Your contributions are based on your pensionable pay. This is your actual pay before any deductions such as tax and includes your basic pay and any overtime. If you work part-time it is the actual part-time pay you receive which decides the pay band you fall into and how much you pay.

Does my employer pay towards my pension?

Yes, most of our employers currently pay at least 20% towards your pension.

Buying back lost pension.

Previous Scheme regulations allowed your employer to take pension deductions from your pay for any periods of absence less than 30 days- this meant that you had continuous membership in the Scheme and no break was applied to your record.

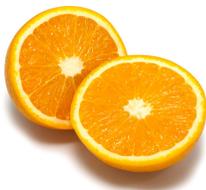
The new regulations no longer permit this and any breaks, even if it is just for 1 day, means you do not build up pension for this time.

Unless it is a strike break, your employer will share the cost of buying the lost pension with you on a two thirds/one thirds split. But to benefit from this, make sure you notify your employer that you wish to pay back the lost pension within 30 days of coming back to work.

More information, an additional pension calculator and application forms are available on our website: www.nilgosc.org.uk/covering-lost-pension.

Let's Go Halves

Don't forget the scheme now has a 50/50 option, where if you feel you cannot afford the full pension contribution, you can choose to pay in half the amount.



Then - just for the period that you're paying half in - you build up half the pension. But the good news is there is no change to things like the excellent life cover you have as a member. Thanks to the 50/50 option, members can carry on paying something into their pension pot rather than opting out completely.

Expression of Wish Form

If you die while you are an active member of the Scheme, we will normally pay out a lump sum of three times your annual pay.



Less than 42% of members have told us who they would like to receive this lump sum, so make sure to tell us by completing and returning an Expression of Wish form. Your Pension Benefit Statement, which you received in August or September of this year, will state whether we hold an Expression of Wish Form for you. If your circumstances have changed, please remember to complete a new form.

An Expression of Wish form can be downloaded from the members' section of our website:

www.nilgosc.org.uk/keeping-us-updated.

I live with my partner but we aren't married. Can I nominate them to receive my pension when I die?

Unlike a husband, wife or registered civil partner, a cohabiting partner is not automatically entitled to a survivor's pension. You can nominate your partner to receive a pension when you die by completing a Nomination of Cohabiting Partner Form and filing it with us before your death. There are certain conditions which you must meet before you can nominate your partner to receive your pension. These are shown on the Nomination of Cohabiting Partner Form which can be downloaded from the members' section of our website:

www.nilgosc.org.uk/keeping-us-updated.

If you wish to revoke an existing nomination form you should complete a Revocation of Cohabiting Partner Nomination form which can also be downloaded from our website.

Keep in touch

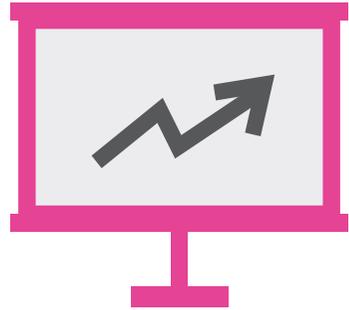
Please remember to add NILGOSC to the list of people who need to know if you move house, get married or if any of your personal details or circumstances change.

The best way to tell us is to download a Change of Circumstances form from the members' section of our website www.nilgosc.org.uk/keeping-us-updated or to contact our office.

REVIEW OF THE YEAR 2015/16

Membership

Membership of the Scheme increased during the year to 114,026 members.



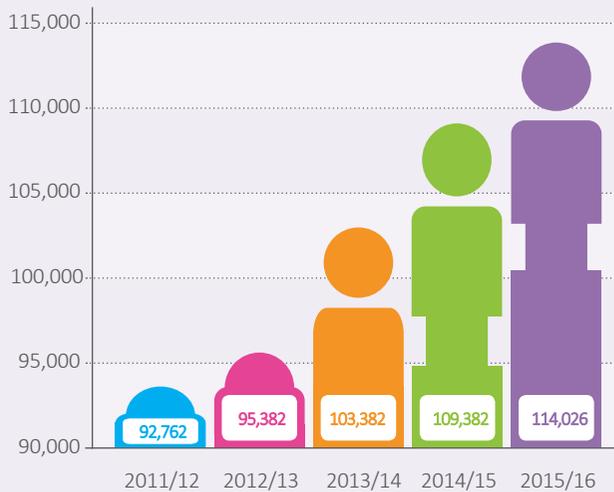
At 31 March 2016, the Scheme had

53,724
active members

31,581
pensioners

28,721
deferred members

Scheme Membership



At 31 March 2016, there were 178 employers contributing to the Scheme including 11 councils, 1 Education Authority, 1 library authority, 85 schools, 9 further and higher education colleges and universities, 58 other bodies, and 13 employers who are closed to new members.

Financial Statement

The statement below details NILGOSC's Fund Account for 2015/16 and 2014/15.

The full version of NILGOSC's financial statements is included in our Annual Report which is available on request or can be viewed on our website: www.nilgosc.org.uk/annual-reports-and-corporate-plan.



	2015/16 £,000	2014/15 (*as restated) £,000
INCOME		
Employers' contributions	200,825	173,757
Employees' contributions	54,610	52,648
Transfers In	11,373	5,224
Investment Income	87,854	89,170
	354,662	320,799
EXPENDITURE		
Benefits Paid	(221,543)	(179,314)
Payment on account of leavers	(4,147)	(3,610)
Administration expenses	(3,803)	(3,267)
Investment management expenses	(18,304)	(13,826)
	(247,797)	(200,017)
Net income	106,865	120,782
SUMMARY		
Opening net assets of the Scheme	5,820,770	5,034,548
Net income	106,865	120,782
Change in market value of investments	(108,278)	665,915
Net actuarial gains/(losses) recognised in the year	783	(475)
Closing net assets of the Scheme	5,820,140	5,820,770

*The results for 2014/15 were restated as a result of a change in accounting treatment of AVC investments. AVC investments are no longer included within the net assets of the NILGOSC pension scheme.

Investments

The value of the Fund at 31 March 2016 was £5.82bn, a decrease of £0.6m (0.01%) on the previous year.

Over the year to 31 March 2016, the Fund achieved an overall return on the total assets of -0.4% (2014/15: 15.1%). We have set an investment target to exceed the Consumer Price Index by 5% over a 3 and 5 year period and have exceeded this target over both time frames at 31 March 2016 as shown in the table below.

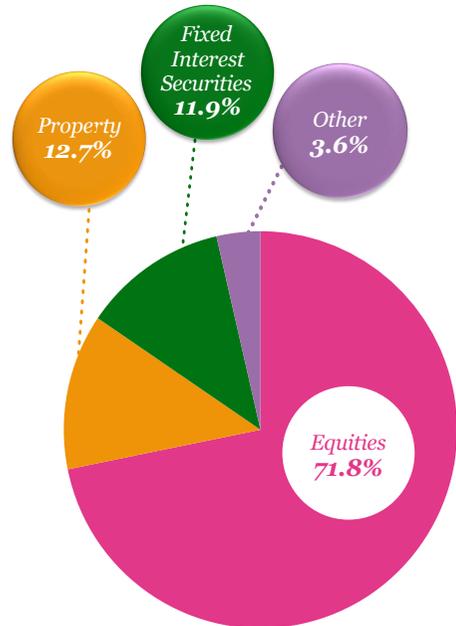
	3 Years	5 Years
NILGOSC	7.4%	7.8%
CPI + 5%	5.7%	6.7%

Markets were volatile over the year to 31 March 2016 and posted mixed returns, with US equities, bonds and property delivering positive returns.

As we take a long-term approach to our investments, there was no significant change to our investment strategy during 2015/16. During the year, we continued to implement the plan to reduce the allocation to UK equities and spread risk through investments in two Infrastructure funds - Antin Infrastructure Partners Fund II and KKR Global Infrastructure Investors Fund II. NILGOSC has committed £40m to each of the funds and as at 31 March 2016, it had funded £23.3m to Antin and £8.7m to KKR. NILGOSC also received its first distributions from both funds during

the year and will continue to explore other Infrastructure opportunities in the coming year to meet its target allocation of 5%.

The Fund is invested in a range of different assets as illustrated in the diagram below:



Investment of the Fund

Detailed information on our investments is available in the Pension Fund section of our website at: www.nilgosc.org.uk/pension-fund.

NILGOSC Wins Responsible Investment Award



Ciara Keenan, NILGOSC (centre) receives the award from Alan Tripp and Mark Durden-Smith

At a special event in London on 1 September NILGOSC received industry recognition for its work on responsible investment.

NILGOSC's management of the pension fund aims to maximise the returns necessary to meet the Scheme liabilities. But in addition NILGOSC believes that environmental, social and corporate governance (ESG) issues can affect the performance of investments. NILGOSC has therefore developed a Responsible Investment policy which provides a framework to incorporate ESG issues into its investments.

Since 2010 NILGOSC has only appointed fund managers that genuinely take ESG issues into account. Each manager is assessed quarterly on its ESG credentials.

NILGOSC voted in 532 investee company AGMs and other corporate meetings during 2015/16. The main areas of

dissent continue to be executive remuneration practices and board composition.

NILGOSC also has a separate Climate Risk Policy which influences its investment process. In October 2015, NILGOSC held its inaugural Climate Risk workshop which challenged managers to demonstrate how Climate Risk was considered as part of their portfolios.

During the 2015/16 year NILGOSC was a supporting investor in two collaborative engagements with other UNPRI signatories. The first was an engagement on the director nomination process, focused on listed companies in the US and France. The second engagement relates to water risks in the agricultural supply chains and is focused on listed companies in the food, beverage, apparel, retail and agricultural product sectors.

Signatory of:

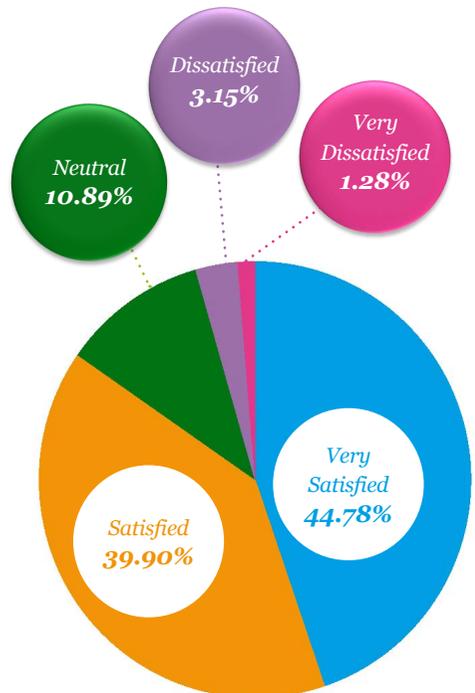
SATISFACTION SURVEY 2016

We pride ourselves on providing a great service to our members and are always keen to receive feedback.

A Satisfaction Survey for the year 2015/16 was carried out in May 2016 with a key focus on:

- 👤 Communications – Scheme forms and guides
- 👤 Customer service – staff knowledge, courtesy and professionalism
- 👤 Website and online communications

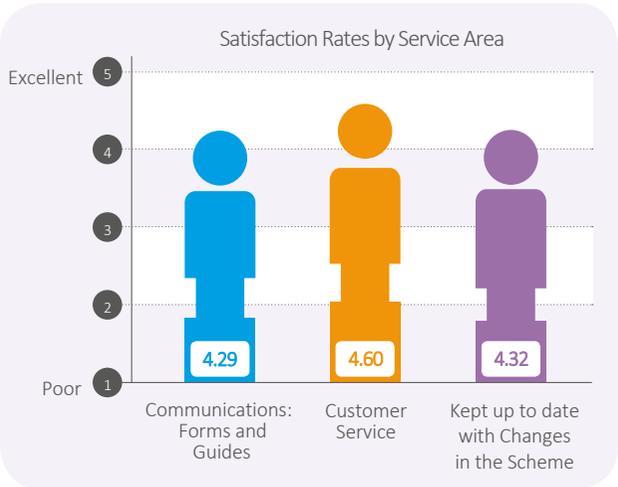
We were delighted to hear that over 84% of our members were satisfied or very satisfied with the service they have received from us.



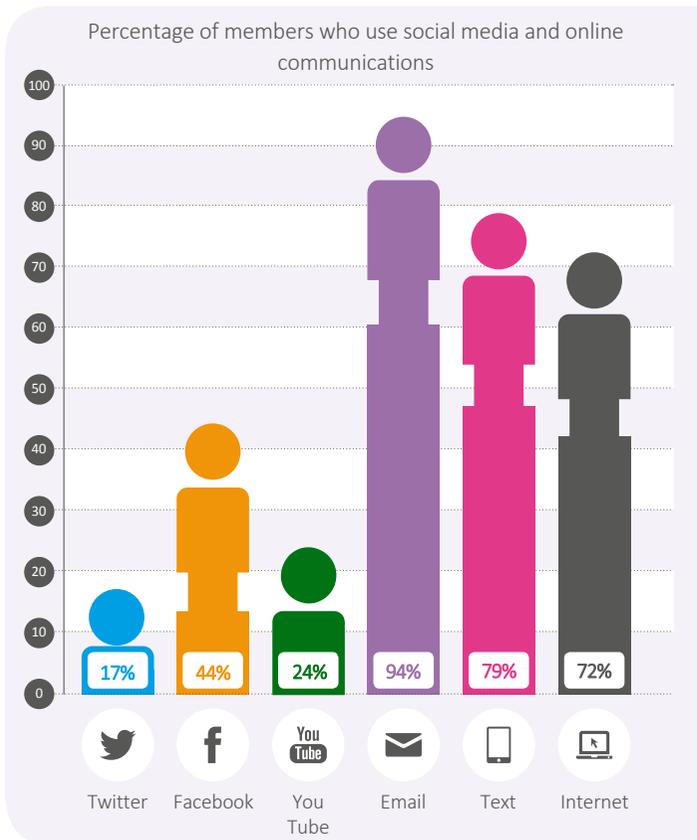
Members' Overall Satisfaction

Get online

In response to the feedback received on online communications, we have introduced email communications for general, non-confidential communications such as news updates and this annual newsletter.



Online Communications



The online communication section of the questionnaire identified that 94% of members use email as a means to communicate.

If you want to sign up for email communications visit our website: www.nilgosc.org.uk/emailcapture.aspx. For full details see page 4.

DATA SHARING AND ACCESSIBILITY

Data Protection

We are registered with the Information Commissioner under the Data Protection Act 1998 to hold personal information which allows us to administer the pension scheme.

Further information on how we use the personal data that we collect is available on our website at www.nilgosc.org.uk/data-protection.

You have the right to request a copy of the personal data we hold for you. You can do so by writing to the Data Protection Officer at NILGOSC or emailing governance@nilgosc.org.uk.



National Fraud Initiative

In order to prevent and detect fraud, we may share information with other bodies responsible for auditing or administering public funds.

We participate in the National Fraud Initiative run by the Northern Ireland Audit Office, which has statutory powers to conduct data matching exercises. As part of this initiative, we provide details of pensioners and deferred members so that the information can be compared to that held by other public bodies. This will ensure, for example, that a pension is not being paid to someone who has died or is no longer entitled.

Further information about our participation in the National Fraud Initiative is available on our website at www.nilgosc.org.uk/national-fraud-initiative. However, if you have any questions, please contact our Governance Manager who can also provide hard copies of information available on our website.



Accessibility for our Members

We are always happy to provide documents and Scheme communications in an alternative format (such as audio or large print) or an alternative language for those whose first language is not English.

For more information and an alternative communications form, please refer to the 'Alternative Methods of Communication' booklet which can be downloaded from our website at www.nilgosc.org.uk/equality-scheme or obtained from NILGOSC.

If you would like to raise an equality issue with NILGOSC,
please contact the Equality Officer on **0845 308 7345**
or email equality@nilgosc.org.uk.

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