
Regulation Update Northern Ireland 2019

1. Background

- 1.1 Public Service pension regulations are a devolved matter for the Northern Ireland Assembly. Regulations for the Local Government Pension Scheme (LGPS) in Northern Ireland are made by the Department for Communities.
- 1.2 The Northern Ireland Assembly made its own version of the [Public Service Pensions Act \(Northern Ireland\) 2014](#).

2. LGPS Regulations

- 2.1 The Department for Communities has received the valuation results for the Cost-Cap valuation as at 31 March 2016. These results were finalised on 17 December 2018 when the assumptions underscoring all of the Cost-Cap valuations in Northern Ireland were made by way of Department of Finance Directions.
- 2.2 The Cost-Cap cost of the Scheme has been calculated at 13.8%. The Cost-Cap set in legislation, based on the valuation undertaken as at 31 March 2013, is 17%. Therefore the cost has fallen by 3.2% and breached the Cost-Cap floor.
- 2.3 As the floor has been breached members contribution rates have to fall or Scheme benefits have to improve to the extent of bringing the Cost-Cap cost back to 17% (ie by 3.2%). Either way it will result in an additional cost to Employers of 3.2%.
- 2.4 The main reasons for the fall include a reduction in the assumption used for short-term salary growth, reduction in longevity assumption measured by ONS 2016, and a reduction to the commutation assumption. The Scheme Advisory Board also choose to smooth the assumption for increases in longevity which accounted for 0.5% of the cost reduction.
- 2.5 On 17th December 2018 the Department for Communities issued a consultation on changes to the scheme in order to rectify the Cost Cap floor breach. The closing date for responses is 15 February 2019.
- 2.6 The Scheme Advisory Board had considered various options and agreed that the accrual rate should be adjusted. It is proposed that the accrual rate for members will increase from 1/49 (2.04%) to 1/43.5 (2.3%) along with a corresponding increase in the accrual rate for survivors (from 1/160 (0.63%) to

1/142 (0.7%)) so that their benefits are maintained at approximately the same percentage of a member's pension (30.625%).

3. Governance

- 3.1 A meeting of the NI LGPS Scheme Advisory Board took place on 27 November 2018. The main issue was the agreement on how to increase the Cost-Cap cost by 3.2%. The Board members present agreed that it would recommend an increase in the accrual rate to 1/43.5 and a survivor's pension accrual rate increase to 1/142 as from 1 April 2019.
- 3.2 The Board also noted the likely effect on the employer's future funding rate of the scheme. NILGOSC offered its assistance to the Board if it wished to consider the affordability of the Scheme.
- 3.3 Finally the Board agreed to write to the English & Wales Scheme Advisory Board to request that the NI LGPS is added to the investment related Cost Transparency Code.
- 3.4 GAD has almost completed its Section 13 review of NILGOSC's 2016 actuarial valuation. The draft report indicates that GAD has no cause for concern. The final report will be issued to the Department in January 2019.

4. Other Consultations and Legislation

- 4.1 Northern Ireland's Department of Finance made its own version of Treasury Directions in December 2018, namely [the Public Service Pensions \(Valuations and Employer Cost Cap\)\(Amendment\) Directions \(Northern Ireland\) 2018](#) ie the Cost-Cap Directions.
- 4.2 The recently launched consultations by DWP on the [Pensions Dashboard](#) and the [Pensions Ombudsman](#) do not apply directly to Northern Ireland but it is expected that Northern Ireland will follow suit subject to the necessary Ministerial, Executive and Assembly approvals.

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