



Department for

Communities

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Commonities

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Consultation Document

A proposal to change the date
of the annual revaluation in the
Local Government Pension Scheme
(Northern Ireland)

March 2023

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Scope of the consultation

Topic of this consultation

This consultation seeks views on changing the Local Government Pension Scheme for Northern Ireland (LGPS (NI)) annual revaluation date from 1 April to 6 April. This is to mitigate against the impact of high inflation on the LGPS (NI) revaluation this year and consequent tax liabilities arising as a result. These tax liabilities would arise because the timing of the LGPS revaluation on 1 April is not aligned with HMRC's process for assessing the annual allowance tax charge. The proposed change would bring this into alignment. We are seeking views on draft Regulations which introduce this change.

Scope of this consultation

The Department for Communities ("the Department") is consulting on changes to the LGPS Regulations (NI) 2014 ("the scheme Regulations") to change the annual revaluation date from 1 April to 6 April.

Geographical scope

These proposals relate to the LGPS in Northern Ireland only.

Impact assessments

A screening for equality impact assessment is published alongside this consultation document.

Basic Information

This consultation outlines details of proposed changes to address Consumer Price Index (CPI) and Annual Allowance (AA) interactions by moving the effective scheme revaluation date from 1 April to 6 April in the LGPS (NI) and is aimed at the LGPS (NI) administering authority, scheme members, scheme employers and their representatives. Any change to the LGPS (NI) is likely to be of interest to other stakeholders as well, such as professional advisers and local taxpayers. We welcome views on the proposals from all interested parties.

Body/bodies responsible for consultation

This consultation is being undertaken by the Local Government & Housing Regulation Division in the Department for Communities.

Duration

This consultation will be open from **10 March 2023 to 24 March 2023.**

Enquiries

For any enquiries about this consultation, please email the Department at:

lgpdconsultations@communities-ni.gov.uk

or write to:

LGPS (NI) Consultation,
Department for Communities,
Local Government & Housing
Regulation Division,
Level 4,
Causeway Exchange,
1-7 Bedford Street,
Town Parks,
Belfast,
BT2 7EG

How to respond

You can also add your comments directly onto this document and email your responses to:

lgpdconsultations@communities-ni.gov.uk

or download and post to:

LGPS (NI) Consultation,
Department for Communities,
Local Government & Housing
Regulation Division,
Level 4,
Causeway Exchange,
1-7 Bedford Street,
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When you reply it would be especially useful if you could confirm whether you are replying as an individual or submitting an official response on behalf of an organisation.

If you are replying on behalf of an organisation, please include:

- Your name
- Your position (if applicable)
- The name of your organisation
- An address (including postcode)
- An email address

Consultation response:

We will consider the responses received and publish an outcome report on the Departmental website.

In line with good practice and sustainable development this document is published electronically.

Accessibility:

A range of alternative formats are available upon request from this Department.

Please email the Department at:

lgpdconsultations@communities-ni.gov.uk

How we consult

Consultation principles

The consultation is being conducted in line with Fresh Start Agreement – (Appendix F6 – Eight Steps to Good Practice in Public Consultation-Engagement). These eight steps give clear guidance to Northern Ireland departments on conducting consultations.

Feedback on the consultation process

We value your feedback on how well we consult. If you have any comments about the consultation process (as opposed to comments about the issues which are the subject of the consultation), including if you feel that the consultation does not adhere to the values expressed in the Eight Steps to Good Practice in Public Consultation Engagement or that the process could be improved, please address them to:

LGPS (NI) Feedback on the Consultation Process,
Department for Communities,
Local Government & Housing
Regulation Division,
Level 4,
Causeway Exchange,
1–7 Bedford Street,
Town Parks,
Belfast,
BT2 7EG

Email: **lgpdconsultations@communities-ni.gov.uk**

Please title your correspondence as “Feedback on the Consultation Process”

Privacy, Confidentiality and Access to Consultation Responses

For this consultation, we may publish all responses except for those where the respondent indicates that they are an individual acting in a private capacity (e.g. a member of the public). All responses from organisations and individuals responding in a professional capacity may be published. We will remove names, email addresses and telephone numbers from these responses; but apart from this we will publish them in full. For more information about what we do with personal data please see our consultation privacy notice.

Your response, and all other responses to this consultation, may be disclosed on request in accordance with the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR); however, all disclosures will be in line with the requirements of the Data Protection Act 2018 and the General Data Protection Regulations (EU) 2016/679.

If you want the information that you provide to be treated as confidential it would be helpful if you could explain to us why you regard the information you have provided as confidential, so that this may be considered if the Department should receive a request for the information under the FOIA or EIR.

The Department is the data controller in respect of any personal data that you provide, and DC's privacy notice, which gives details of your rights in respect of the handling of your personal data can be found at: <https://www.communities-ni.gov.uk/dfc-privacy-notice>

1. Purpose of the consultation

- 1.1. This consultation covers proposals to amend the legislation governing the Local Government Pension Scheme (Northern Ireland) (“LGPS (NI)”). The LGPS (NI) offers the security of a guaranteed income in retirement for all its members.
 - 1.2. Currently in the LGPS (NI), the scheme year runs from 1 April to 31 March. The scheme’s revaluation occurs on 1 April each year, which is the first day of the LGPS (NI) scheme year. This means that on 1 April each year, active members’ career average revalued earnings (CARE) pensions are revalued to take account of the impact of inflation over the previous scheme year. That date is set in the scheme Regulations.
 - 1.3. The tax year runs from 6 April to 5 April and it is the growth in a member’s pension over this period (known as the Pension Input Amount (PIA)) which determines if there is a tax liability. A pension may grow in line with inflation (based on the Consumer Price Index (CPI) in the September before the start of the tax year) without contributing to the PIA, but growth in pension above that level is assessed against the annual allowance.
 - 1.4. The annual allowance is the maximum amount of pension savings an individual can make in any one year before potentially facing tax charges. The annual allowance is currently £40,000 for most people. Typically, a tax liability would arise where growth over the period is more than the annual allowance. Currently the calculation of the pension on 5 April takes account of-
 - 1.4.1. the increase in accrued pension during the tax year due to the additional length of service; and
 - 1.4.2. the increase for inflation through the scheme revaluation process on 1 April, based on CPI during the scheme year.
 - 1.5. For the tax year 2022/23, a pension may grow 3.1% (based CPI as at September 2021) without contributing to the PIA, but LGPS (NI) pensions are expected to increase by 10.1% (based on CPI as at September 2022) on 1 April 2023. Individuals may face tax liabilities because the PIA and the LGPS (NI) use CPI figures as at different dates.
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- 1.6. The proposed amendments would defer future revaluation increases to 6 April, so for example the 10.1% increase would apply from 6 April 2023, during the 2023/24 tax year. For the 2023/24 tax year, a pension may grow by 10.1% (based on CPI as at September 2022) without contributing to the PIA. In short, the LGPS (NI) revaluation will be aligned with the tax calculations.
- 1.7. Section 21(1) of the Public Service Pensions Act (NI) 2014 requires the Department to consult such persons (or representatives of such persons) as appear to the Department likely to be affected.
- 1.8. The closing date for submitting responses is 24 March 2023.
- 1.9. The Department will consider and respond to comments it receives during this consultation.
- 1.10. Responses are invited to this consultation about any aspect set out in this paper.

2. Background

2.1. The LGPS (NI) is a defined benefits scheme under the Public Service Pensions Act (NI) 2014. It is also a funded scheme. The 2014 Act introduced pension reforms across public sector pension schemes to address the impact of long-term scheme costs for taxpayers and employers.

2.2. In the LGPS (NI), these changes included moving benefit accrual from a final salary to a career average basis from 1 April 2015. Under the career average basis, for each

year of membership, a member's earned pension accrues based on a proportion of their pensionable pay received in that year. This pension amount accumulates year on year during the member's membership of the LGPS (NI) until the member leaves the scheme or retires.

2.3. It is the responsibility of the Department to update the legislative framework for the LGPS (NI) taking account of developments in public sector pension policy.

3. Consumer Price Index (CPI) and its impact on the annual allowance

- 3.1. Before 2016/17, the period over which pension growth was measured for tax purposes, the pension input period (PIP), was the same as the scheme year. The LGPS (NI) revaluation and the inflation growth were allowed without contribution to the PIA because both were aligned, so that the growth in pension for tax purposes reflected on the pensions accrued during the PIP due to employment contributions. Changes made in 2016/17 to require the PIP to be the tax year, not the scheme year, changed the position. From that point, the LGPS (NI) revaluation on 1 April used the CPI figure at the preceding September and the HMRC uplift for that tax year used the CPI figure at the September before the start of the tax year, that is, 18 months before.
- 3.2. CPI in September 2022, which is expected to be used for the LGPS (NI) revaluation for the 2022-23 scheme year, was 10.1%. This is markedly higher than CPI in September 2021, used for the HMRC uplift, which was 3.1%. As a result, members would have significantly higher total growth in pension for tax purposes (PIA).
- 3.3. Therefore, without changes to scheme Regulations, more LGPS (NI) members will breach the annual allowance threshold and potentially incur a tax charge. This is despite the revaluation merely ensuring that accrued pensions of active members keep pace with changes in prices. Changing scheme Regulations to move the revaluation date from 1 April to 6 April means that inflation would be reflected in the value of the pension after HMRC assess the value of an LGPS (NI) pension for the purposes of the annual allowance in tax year 2022/23. Thus, by taking revaluation out of scope of the annual allowance calculation for the 2022/23 tax year, we will reduce the number of members receiving an annual allowance charge for this year.
- 3.4. For tax years from 2023/24 onwards, the LGPS (NI) CARE revaluation would be aligned with the inflationary growth allowed for when calculating how much a pension had grown for annual allowance purposes, as it was before 2016/17.
- 3.5. For members unaffected by the annual allowance, the proposed change will have no effect on the amount of LGPS (NI) pension benefits they are entitled to on retirement.
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4. Government Actuary's Department (GAD) data on the annual allowance in the LGPS (NI)

- 4.1. The Government Actuary's Department has produced an assessment of the impact on the LGPS (NI) and is available on request by email.

5. Policy aims with the proposed regulations changes

- 5.1. Changes would need to be made to the scheme Regulations to give effect to the change in the annual revaluation from 1 April to 6 April. The main policy aim is to clarify that the revaluation date would change from 1 April to 6 April and that these changes have no effect on the amount of LGPS (NI) pension benefits anyone is entitled to on retirement. The policy rationale for the proposed changes to the scheme Regulations are outlined below. This should be read alongside the draft Regulations which are published alongside this consultation document.
- 5.2. Regulation 23 – Assumed pensionable pay (APP) – the policy aim is that there should be no change to the calculation of APP. Therefore, whenever the revaluation is applied for APP, while the revaluation date will now be 6 April, it will take effect from 1 April.
- 5.3. Regulation 25 – Active members pension accounts – currently in the scheme Regulations, the end of the scheme year, comprising the opening balance for the previous year, the pension accrued during the scheme year and other adjustments.
- The revaluation adjustment is applied to the closing balance on 1 April, the beginning of the following scheme year to create the opening balance for that scheme year. The policy aim is for the revaluation adjustment to be applied from 6 April, the first day of the following tax year.
- 5.4. Regulations 26 and 27 – Deferred and Pensioner members – the policy aims are:
- 5.4.1. For members changing status between 1 to 5 April, the revaluation adjustment is applied on 6 April and for any pensions in payment takes effect from the date of the change of status,
- 5.4.2. For all members changing status, the balance is revalued on 6 April in the following scheme year rather than on 1 April, and for any pensions in payment takes effect from 1 April.
- 5.5. Regulation 29 – Flexible retirement members – The policy aim is that for all members changing status, the balance is revalued on 6 April in the following scheme year rather than on 1 April and for any pensions in payment takes effect from 1 April.
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5.6. Regulations 41, 43, 47, 48, 42 and 53 – Survivor benefits – the policy aims are:

5.6.1. For members dying between 1 to 5 April, if the revaluation was due on 6 April following, that revaluation is allowed for in calculating the survivor pension. This will apply if the member dies in the period 1 to 5 April in the year in which they ceased to be an active member or in the following year. This will ensure that the benefits due to these groups of members reflects the revaluation adjustment that would have applied on 1 April, as if no change had been made.

5.6.2. For members who leave active service and subsequently die within the same scheme year, the survivor pension is revalued on 6 April in the following scheme year rather than on 1 April and takes effect from 1 April.

5.7. Regulations 46 and 51 – Death grants for deferred and pensioner members who die in the period 1 to 5 April – for the purposes of calculating the death grant, the policy aim is that, if a revaluation was due on 6 April

following, that revaluation is allowed for in calculating the death grant. This will ensure that the death grant in relation to these groups of members reflects the revaluation adjustment that would have applied on 1 April, as if no change had been made.

5.8. Definition changes to the “revaluation adjustment” in Schedule 1 (interpretation) – the policy aim is to clarify that the revaluation adjustment is applied on 6 April in the following scheme year. For the transferred Club Service, the aim is that the funds would apply revaluation adjustment for transferred Club Service on 6 April, regardless of the revaluation adjustment date of the sending scheme. Where revaluation of transferred service should apply at a different rate, this would continue to be the case and would remain unchanged.

5.9. Definition of “revaluation date” in Schedule 1 (interpretation) – the policy aim is to change the revaluation date in the LGPS (NI) from 1 April to 6 April.

6. Consultation questions

- 6.1. Respondents are invited to consider the following questions.
- 6.2. Do you agree or disagree that the annual revaluation date should change from 1 April to 6 April? Please explain why.
- 6.3. Do you agree that the policy aims stated above are delivered through the draft Regulations? Please explain why.
- 6.4. Are there any further considerations and evidence that you can think should be considered when assessing any equality issues or adverse impacts arising because of these proposed changes? Please explain why and provide evidence where appropriate.

7. Human Rights

- 7.1. The Department considers that the proposals set out in the draft Regulations are compatible with the Human Rights Act 1998.

8. Equality

- 8.1. The Department considers that the proposed changes are a technical amendment to address the different CPI figures used by the PIA calculation for annual allowance purposes and the CARE revaluation in the LGPS (NI). Therefore, the proposed changes do not contain proposals to change policy in a substantive way and as such do not have a significant adverse impact on the categories of person in section 75 of the Northern Ireland Act 1998.

- 8.2. The Department conducted a screening analysis for equality impact and this is published alongside this consultation. In this analysis, a minor impact on the section 75 age category has been identified.

9. Regulatory Impact Assessment

- 9.1. The Department considers that the proposed amendments will not have a direct impact on businesses, charities, social economy enterprises or the voluntary sector.

10. Rural Proofing

- 10.1. The Department considers that the proposed amendments in the draft Regulations will not have any differential impact on people living in rural areas.

11. Freedom of information – confidentiality of responses

- 11.1. The information you send us may need to be shared to colleagues within the Department for Communities in Northern Ireland (“the Department”).
- 11.2. To find out more about the general principles of Freedom of Information and how it is applied within the Department, please read Annex A and, if you have any further questions, please contact Information Management Branch (IMB).
- 11.3. Email: **foi@communities-ni.gsi.gov.uk**
- 11.4. IMB cannot advise on specific consultation exercises, only on Freedom of Information issues. Read more information about the **Freedom of Information Act.**

12. Alternative Format

- 12.1. Should you require a copy of this document in an alternative format, it is available on request in large print, disc, Braille, or audio cassette. It may also be available in minority languages for those not proficient in English.

13. Consultation responses

- 13.1. Please email your consultation response to:
- 13.2. **lgpdconsultations@communities-ni.gov.uk**
- 13.3. Postal address -
Local Government and Housing
Regulation Division
Level 4
Causeway Exchange
1-7 Bedford Street
Town parks
BELFAST
BT2 7EG
- 13.4. Please ensure your response reaches the Department by **24 March 2023**.
- 13.5. When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were ascertained. The Department will acknowledge your response.
- 13.6. The following persons will be able to answer your queries in relation to the consultation.
- 13.7. William Dobbin – **William.dobbin@communities-ni.gov.uk**
- 13.8. Christine Quirke – **Christine.quirke@communities-ni.gov.uk**
- 13.9. The Department will consider the responses received and publish a synopsis of those responses and the Departmental response on the Departmental website.
- 13.10. In line with good practice and sustainable development this document is published electronically.

The Freedom of Information Act 2000 – confidentiality of consultations

1. The Department may publish a summary of responses following completion of the consultation process. Your response, and all other responses to the consultation may be disclosed on request. The Department can only refuse to disclose information in exceptional circumstances. Before you submit your response, please read the paragraphs below on the confidentiality of consultations and they will give you guidance on the legal position about any information given by you in response to this consultation.
 2. The Freedom of Information Act gives the public a right of access to any information held by a public authority, namely, the Department in this case. This right of access to information includes information provided in response to a consultation. The Department cannot automatically consider as confidential information supplied to it in response to a consultation. However, it does have a responsibility to decide whether any information provided by you in response to this consultation including information about your identity, should be made public or be treated as confidential.
 3. This means that information provided by you in response to the consultation is unlikely to be treated as confidential, except in very particular circumstances. The Lord Chancellor's Code of Practice on the Freedom of Information Act provides that-
 - the Department should only accept information from third parties in confidence if it is necessary to obtain that information in connection with the exercise of any of the Department's functions and it would not otherwise be provided,
 - the Department should not agree to hold information received from third parties "in confidence" which is not confidential in nature,
 - acceptance by the Department of confidentiality provisions must be for good reasons, capable of being justified to the Information Commissioner.
 4. For further information about confidentiality of responses please contact the Information Commissioner's Office (or see website at: **www.informationcommissioner.gov.uk**).
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List of Consultees	
1.	All Members of the Northern Ireland Legislative Assembly
2.	All Northern Ireland political parties and MPs
3.	All Northern Ireland District Councils
4.	The Chief Executive of the Education Authority
5.	The Chief Executive of the Northern Ireland Housing Executive
6.	The Chief Executive of Translink
7.	Employing Authorities contributing to the LGPS (NI)
8.	Northern Ireland Local Government Association
9.	National Association of Councillors (Northern Ireland Region)
10.	Northern Ireland Local Government Officers' Superannuation Committee
11.	Northern Ireland Committee of the Irish Congress of Trade Unions
12.	Northern Ireland Public Service Alliance
13.	Unite
14.	GMB
15.	Unison
16.	Various representative groups and bodies
17.	Equality Commission for Northern Ireland
18.	SOLACE NI (the Irish Branch of the Society of Local Authority Chief Executives and Senior Managers (UK).

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Available in alternative formats.

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