

# news

2016

*For Deferred Members of the Scheme*



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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](http://www.nilgosc.org.uk/news)). We also publish news alerts on Twitter [@NILGOSC](https://twitter.com/NILGOSC).

## NEWS

### New Department for NILGOSC



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.

## 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.

***The introduction of the new State Pension does not affect your benefits in our scheme.***

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](http://www.nidirect.gov.uk/state-pension).



If you’re 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](http://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](http://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 Local Government Pension Scheme by following our Twitter feed at [@NILGOSC](https://twitter.com/NILGOSC).

## 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 the '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 10.

If you are yet to take your NILGOSC pension benefits you should not be concerned that the 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.*

All pension schemes have rules about when and how you can draw your pension benefits- this is to keep your money safe for retirement.

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 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](http://www.pension-scams.com) to find out more.



# 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:

<b>Annual Pension</b>	<b>£10,000</b>
<b>Lump Sum</b>	<b>£15,000</b>

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](http://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.

# YOUR PENSION

## Cost of Living Adjustment

As a deferred member of the Scheme, we will continue to look after your benefits until you retire. Each year the value of your future pension is adjusted in line with the Consumer Prices Index (CPI). Unfortunately the rate of CPI was a minus figure this year of -0.1%.

If you left the scheme or opted out before 1 April 2015, then your deferred pension simply stays at the same level until next year.

If you left the scheme or opted out after 1 April 2015, there will be a small reduction applied to your benefits from 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.

The effects of this reduction will be shown on your deferred annual pension benefit statement next year, rather than on statements you received this year.

## Accessing Your Pension Benefits

The Normal Pension Age (NPA) for your deferred benefits depends on when you left the Scheme. If you left before 1 April 2015 your normal retirement date is usually age 65. If you left on or after 1 April 2015 you can claim your benefits when you reach your State Pension Age (SPA). Your annual pension benefit statement will also show you the exact date.

## At age 55 or over

You can apply to receive your benefits before your NPA if you are age 55 or over and have left your job. This can be done by writing directly to NILGOSC. Your benefits will be reduced as they will be paid for longer. If you are under age 60 then the 85 year rule protection does not apply in this case, unless your former employer chooses to switch it back on.

## Ill-health

You may be able to have your pension paid early if you have an illness which is permanent and would have resulted in ill-health retirement if you had still been in the job to which your benefits apply. In some cases NILGOSC will also consider whether you have a reduced likelihood of being able to do any other work. This decision is made by NILGOSC after examination by the Committee's doctor. Ill-health retirement applications should be made to NILGOSC in writing, accompanied by current medical evidence stating the permanency of the illness.

## Transfer of Benefits

As long as you are not a pensioner and are more than one year off your normal pension age, you are free to ask for a transfer to another scheme. Please ask your new employer or pension provider to request transfer details from NILGOSC as soon as possible after joining a new scheme or plan.

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 deferred members' section of our website [www.nilgosc.org.uk/keeping-us-updated](http://www.nilgosc.org.uk/keeping-us-updated) or to contact our office.



## 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 and must be nominated. If you were an active member of the Scheme on or after 1 April 2009, you have the option of nominating a cohabiting partner to receive a pension if you die. This option is not open to you if you left the Scheme before 1 April 2009.

If you would like your cohabiting partner to receive a pension if you die, you must have completed a valid Nomination of Cohabiting Partner Form and filed it with us before your death. There are certain conditions which you must meet before you can nominate a cohabiting partner to receive your pension. These are shown on the Nomination of Cohabiting Partner Form which can be downloaded from the deferred members' section of our website [www.nilgosc.org.uk/keeping-us-updated](http://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.

## Expression of Wish Form



If you die while you are a deferred member of the Scheme, we will normally pay out a lump sum of either three times the value of your deferred annual pension (if you left the Scheme before 1 April 2009) or five times the value of your deferred annual pension plus cost of living adjustments (if you left the Scheme on or after 1 April 2009). From 1 April 2015 if you are also an active member of the Scheme, the death grant payable will be the higher of that from your deferred membership or your active membership. Both death grants will not be paid.

Less than 33% of deferred 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 which can be downloaded from the deferred members' section of our website [www.nilgosc.org.uk/keeping-us-updated](http://www.nilgosc.org.uk/keeping-us-updated).

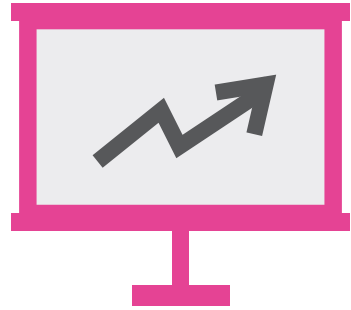


Your Pension Benefit Statement which you received in August of this year will state whether we hold an Expression of Wish Form for you. If your circumstances have changed, please remember to complete a new form.

# REVIEW OF THE YEAR 2015/16

## Membership

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



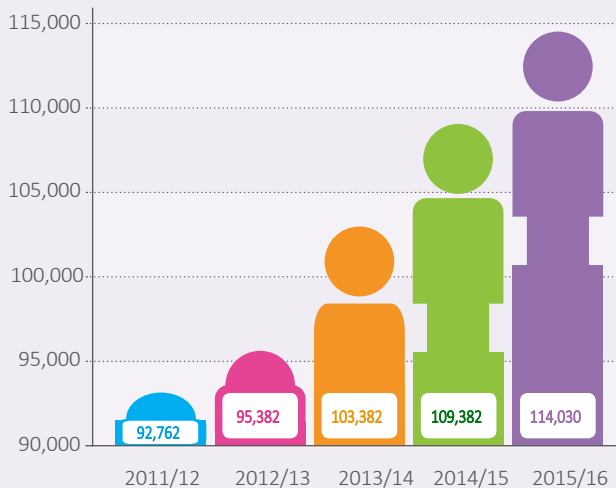
At 31 March 2016,  
the Scheme had

**53,724**  
*active*  
*members*

**31,581**  
*pensioners*

**28,721**  
*deferred*  
*members*

Scheme Membership



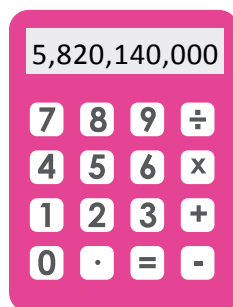
At 31 March 2016, there were 178 employers contributing to the Scheme including 11 councils, 1 Education Authority, 1 library authority, 85 schools, 9 further and higher education colleges and universities, 58 other bodies, and 13 employers who are closed to new members.



# 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](http://www.nilgosc.org.uk/annual-reports-and-corporate-plan).



	2015/16 £,000	2014/15 (*as restated) £,000
<b>INCOME</b>		
Employers' contributions	200,825	173,757
Employees' contributions	54,610	52,648
Transfers In	11,373	5,224
Investment Income	87,854	89,170
	<b>354,662</b>	<b>320,799</b>
<b>EXPENDITURE</b>		
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)
	<b>(247,797)</b>	<b>(200,017)</b>
Net income	<b>106,865</b>	<b>120,782</b>
<b>SUMMARY</b>		
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)
<b>Closing net assets of the Scheme</b>	<b>5,820,140</b>	<b>5,820,770</b>

\*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.

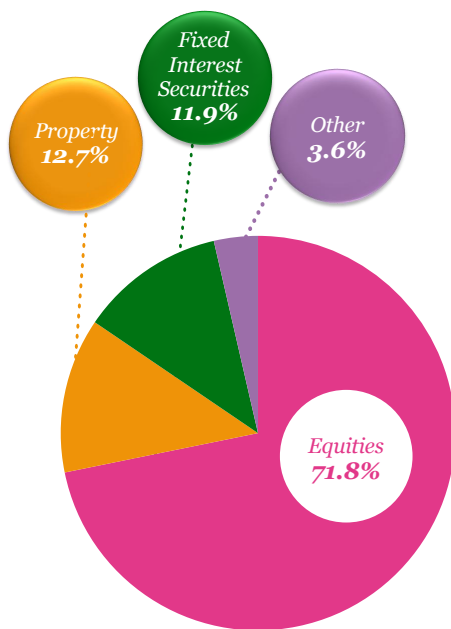
	3 Years	5 Years
NILGOSC	7.4%	7.8%
CPI + 5%	5.7%	6.7%

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](http://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:*

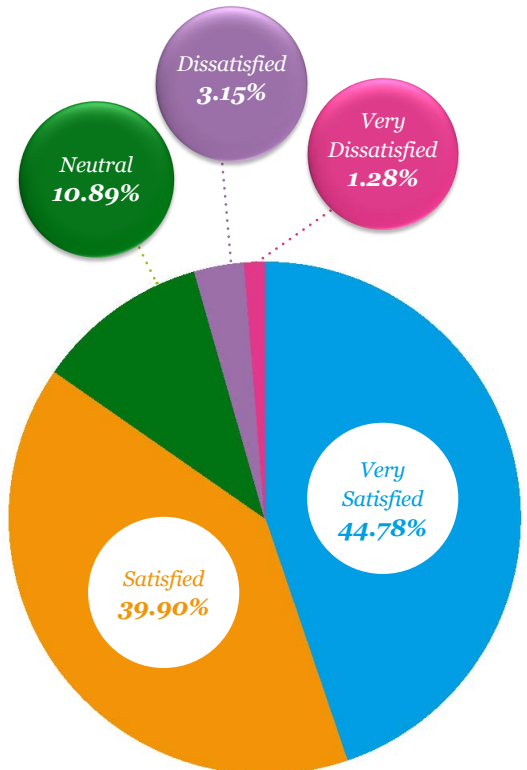
# SATISFACTION SURVEY 2016

*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

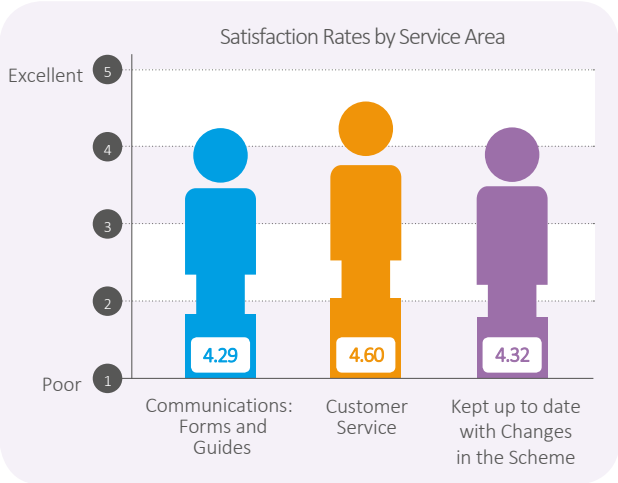
*We were delighted to hear that over 84% of our members were satisfied or very satisfied with the service they have received from us.*



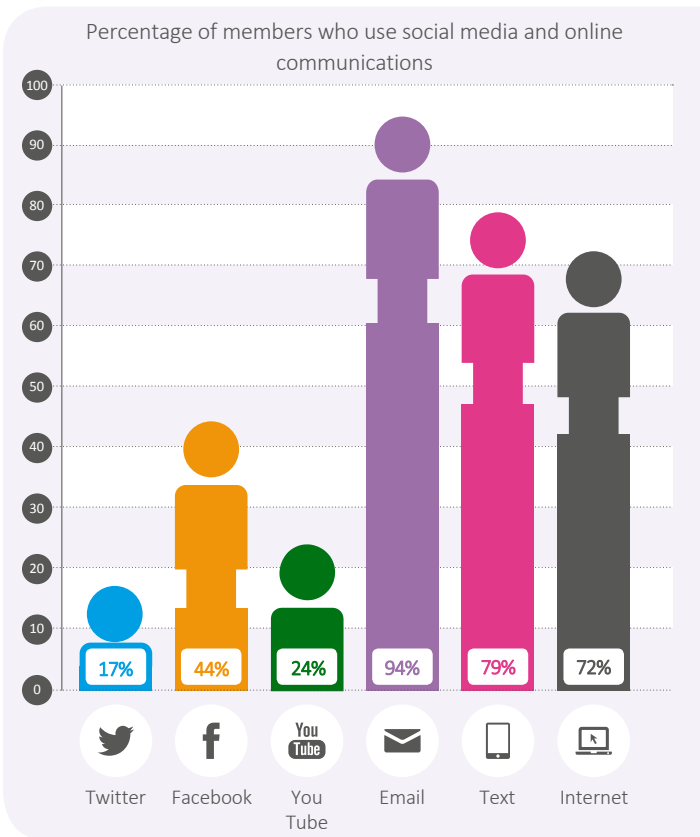
Members' Overall Satisfaction

## 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](http://www.nilgosc.org.uk/emailcapture.aspx). For full details see page 3.

# 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](http://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](mailto: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](http://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](http://www.nilgosc.org.uk/equality-scheme) or obtained from NILGOSC.

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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](mailto:equality@nilgosc.org.uk).

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# CONTACT DETAILS



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