

Public Service Pensions
Waterside House
75 Duke Street,
Londonderry
BT47 6FP

26 September 2018

Dear Sir/Madam

**Public Service Pensions (Valuations and Employer Cost Cap) (Amendment)
Directions (Northern Ireland)**

Thank you for the opportunity to comment on the draft Directions.

We understand that the Department intends to invite comments from all persons with an interest in public service pension scheme valuations. We have seen the letter from the Department to the Trade Union side but we are unaware of any communication, either on the 'cost-cap' valuations or the Directions, with the 178 employers in the LGPS(NI). For information many employers within our scheme are not 100% funded by central government. Scheme employers paid in excess of £201m to the scheme by way of employer contributions in 2017/18. We would therefore recommend that the views of the employers are also sought. Employers have made it clear to us that they cannot bear any additional scheme costs.

There is a serious disconnect between the GAD 'cost-cap' valuation process and our local scheme valuation used to set employer contribution rates. This is mainly because the LGPS is a funded scheme. The 'cost-cap' process was introduced to protect public funds but it appears that, as a result of its implementation, scheme benefits will become more generous and therefore the cost of the scheme will rise, the polar opposite of Government's original intention. We therefore welcome HM Treasury's intention to review the mechanism and look forward to contributing to the review. As this is a devolved matter though we would highlight that there is now an opportunity to design an alternative mechanism that is more aligned to the actual scheme costs, relevant specifically to Northern Ireland and the LGPS(NI) in particular.

Turning to the draft Amendment Directions we wish to highlight that there are a number of assumptions being used which are significantly different to the actual experience of the LGPS(NI), and the use of such assumptions will increase the disconnect with the local scheme valuation. We would recommend that the Department uses scheme specific statistics or, at the very least, Northern Ireland equivalent statistics. For example: -

Direction 17 – Public Earnings Growth – Our scheme experience has shown an increase in pensionable remuneration in excess of 4% between the years 2015/16 and 2016/17, significantly higher than the proposed substitute value of 1.2%.

Direction 18 Assumed Mortality – The LGPS(NI) experience of mortality at 31 March 2018 showed that our scheme members were living significantly longer than the general ONS figure for the whole population of the UK.

Direction 18 Commutation – The experience of the NILGOSC fund at 31 March 2016 was that 75% of the maximum permitted was taken as a lump sum equating to a commutation figure of approximately 27%.

In addition, I have been advised that there was an important change between ONS 2012 and ONS 2016 mortality figures in that the improvements for an outlier cohort, referred to as the 'golden cohort' (people born between 1925 and 1934) were excluded. If this is the case then the 2013 Scheme valuations should be adjusted accordingly rather than reflecting the change solely in the 2016 valuations.

Yours faithfully

David Murphy
Chief Executive