



# Government Actuary's Department

## **Local Government Pension Scheme (Northern Ireland)**

**Actuarial valuation as at 31 March 2013**

**Report on membership data**

Date: 6 March 2015

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## **1 Introduction**

- 1.1 This report has been prepared by the Government Actuary's Department (GAD) in its capacity as actuarial advisor to the Department of the Environment (DOE) in Northern Ireland.
- 1.2 DFP's Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (the 'DFP Directions') as amended<sup>1</sup> require that a preliminary valuation of the Scheme is carried out as at 31 March 2013. This valuation will calculate the 'employer cost cap' for the Scheme as defined in Section 12 of the Public Service Pensions Act (Northern Ireland) 2014.
- 1.3 This report discusses and summarises the membership data provided to GAD and to be used by GAD for the purposes of that valuation. It also sets out the checks that GAD has undertaken on this data, and provides a summary of the data.
- 1.4 The results of the valuation will be critically dependent on the quality and correctness of the data used. The purpose of this document is to ensure that users of the valuation report understand the issues relating to the data and, in particular, those issues that may have a material impact on the valuation result.
- 1.5 In preparing this report GAD has relied on data and other information supplied by, or on behalf of, NILGOSC in its role as scheme administrator, as described in this report. Any checks that GAD has made on this data and information are limited to those described in this report, including any checks on the overall reasonableness and consistency of the data. These checks do not represent a full independent audit of the data supplied and do not by themselves confirm or guarantee the overall quality or correctness of the data. In particular, GAD has relied on the general completeness and accuracy of the information supplied without independent verification.
- 1.6 The data requested by GAD was intended to be not materially different from the data that the actuary appointed by NILGOSC have used for their own local funding actuarial valuation as at 31 March 2013.
- 1.7 GAD is grateful to NILGOSC and their actuarial advisors for the prompt provision of data, and their responses to follow-up queries.
- 1.8 The contents of this report have been agreed with DOE who have confirmed that they are content for the resulting data to be used in the valuation, for the determination of the "employer cost cap" in relation to future service costs as required by the DFP Directions.

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<sup>1</sup> The DFP Directions were amended by the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2015



- 1.9 This report is intended solely for the use of DOE. We are content for DOE to release this report to third parties, provided that:
- > it is released in full
  - > the advice is not quoted selectively or partially
  - > GAD is identified as the source of the report, and
  - > GAD is notified of such release.
- 1.10 Third parties whose interests may differ from those of DOE should be encouraged to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this report.



## **2 Overview of the data collection process**

### **Individual membership data**

- 2.1 Membership data was requested from NILGOSC, in its role as scheme administrator. A data specification was provided which indicated the form in which GAD wished to receive the data, and the precise information to be included.
- 2.2 The specification also included a request for a statement; “that the NILGOSC Actuary believes this data to be fit for the purpose of valuing the Fund they advise (along the lines of that included in local valuation report)”.
- 2.3 Appendix A shows sections of the draft data specification which was sent to NILGOSC (in particular sections 2 and 4 of the data specification dated 19 June 2014). Appendix B shows the statement which we received from the local fund actuarial advisor.
- 2.4 Individual member data was supplied for active members as at 31 March 2013.
- 2.5 Having obtained the data set from NILGOSC, GAD undertook a limited range of reviews to ensure that the principal items of data appeared reasonable, and that it was consistent with the NILGOSC Actuary’s valuation report.

### **Benefit information**

- 2.6 A summary of the benefits provided to members of the Scheme is shown in Appendix C. The only uncertainty that we are aware of about the form of benefits that the scheme is liable to provide is the potential requirement for sex equalisation of GMPs. This issue does not affect the cost cap valuation.



### 3 Review of the data provided – process

- 3.1 This section summarises the validation and review process applied to the data submitted to GAD.
- 3.2 First, the active membership data provided was reviewed against the data specification for both completeness and consistency.
- 3.3 Detailed membership checks were not undertaken since we relied upon the data validation work carried out by the actuary appointed by NILGOSC. Our reviews were therefore focused on the presence and consistency of the specified data items and especially those that are most significant for the valuation exercise.
- 3.4 The NILGOSC appointed actuary provided a list of data adjustments which had been made to the data, as set out in Appendix B. The data provided did not include all of these adjustments, possibly because they were made as part of the NILGOSC appointed actuary's valuation calculations, rather than directly to the data. We have therefore replicated the adjusted the data provided to take account of the adjustments set out in Appendix B. Full details of the adjustments we have made are provided in section 4 of this report.
- 3.5 The data after the adjustments is consistent with the data summary in the NILGOSC appointed actuary's valuation report<sup>2</sup>, as shown in section 5.
- 3.6 We compared the data received against NILGOSC's Report and Accounts 2012-13 dated 24 September 2013, which sets out Scheme cash flow and other details gathered for the 2012-13 financial year. This showed that the data received was consistent with the Report and Accounts information, allowing for differences in definition and other uncertainties, as discussed in section 4.

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<sup>2</sup> <https://www.nilgosc.org.uk/resources/category/21/valuation-reports.aspx>



## 4 Review of the data provided – comments and adjustments

- 4.1 This section gives comments on the data following our review, describes the data adjustments that have been made, and comments on the significance of the issues or adjustments for the reliability of the exercise.
- 4.2 It does not appear that data has been provided for 382 Councillor members.
- 4.3 No data was provided for 1,593 “undecided leavers”. However, these member have left active service so are not needed for this valuation under the DFP Directions.
- 4.4 The NILGOSC Actuary made a number of adjustments to the data, details of which are in Appendix B. Most of these adjustments were contained in the data provided to us, with the exception of salary related adjustments which we understand would be done within their valuation system. The adjustment we made to get from the data provided to that reported by the NILGOSC Actuary were to:
- > Remove the pensionable salary at date of valuation for around 500 members due to inconsistencies and instead use a default of £20,000 as advised by NILGOSC.
  - > Amend the pensionable salary at the date of valuation to £10,000 for around 1,000 members as instructed by NILGOSC due to the pay data provided looking very low.
  - > Calculate Actual Pay based on part time proportion where this was not provided.

### Comparison with NILGOSC Report and Accounts

- 4.5 For active contributing members, we compared totals from the data provided against information in the NILGOSC Report and Accounts 2012-13 dated 24 September 2013.
- 4.6 We compared the total number of active members with the totals in the accounts. Allowing for the differences in definition and the usual level of late notifications and other issues the figures were consistent.
- 4.7 We compared the total pensionable pay figures provided to us (£741m) with estimated figures implied by the total employee contributions paid shown in the accounts (£746m). These figures are consistent given the accuracy of the estimate.



## 5 Summary of data before and after the review process

5.1 A summary of the aggregate membership data is given below:

- > The first table (5.1) shows a summary of the data actually received
- > The second table (5.2) shows the data after the adjustments, described in section 4 of this report, were made
- > The final table (5.3) shows the data summary taken from the local fund actuary's valuation report as at 31 March 2013.

### Summary of active member data

**Table 5.1. Data received, before adjustments applied by GAD.**

Gender	Number of members	Total pensionable pay (actual) (£m) (i)	Average age (unweighted)
Male	15,893	353.2	47.4
Female	28,482	382.7	45.5
<b>Total</b>	<b>44,375</b>	<b>735.9</b>	<b>46.4</b>

**Table 5.2. Data, after adjustments, as described in section 4.**

Gender	Number of members	Total pensionable pay (actual) (£m) (i)	Average age (unweighted)
Male	15,893	354.7	47.4
Female	28,482	387.2	45.8
<b>Total</b>	<b>44,375</b>	<b>741.9</b>	<b>46.4</b>

**Table 5.3. Data from local fund actuary's valuation report<sup>3</sup> as at 31 March 2013**

Gender	Number of members	Total pensionable pay (actual) (£m) (i)	Average age (unweighted)
Male	15,893	354.8	47.4
Female	28,482	387.1	45.8
<b>Total</b>	<b>44,375</b>	<b>741.9</b>	<b>46.4</b>

i. the pay shown is actual pay for the time worked





## **6 Conclusions**

- 6.1 This report describes the process that has been followed for obtaining and reviewing the data to make an assessment of the “employer cost cap”, as defined in the Public Service Pensions Act (Northern Ireland) 2014, of the Local Government Pension Scheme (Northern Ireland) as at 31 March 2013. It also includes a summary of the membership data which we intend to use for this exercise as at that date.
- 6.2 We believe that the actives data provided, with the adjustments described in this report, should be sufficient to provide a reliable assessment of the employer cost cap. A major factor in giving this opinion is that the data received was the same as the data used for the valuation as at 31 March 2013 carried out by the NILGOSC actuary. This ensures consistency between the data used in assessment of the employer cost cap and that used to set employer contributions rates. The data provided to us has therefore already undergone a degree of scrutiny by the actuary appointed by NILGOSC. Together with the review process we have undertaken, we believe the data set we have assembled should provide a robust basis for assessing the future service cost of the Scheme benefits.



## Appendix A: Data items requested

A.1 Sections 2 and 4 of the data specification dated 19 June 2014 are set out below.

### 2 Statement on the data

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2.1 Along with the data please provide the following:

- > A brief statement of any adjustments made by the Fund Actuary to the data (along the lines of that included in local valuation reports)
- > A statement that the Fund Actuary believes this data to be fit for the purpose of valuing the Fund (along the lines of that included in local valuation report).

### 4 Active members at 31 March 2013

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4.1 Data is required for all members active in the Scheme on 31 March 2013 ('current active data').

4.2 For current actives, the following data items are critical:

#### Key data items

- a. Unique identifier
- b. Sex (M or F)
- c. Date of birth
- d. Date of joining LGPSNI
- e. Annualised rate of actual pay over the last twelve months as at 31 March 2013.
- f. Rate of full-time equivalent pensionable pay at 31 March 2013 (for councillors this will be the last twelve month's pensionable pay)

4.3 The following data items would be useful, if they can be provided without disproportionate cost:

#### General member data

- g. Is the member a councillor (Y/N)?
- h. Employees contribution rate (as a percentage of pay) at 31 March 2013
- i. Critical retirement date (the date the member will attain their Rule of 85 age, or, if not eligible for the Rule of 85, their normal retirement date)



Service in the scheme

- j. Pre-09 pensionable service (up to and including 31 March 2009)
- k. Post-09 pensionable service (from 31 March 2009)
- l. The accrued pension at the valuation date (for councillors only)

Additional service/pension

- m. Pre-09 additional service accrued to the member at the valuation date including transfers-in. (For councillors, pre-09 accrued pension)
- n. Post-09 additional service accrued to the member at the valuation date including transfers-in. (For councillors, post-09 accrued pension)
- o. Additional pension accrued at the valuation date

Salary/benefit data

- p. Current part-time proportion
- q. Amount of pension in payment, revalued to 31 March 2013, due to the member taking flexible retirement
- r. Amount of pension debit revalued to 31 March 2013

GMP data

- s. Date GMP is revalued to
- t. Annual GMP accrued up to 06/04/1988
- u. Annual GMP accrued from 06/04/1988



## Appendix B: Statement by the fund actuary

B.1 The following statement was received from the actuary appointed by NILGOSC for funding valuations:

*We believe this data to be fit for the purpose of valuing the Fund although we can only confirm the data is fit for purpose where it is used in conjunction with our valuation models.*

*As you are aware, the data has been amended as part of our data query exercise since the original information provided. We set out below a brief summary of the main changes following responses to queries raised.*

### **Actives**

- *Removed the pensionable salary at date of valuation for around 500 members due to inconsistencies and instead used a default of £20,000 as advised by NILGOSC.*
- *Removed 1 member because they opted out and have no further liability, as advised by NILGOSC.*
- *Amended the pensionable salary at the date of valuation to £10,000 for around 1,000 members as instructed by NILGOSC due to the pay data provided looking very low.*
- *Amended blank part time values for around 580 part time members to 30% as advised by NILGOSC.*
- *Included around 80 members who left active status on the valuation data.*

### **Deferreds**

- *Corrected deferred pensions for 5 members as advised by NILGOSC.*
- *Included 20 members who left deferred status on the valuation date.*

### **Pensioners**

- *Corrected pension for 1 member as advised by NILGOSC.*
- *Amended the reason for retirement to ill health for 70 members as advised by NILGOSC.*

### **Dependants**

- *Corrected pension for 1 member as advised by NILGOSC.*
- *Included 1 member who left dependant status on the valuation date.*

*Please note that we were also provided with data on 1,593 undecided leavers which we have made allowance for in our calculations. These records are not included in the data.*



## Appendix C: Summary of benefits

- C.1 A summary of benefits provided by the Scheme is shown below, covering benefit levels for service immediately prior to 1 April 2015, and from 1 April 2015.
- C.2 The main benefit provisions of the Scheme, for service from 1 April 2009 to 31 March 2015 and for service from 1 April 2015, are shown in Table C1.

**Table C1 - Main benefit provisions of LGPS**

	<b>From 1 April 2009 to 31 March 2015</b>	<b>From 1 April 2015</b>
<b>Basis of provision</b>	Final salary	Career average with revaluation of CPI
<b>Contracted out/in</b>	Contracted out	Contracted out Note that the Government proposes abolishing contracting out from April 2016
<b>Normal Pension Age (NPA)</b>	65	State Pension Age, or 65 if higher
<b>Early retirement</b>	Transitional Rule of 85 for some members	Transitional Rule of 85 for some members
<b>Pension accrual rate</b>	1/60	1/49
<b>Retirement lump sum accrual rate</b>	By commutation (at 12:1)	By commutation (at 12:1)
<b>Pensionable pay</b>	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours
<b>Final Pay</b>	Total Pensionable Pay in last 12 months prior to retirement or earlier exit, or in either of the previous two years if higher	N/A
<b>Pensionable Service</b>	Membership of Fund (years and days), plus periods of credited service	N/A
<b>Dependant benefits</b>	1/160 (on death in service, full prospective service is included).	1/160 (on death in service, full prospective service is included).
<b>Lump sum on death in service</b>	3 x Final Pay at exit	3 x Pensionable Pay at exit
<b>Lump sum on death after retirement</b>	10 years- of current pension less pension already received	10 times pre commutation pension less commuted lump sum and pension already received
<b>Ill health pension</b>	2-Tier system with benefit tier depending on prospect of return to gainful employment. Tier 1 (no reasonable expectation of return to gainful employment before NPA) – service enhanced by full prospective service to NPA. Tier 2 (expectation of return to gainful employment before NPA) – service enhanced by 25% of prospective service to NPA.	
<b>Ill health pension vesting period</b>	1 year	2 years
<b>Pension increases</b>	Governed by the Pensions (Increase) Act 1971.	Governed by the Pensions (Increase) Act 1971
<b>Statutory underpin</b>		Underpin of benefits on 2009 Scheme structure for members aged over 55 in April 2012.