

SECTION IV OF THE PRINCIPAL CIVIL SERVICE PENSION SCHEME (NORTHERN IRELAND)

The General Provisions Section

Arrangement of Rules

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PART A
INTERPRETATION

A.1 Interpretation: general

- (1) This Part applies for the interpretation of this Section.
- (2) The Interpretation Act (Northern Ireland) 1954 applies for the interpretation of the rules of this Section of the Scheme as it applies to an Act of the Northern Ireland Assembly.
- (3) In these rules, -

“the 1972 Section” means Section II of the Scheme;

“the 2002 Section” means Section I of the Scheme;

“the 2007 Section” means Section III of the Scheme;

“active member” has the meaning given in Article 121(1) of the Pensions (Northern Ireland) Order 1995;

“Actual Average Employer Contribution” has the meaning set out in rule B.6;

“Capped Employer Cost” has the meaning set out in rule B.4;

“the Department” means the Department of Finance and Personnel;

“Effective Date” in relation to an actuarial review means the date as at which the Standard Contribution Rate and the Overall Scheme Cost for that review are assessed;

“Final Actuarial Report” means the report produced by the Scheme Actuary in accordance with rule B.2(6);

“Final Overall Scheme Cost” has the meaning set out in rule B.8;

“Governance Group” means the group established in accordance with Part C of this Section;

“Implementation Plan” means the plan that requires one or more scheme changes to be made to eliminate the Residual Cost Pressure and is prepared by the Department under rule B.2(4)(b);

“Movement in Scheme Costs” has the meaning set out in rule B.1(10);

“Notional Average Employer Contribution” has the meaning set out in rule B.5;

“Overall Scheme Cost” has the meaning set out in rule B.1(6);

“Pre-Way Forward prison officer” means a prison officer who has a pension age of 55 under rule 2.26 of the 1972 Section;

“Residual Cost Pressure” has the meaning set out in rule B.7;

“Scheme” means the Principal Civil Service Pension Scheme (Northern Ireland);

“Scheme Actuary” means the actuary appointed by the Department for the time being to provide a consulting service on actuarial matters relevant to the Scheme;

“Standard Contribution Rate” has the meaning set out in rule B.1(7);

“Statement of Movement in Scheme Costs” has the meaning set out in rule B.1(9).

“TUS” means Trade Union Side.

PART B

COST SHARING AND COST CAPPING

B.1 Requirement for periodical actuarial reviews of the Scheme

- (1) The Department must periodically instruct the Scheme Actuary to carry out an actuarial review of the Scheme.
- (2) The review will be based on actuarial assumptions determined by the Department, after consultation with the Scheme Actuary, the Treasury and the Governance Group.
- (3) The Effective Date of the first actuarial review will be 31st March 2010.
- (4) The Effective Date of each subsequent actuarial review will be determined by the Department, but must be no later than four years after the Effective Date of the previous review.
- (5) The Department must instruct the Scheme Actuary to produce an initial report on the actuarial review setting out-
 - (a) the Overall Scheme Cost (see paragraph (6)), and
 - (b) a Statement of Movement in Scheme Costs (see paragraph (9)).
- (6) The Overall Scheme Cost is the Standard Contribution Rate (see paragraph (7)) at the Effective Date of the actuarial review-
 - (a) reduced to reflect the rate of contributions payable by active members at the Effective Date of the actuarial review, and
 - (b) increased (or reduced) to reflect the elimination of any notional deficit (or notional surplus) in the Scheme at the Effective Date of the actuarial review over a period, set by the Department after consultation with the Scheme Actuary but not exceeding 15 years.

The calculation of the Overall Scheme Cost will be by reference to all of Sections I, II and III of the Scheme, except that future accrual of benefits provided to or in respect of, and contributions payable by or in respect of, Pre-Way Forward prison officers will be excluded from the calculation.

- (7) The Standard Contribution Rate is the rate, expressed as a percentage of pensionable payroll, that would be sufficient to finance future benefits under the Scheme (except benefits provided to or in respect of Pre-Way Forward prison officers) in the absence of any notional surplus or notional deficit and assuming that actual experience is in line with the assumptions determined under rule B.1(2).
- (8) In paragraphs (6) and (7) “notional surplus” or “notional deficit” means an amount of notional surplus or notional deficit determined by the Scheme Actuary as being the amount by which the Scheme’s notional assets are more or less than the Scheme’s actual past service liabilities.
- (9) The Statement of Movement in Scheme Costs sets out-
- (a) the Movement in Scheme Costs (see paragraph (10)), and
 - (b) in a form agreed by the Department and the Scheme Actuary to be sufficient to enable the Department to carry out its duty under rule B.2(3)(a)-
 - (i) a list of the elements which the Scheme Actuary determines have contributed to the Movement in Scheme Costs, and
 - (ii) the amount of the Movement in Scheme Costs that, in the Scheme Actuary’s view, relates to each listed element.
- (10) The Movement in Scheme Costs is equal to-

OSC – LFOSC

Where-

OSC is the Overall Scheme Cost for the current actuarial review, and

LFOSC is the Final Overall Scheme Cost from the previous actuarial review or, in relation to the first actuarial review, 19.5%.

B.2 Action required by the Department following each actuarial review

- (1) After each actuarial review the Department must take the steps required by paragraphs (3) to (8).
- (2) The Department may take advice from the Scheme Actuary in connection with any of the steps required by this rule.
- (3) The Department must-

- (a) attribute each element listed in the Statement of Movement in Scheme Costs (see rule B.1(9)(b)) to one or more Cost Categories (see rule B.3) in such proportions as the Department may decide. This sub-paragraph is subject to rules B.3(2), (3) and (4);
 - (b) determine the following amounts-
 - (i) the Capped Employer Cost (see rule B.4),
 - (ii) the Notional Average Employer Contribution (see rule B.5),
 - (iii) the Actual Average Employer Contribution (see rule B.6), and
 - (iv) the Residual Cost Pressure (see rule B.7); and
 - (c) inform the Governance Group and TUS of-
 - (i) the Cost Categories into which each element listed in the Statement of Movement in Scheme Costs has been attributed under paragraph (3)(a), and
 - (ii) the amounts determined under paragraph (3)(b).
- (4) If the Residual Cost Pressure is a positive amount-
- (a) the Department must consider any report presented by the Governance Group to the Department on options for handling the Residual Cost Pressure, and
 - (b) after consultation with the Scheme Actuary and TUS or such persons appearing to the Department to represent persons likely to be affected by those scheme changes, the Department must prepare an Implementation Plan which requires one or more scheme changes to be made to eliminate the Residual Cost Pressure.
- (5) If the Residual Cost Pressure is a negative amount it must be held in reserve and offset from the Residual Cost Pressure arising at the next actuarial valuation in accordance with rule B.7(1).
- (6) The Department must instruct the Scheme Actuary to produce a Final Actuarial Report that includes-
- (a) the Overall Scheme Cost,
 - (b) the Statement of Movement in Scheme Costs,

- (c) the Capped Employer Cost,
 - (d) the Notional Average Employer Contribution,
 - (e) the Actual Average Employer Contribution,
 - (f) the Residual Cost Pressure,
 - (g) where the Residual Cost Pressure is a positive amount, details of the steps taken to eliminate the Residual Cost Pressure,
 - (h) where the Residual Cost Pressure is a negative amount, details of the amount held in reserve in accordance with rule B.2(5), and
 - (i) the Final Overall Scheme Cost (see rule B.8).
- (7) The Department must arrange for the Final Actuarial Report to be published.
- (8) The Department must, where necessary, adjust the rates of employers' contributions payable to the Scheme under rule 15.1 of the 1972 Section, rule C.3 of the 2002 Section or rule D.3 of the 2007 Section so that, no later than 3 months after publication of the Final Actuarial Report, the average rate of contributions payable by the employers of active members (other than contributions payable in relation to Pre-Way Forward prison officers) is estimated to be at or no less than the level of the Actual Average Employer Contribution.

B.3 Cost Categories

- (1) The Cost Categories are-
- (a) Cost Sharing and Cost Capping,
 - (b) Cost Capping Only,
 - (c) Employers Only,
 - (d) Members Only, and
 - (e) Elements Outside the Scope of Cost Sharing and Cost Capping.
- (2) The Department must attribute to Cost Capping Only any of the Movement in Scheme Costs that the Scheme Actuary has listed in the Statement of Movement in Scheme Costs as relating to the admission of new members into the 2007 Section rather than the 2002 Section.
- (3) The Department must attribute to Employers Only any of the Movement in Scheme Costs that the Scheme Actuary has listed in the Statement of Movement in Scheme Costs as relating to the following-
- (a) changes to scheme administration costs,

- (b) changes to financial assumptions,
 - (c) changes to actuarial methodology, and
 - (d) the effect of overpayments by employers.
- (4) The Department must attribute to Members Only any of the Movement in Scheme Costs that the Scheme Actuary has listed in the Statement of Movement in Scheme Costs as relating to the effect of overpayments by active members.

B.4 The Capped Employer Cost

- (1) The Capped Employer Cost is the greater of-
- (a) 20%, and
 - (b) the amount obtained by applying the following formula-

$$\mathbf{PCEC + EO.}$$

- (2) In paragraph (1)-

PCEC is the Capped Employer Cost stated in the Final Actuarial Report from the previous actuarial review or, in the case of the first actuarial review, 20%, and

EO is the amount of Movement in Scheme Costs from the current actuarial review attributed by the Department to Employers Only but excluding any such amount listed in the Statement of Movement in Scheme Costs as relating to the effect of overpayments by employers.

B.5 The Notional Average Employer Contribution

- (1) The Notional Average Employer Contribution is the lesser of-
- (a) the amount obtained by applying the following formula-

$$\mathbf{PAEC + EO + CC + \frac{1}{2} SC, \text{ and}}$$

- (b) the Capped Employer Cost (see rule B.4).

- (2) In paragraph (1)-

PAEC is the Notional Average Employer Contribution stated in the Final Actuarial Report from the previous actuarial review or, in the case of the first actuarial review, 19.5%,

EO is the amount of the Movement in Scheme Costs from the current actuarial review attributed by the Department to Employers Only,

CC is the amount of the Movement in Scheme Costs from the current actuarial review attributed by the Department to Cost Capping Only, and

SC is the amount of the Movement in Scheme Costs from the current actuarial review attributed by the Department to Cost Sharing and Cost Capping.

B.6 The Actual Average Employer Contribution

- (1) The Actual Average Employer Contribution is the greater of-
 - (a) the Actual Average Employer Contribution stated in the Final Actuarial Report from the previous actuarial review or, in the case of the first actuarial review, 19.5%, and
 - (b) the Notional Average Employer Contribution.

B.7 The Residual Cost Pressure

- (1) The Residual Cost Pressure is the amount obtained by applying the following formula-

$$\mathbf{MO} + \frac{1}{2} \mathbf{SC} + \mathbf{CB} + \mathbf{NRCP}.$$

- (2) In paragraph (1)-

MO is the amount of the Movement in Scheme Costs from the current actuarial review attributed by the Department to Members Only,

SC is the amount of the Movement in Scheme Costs from the current actuarial review attributed by the Department to Cost Sharing and Cost Capping,

CB is-

- (a) the amount obtained by applying the formula set out in rule B.5(1)(a) less the Capped Employer Cost (see rule B.4), or
- (b) where the amount mentioned in paragraph(a) is a negative number, zero, and

NRCP is the amount of any negative Residual Cost Pressure held in reserve from the previous actuarial review under rule B.2(5).

B.8 The Final Overall Scheme Cost

- (1) Unless paragraph (2) applies, the Final Overall Scheme Cost for an actuarial review is the Notional Average Employer Contribution for that review.

- (2) This paragraph applies where rule B.2(5) applies to the actuarial review (Residual Cost Pressure is a negative amount). In that case, the Final Overall Scheme Cost is the Notional Average Employer Contribution for that review reduced by the amount of the negative Residual Cost Pressure.

PART C
THE GOVERNANCE GROUP

C.1 Establishment and role of the Governance Group

- (1) The Department may establish a Governance Group to come into effect on 1st February 2010 or at such later date as the Department may decide.
- (2) The role of the Governance Group will be determined by the Department from time to time, following consultation with TUS.

C.2 Composition of the Governance Group and appointments, resignations and removals

- (1) The Governance Group will consist of-
- (a) 3 persons appointed by the Department (each known as a “Departmental appointee”),
 - (b) 3 persons appointed by TUS (each known as a “union appointee”), and
 - (c) an independent chairperson appointed by the Department after consultation with TUS.
- (2) Subject to paragraph (3), each appointment apart from the chairperson’s will last until the earliest of-
- (a) 3 years after the date of appointment,
 - (b) resignation by the appointee (see paragraph (4)), or
 - (c) removal of the appointee (see paragraph (5)).
- (3) The terms of office of the first 6 appointees to the Governance Group shall be as follows-
- (a) the first Departmental appointee and the first union appointee shall hold office for 3 years (or, if earlier, until resignation or removal),

- (b) the second and third Departmental and union appointees shall each hold office for 4 years (or, if earlier, until resignation or removal).
- (4) An appointee to the Governance Group may resign by giving notice in writing to the chairperson, with a copy to the Department and TUS. The chairperson may resign by giving notice in writing to the Department.
- (5) A Departmental appointee may be removed by notice in writing from the Department. A union appointee may be removed by notice in writing from TUS.
- (6) Where there are less than 3 Departmental appointees at any time, the Department may appoint further persons but there must be no more than 3 Departmental appointees (excluding the chairperson) at any time.
- (7) Where there are less than 3 union appointees at any time, TUS may appoint further persons but there must be no more than 3 union appointees at any time.
- (8) The Department must review the appointment of the chairperson from time to time and may remove the chairperson or appoint a replacement at any time after consultation with TUS.

C.3 Payment of fees and expenses

The Department may-

- (a) pay fees to or in respect of the chairperson of such amounts as the Department may determine, and
- (b) reimburse the chairperson in respect of any expenses incurred by the chairperson in the performance of the chairperson's functions.

C.4 Procedure

- (1) The Governance Group may determine its own procedure (including quorum).
- (2) The Governance Group may establish committees and sub-committees and may determine the procedure (including quorum) for any such committees or enable those committees to regulate their own procedures.
- (3) The Governance Group may take advice from the Scheme Actuary in connection with preparing a report for the Department on options for handling the Residual Cost Pressure (see rule B.2(4)(a)).

- (4) The Department will meet the costs of the advice provided by the Scheme Actuary under paragraph (3) to the extent that the Governance Group has acted reasonably in requesting such advice.

PART D

AUTOMATIC ENROLMENT

D.1 Automatic enrolment and automatic re-enrolment

- (1) When arrangements are made by employers for the automatic enrolment or automatic re-enrolment of jobholders into the Scheme pursuant to the requirements of Chapter 1 of Part 1 of the Pensions (No.2) Act (Northern Ireland) 2008, then for the purposes of Chapter 1 of Part 1 of that Act —

- (a) a jobholder whose age is under 22 is deemed to be over 22;
- (b) a jobholder who has reached pensionable age is deemed not to have reached pensionable age; and
- (c) a jobholder whose earnings payable by the employer are equal to or less than the amount set out in sections 3(1)(c) and 5(1)(c) of the Pensions (No.2) Act (Northern Ireland) 2008 (as applied by sections 3(6B) and 5(7B) of that Act where applicable) in the relevant pay reference period, is deemed to have earnings payable by the employer of more than that amount in that period.

- (2) Paragraph 1 does not apply when the automatic enrolment provisions in section 3 of the Pensions (No.2) Act (Northern Ireland) 2008 are applied to a jobholder who has exercised the right under section 8 of that Act to opt out of the scheme following automatic enrolment or automatic re-enrolment.

- (3) The Department may apply this rule with such modifications as the Department considers appropriate.

- (4) In this rule—

- (a) “earnings”, “employer”, “jobholder”, and “pensionable age” have the same meanings as in Chapter 1 of Part 1 of the Pensions (No.2) Act (Northern Ireland) 2008; and

(b) “relevant pay reference period” has the same meaning as in regulations made under section 15 of the Pensions (No.2) Act (Northern Ireland) 2008 for the purposes of section 3(1)(c) of that Act.