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To: Salaries and Wages
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At: All Employing Authorities

Circular 10/2026

1 September 2026

Dear Colleagues,

Employer updates: Scheme factor review, revised employer strain costs, outsourcing services and reporting contractual hours

This circular provides employing authorities with an update on the Scheme review of factors, notification of new employer strain cost factors, guidance on pension considerations when outsourcing services and direction to follow on who to report contractual hours for.

1. Scheme review of factors

As advised in Circular 08 issued on 21 May 2026 (and briefly updated within Circular 09 issued on 3 July 2026), the Scheme is undergoing a review of the factors used in pension calculations. The Government Actuary's Department ('GAD') has now supplied nearly all of these, which have been implemented with effect as advised, throughout the period from 19 May to 1 August 2026, with revised club transfer factors due to take effect from 1 October 2026.

Please be advised that calculations are no longer suspended and will be processed as normal. In some instances, if a quotation has been issued to a member based on old factors and a decision is pending, confirmation may be sought to confirm a decision if the revised figures are materially different. For all other cases, calculations will proceed under the new factors.

2. Revised employer strain costs

The Scheme's actuary provides certain factors that are used to calculate strain costs that are payable by employers. These costs arise:

- on payment of early pension, such as on redundancy / business efficiency or flexible retirement grounds, and
- when making awards of additional pension on retirement.

Following the 2025 triennial valuation, the Scheme's actuary updates these factors to take into account changes in assumptions as well as the changing proportions of pre and post 2015 pensions. This review has now been completed, and the revised factors will take effect from today, 1 September 2026. As a broad indication of the impact of this change, the revised strain cost factors will:

- increase employer payments for early retirements (for redundancy, business efficiency or flexible retirement reasons) by approximately 6-7%. This increase in costs is mainly due to an increase in the assumed post 2015 proportion of the pension, which has a higher normal retirement age.
- decrease employer payments for awards of additional pension on retirement by around 1%. This decrease in cost is due to the change in mortality assumption used.

Employers should note the cost impact of these revised strain factors for any planned redundancy or retirement exercises. Any costs quoted before 1 September 2026 have been calculated using the old factors and will no longer be valid, therefore if an employer is still considering releasing an employee and wants an up-to-date figure, they should request a new quote.

As a reminder, if a redundancy/business efficiency retirement applies and the member is aged 55 or over and meets the two-year qualifying period, then the member's benefits are payable from the date of leaving on an unreduced basis. The reductions to pension for early payment are automatically waived and this capital strain cost is charged to the employer.

3. Outsourcing services: Pension considerations

We have noticed a recent increase in instances of Scheme employers outsourcing minor contracts such as catering or cleaning services to third parties. Should the outsourced contract affect employees who are eligible for membership of the LGPS(NI), pension provision should be considered during the tender process.

If it is intended for an equivalent pension provision is to be provided through the LGPS(NI) by an outsourced provider, then they must apply to become an admitted body of the Scheme. This is not a straightforward or automatic process; the applicant must meet the requirements of the Scheme Regulations, and this may entail obtaining a bond, indemnity or guarantee to secure the future liabilities. It is also likely that the employer contribution rate payable will differ to the rate paid by the incumbent main employer, due to the short-term nature and increased risk of such contracts. This will require actuarial work to confirm, which is recharged to the employer. Due to the number of steps and approvals required, an admission process can take around 6 months to complete. This should be carried out in advance of the outsourced contract commencing.

Action: Employers should note the costs and timelines involved in an admission process and allow for this in planning outsourced contracts.

4. Reporting contractual hours

As NILGOSC has now gathered hours and service break information for most members affected by the McCloud protections, employers only need to report contractual hours changes for:

- Members who are paying extra contributions through an Added Years contract that started before April 2009. As these contracts are no longer available, only a small number of active members are still paying into them. The pension administration team has already provided each employer with a list of affected employees. Any hour changes for these employees should continue to be reported through i-Connect or form LGS25.

- Members who were active in the Scheme before 1 April 2009 and were aged 45 or over on that date (born before 1 April 1964). If needed, NILGOSC will ask for details of any contractual hours changes since 1 April 2022 when the member retires on the grounds of permanent ill health and receives a Tier 2 enhancement.

Please do not hesitate to contact the pensions technical team or myself if you have any queries on any of the above matters.

Yours sincerely

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Sinead Heath
Chief Pensions Officer