

## **POLICY NOTE**

### **THE LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) REGULATIONS 2014**

**SSI 2014/164**

#### **1. Purpose of the instrument**

These Regulations introduce a new local government pension scheme (“the Scheme”) which is to come into existence on 1st April 2015 and replace the local government pension scheme constituted by the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (S.S.I. 2008/230) and the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (S.S.I. 2008/228) (“the 2008 Scheme”).

#### **2. Legislative context**

2.1 Reform to the Local Government Pension Scheme (Scotland) Regulations 2014 follows recommendations by the Independent Public Service Pensions Commission which was led by Lord Hutton of Furness.

2.2 The Commission published its final report on 10 March 2011 and recommended a number of changes to public sector schemes in order to ensure long term sustainability as well as a more balanced distributions of costs between members, employers and the tax payer.

2.3 This instrument introduces those changes including, a pension based on the member’s average career earnings; members will make increased contributions towards their pension; normal pension age will equal the state pension age and a cap will be put on the level of employer contributions, to ensure that the scheme remains sustainable.

#### **3. Territorial Extent and Application**

This instrument applies to Scotland.

#### **4. Policy background**

4.1 The reform of the LGPS follows Lord Hutton of Furness’ report of March 2011 and the resulting Public Service Pensions Act 2013. The policy intention is for the new scheme to continue to provide valued benefits for scheme members, and is affordable, sustainable and fair to employers, scheme members and tax payers.

4.2 The objectives for the reform of the LGPS were to ensure the sustainability of the scheme by encouraging existing members remain in the scheme and non-members to join.

Levels of contribution rates which will ensure protection of the lowest paid within the workforce and to continue to provide quality benefits to scheme members.

### **Consultation**

5. A six week technical consultation exercise on the draft Local Government Pension Scheme (Scotland) Regulations commenced on 6 January 2014 and ending on 14 February 2014.

### **Impact Assessment**

6. A partial impact assessment has been produced for this instrument as there is some impact on voluntary sectors; however as the intention is to reduce costs for employers in the long term; it is thought that any short term set up costs will be mitigated by the long term savings.

### **Contact**

7. If you have any queries regarding this instrument, please contact Kimberly Linge at the Scottish Public Pensions Agency (Tel: 01896 893229 or email: [Kimberly.linge@scotland.gsi.gov.uk](mailto:Kimberly.linge@scotland.gsi.gov.uk)).

Scottish Public Pensions Agency  
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The Annex contains an overview of the main features of the regulations.

## Annex

### Executive Summary of New Scheme

The new Scheme will meet the requirements of the Public Service Pensions Act 2013 and the high level objectives set by SLOGPAG for a new, reformed LGPS in Scotland. It delivers a scheme that provides valued benefits for scheme members, is fair for all stakeholders and, crucially, is affordable and sustainable for the longer-term. Headline features of the new scheme include:

- a) Change to a Career Average Revalued Earnings Scheme - this change reflects a requirement within the PSP Act. This type of scheme is particularly beneficial for lower paid members, individuals for whom promotion opportunities are limited or those where their earnings may reduce towards the end of their career.
- b) A change in the accrual rate from 1/60th to 1/49<sup>th</sup>
- c) Retention of the 5 point tiered employee contribution rate, which is 'banded'. This provides for fairer contribution rates for scheme members at the lower end of the pay scale. As contributions benefit from tax relief, a tiered arrangement of contributions, where scheme members pay a proportion of earnings up to each limit and then higher contributions on earnings above each limit, also improves the perceived fairness of contributions at different salary levels.
- d) Lump sum death in service benefit remains at three times pay
- e) Pensions for partners who cohabit and civil partners equal to those benefits afforded to married couples. There will be no requirement to nominate a cohabitee.
- f) Retention of the ill-health pension provisions through a two-tier benefit scheme, with a third tier provided by a discretionary employer lump sum payment to operate alongside the scheme.
- g) The 50:50 Option – this is a new scheme design feature which allows employees eligible for LGPS membership or scheme members to elect to pay 50% of normal contributions, and in return accrue only 50% of their pension during that time. Death in service benefits will, however, be paid in full. This feature is not designed to replace long term membership of the full scheme.
- h) The member's pension normal pension age will be equal to the state pension age.