

POLICY NOTE

THE LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) (AMENDMENT) REGULATIONS 2024

SSI 2024/37

The above instrument was made in exercise of the powers conferred by sections 1, 2 and 3 and Schedule 2 of the Public Services Pensions Act 2013. The instrument is subject to negative procedure.

Purpose of the instrument.

These Regulations amend the principal Scottish Local Government Pension Scheme Regulations 2018 (“the LGPS regulations”), in order to change the annual revaluation for 2015 CARE pension increases from 1 April to 6 April each year.

Changing the date on which Career Average pensions are revalued from 1 April to 6 April is designed to bring the revaluation of the CARE benefits into line with the Pension Input Period (PIP) used for Annual Allowance tax calculations.

For tax years from 2023/24 onwards, the LGPS CARE revaluation will be aligned with the index rate adjustment when calculating how much pension has accrued over the year for annual allowance purposes.

These regulations also amend regulation 60-61 of the LGPS Regulations, to clarify how these regulations are intended to work in practice.

Policy Objectives

These provisions amend the Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141) by changing the Local Government Pension Scheme for Scotland (LGPS) annual revaluation date from 1 April to 6 April. This is to mitigate against the impact of high inflation on LGPS revaluation and consequent tax liabilities arising as a result.

These tax liabilities would arise because the timing of LGPS revaluation on 1 April is not aligned with HMRC's process for assessing the annual allowance tax charge. The proposed change will bring it into alignment. For this reason, the change to the revaluation date is retrospective, backdated to 31 March 2023.

The changes to Regulation 60-61 reflect concerns from stakeholders who believe the wording does not reflect the necessary actions for Fund Authorities/Actuaries. We have made small changes to these regulations to clarify the policy intent.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

Consultation

A short technical consultation was carried out commencing on Tuesday 14 March and ending on Monday 27 March with a view to making the necessary changes before CARE revaluation was needed. The UK Government had already consulted on these changes. There were five responses all in agreement with the proposed changes.

Impact Assessments

These Regulations have no new impact on business or the voluntary sector.

Financial Effects

These Regulations have had no new Business and Regulatory Impact Assessment (BRIA) conducted upon on them as the financial aspects of these regulations remain unchanged. Scottish Ministers confirm that no BRIA is necessary as the instrument has no financial effects on the Scottish Government, local government or on business.

Equality Impact Assessment

From an equality perspective, the tax liabilities were much higher in 2023, due to the unusually high Pensions Increase announced in September 2022 and would have a greater effect on older members who have long service in the LGPS.

SPPA considers that the proposed changes indirectly engage with age. LGPS 2019 valuation data indicates that older members still in employment have higher average pensionable pay than younger members.

CPI in September 2022 was 10.1% and this is markedly higher than a CPI of 3.1% in September 2021. As a result, members would have significantly higher total growth in pension for tax purposes (PIA).

Without the proposed changes these members are more likely to be subject to a high tax charge, even though revaluation is primarily used to ensure that accrued pensions of active members keep pace with changes in prices.

An Agency of the Scottish Government

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