

LGPS 2015 Heads of Agreement – Progress Summary 5 September

Scottish LGPS 2008 Regs	Scheme Feature	New LGPS(S)	Outstanding actions / Clarification
	Type of scheme	Career Average Revaluation of Earnings (CARE) with NPA equal to SPA with a minimum of age 65	Imposed by UK Public Service Pensions Act
Benefits 8(5), 21	Accrual rates	1/49 th pension only, with option to commute up to 25% of value into lump sum.	Agreed subject to final verification required by GAD
Benefits 9(2)	Best of the last Three Years Pensionable Salary	Not applicable to a CARE scheme	Noted. <i>Except for service pre-2015</i>
Admin 43	Certificate of Protection	Certificate awarded where reduction in pensionable pay outside member's control. Certificate means that upon retiring within lifetime of certificate (10 years) pension calculated on previous higher salary, rather than on reduced pay. Implementation of certificate of protection to cover circumstance where member is required to take lower salary due to ill health.	Agreed in principle; awaiting response from HMT on policy rationale for veto in E&W.
Benefits 21	Commutation of Pension to Lump Sum	£1 of pension for £12 lump sum	Agreed
	Contribution Flexibility - 50/50 option	Half of the pension benefits in return for paying half contributions e.g. amount of earned pension for a scheme year is 1/98 th of the member's pensionable pay received in that year. (based on 10% take-up by members)	Agreed - To be reviewed after 2017 scheme valuations for effect on scheme membership for low paid staff.

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Benefits 3	Contribution rates for scheme members	<p>Five-tier employee contribution rate structure, delivering an average employee contribution rate of 6.3%. Tiers operate on a banding system, as follows:</p> <table border="1" data-bbox="517 472 1158 1111"> <thead> <tr> <th data-bbox="517 472 906 517">Pensionable pay</th> <th data-bbox="911 472 1158 517">Rate (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="517 568 906 613">On earnings up to and including £19,800</td> <td data-bbox="911 568 1158 613"></td> </tr> <tr> <td data-bbox="517 665 906 710">On earnings above £19,800 and up to £24,200</td> <td data-bbox="911 665 1158 710"></td> </tr> <tr> <td data-bbox="517 761 906 806">On earnings above £24,200 and up to £32,500</td> <td data-bbox="911 761 1158 806"></td> </tr> <tr> <td data-bbox="517 857 906 902">On earnings above £32,500 and up to £44,200</td> <td data-bbox="911 857 1158 902"></td> </tr> <tr> <td data-bbox="517 954 906 999">On earnings above £44,200</td> <td data-bbox="911 954 1158 999">12%</td> </tr> </tbody> </table>	Pensionable pay	Rate (%)	On earnings up to and including £19,800		On earnings above £19,800 and up to £24,200		On earnings above £24,200 and up to £32,500		On earnings above £32,500 and up to £44,200		On earnings above £44,200	12%	<p>Agreed to retain five-tier rate structure. GAD producing contribution modeller.</p> <p><i>Contributions payable on actual earnings rather than WTE.</i></p>
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On earnings above £44,200	12%														
Admin 35	Contribution rates for employers	Act specifies the cost control mechanism – LGPS commitment to establish cost sharing mechanism to ensure sustainability of the scheme over the long term.	Noted												
Benefits 23	Death in service arrangements	<p>A lump sum death grant of 3 times 'assumed pensionable pay'.</p> <p>Definition of Assumed Pensionable Pay Required (See Annex 1 for E&W definition)</p>	Agreed												
Benefits 30	Early retirement	A member who has not attained normal pension age but who has attained the age of 55 or over, may elect to receive immediate payment of a retirement pension - adjusted by the amount shown as appropriate in actuarial tables issued by the Scottish Ministers with guidance from GAD.	Agreed												
Benefits 18	Flexible retirement	An active member who has attained the age of 55 or over who reduces working hours or grade of an employment may, with the Scheme employer's consent, elect to receive immediate payment of all or part of the retirement pension to which that member would be entitled in respect of that employment.	Existing Scottish Benefit Regulations 18(1) allow the member to request if they may receive 'all or part' of their benefits and the revised E&W regulations, 30(4), retain this provision												

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<p>Benefits 20 & 31</p> <p>LG Discretionary Payments + Injury Benefits (Scotland) Regs. 1998 (Reg. 49B – Ill-health gratuity)</p>	<p>Ill health benefits</p> <p>Ill-health gratuity</p>	<p>Remains as before - two entry point ill health provision where scheme members who are permanently incapable of carrying out efficiently the duties of their job:</p> <p>(i) have no reasonable prospect of undertaking gainful employment before scheme normal retirement age of 65(Tier 1) ; or</p> <p>(ii) have a reasonable prospect of undertaking other gainful employment before age 65 (Tier 2).</p> <p>Transitional protection for existing scheme members whose service enhancement would be less than under current arrangements (to be reviewed after three years).</p> <p><u>Third tier</u>, outside the pension scheme, consisting of one-off lump sum payment by employer at their discretion. Calculated on one week's pay per year of service and limited to maximum of 30 weeks' pay. Covers those whose employment is terminated on capability grounds, who are not in receipt of ill-health benefits and who have a reasonable prospect of undertaking further gainful employment before age 65.</p>	<p>Agreed</p>
<p>Finance Act 2004 schedule 36 paras 21-22)</p> <p>Benefits 30(6)</p>	<p>Minimum Pension Age (MPA)</p>	<p>All new scheme members to have Minimum Pension Age of 55 years.</p> <p>All current scheme members will have Minimum Pension Age of 55 from 6/4/2010, except for any member who was in the scheme on or before 5 April 2006 whose employment is terminated on grounds of redundancy or efficiency and is aged 50 or over at that point. Such members will have a protected pension age of 50.</p>	<p>Agreed</p>
<p>Benefits 24, 28, 33, 34, 36, 37</p>	<p>Partner + Survivor pensions</p>	<p>Dependants' benefits payable in respect of widows, widowers, civil partners, children's pensions plus unmarried partners who cohabit, at rate of 1/160th</p>	<p>GAD asked, as part of the verification process, to explore possibility of increasing dependents benefits within the 19.6% cost ceiling and 1/49th accrual rate.</p> <p><i>End requirement to nominate cohabiters.</i></p>
<p>Benefits 5</p>	<p>Pensionable Pay</p>	<p>Payments for non-contractual overtime will be included for pensionable purposes.</p>	<p>Not agreed. TU and CoSLA bi-lateral discussion</p>

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N/A	Assumed Pensionable Pay	<p>Assumed Pensionable pay used where previous calculations were based on service e.g. relating to sickness / injury, child-related leave and reserve forces service leave.</p> <p>(1) where the member is paid monthly; (i) the pensionable pay the member received relating to that employment in the 3 months preceding the start of the pay period in which the sickness/ leave began; (ii) less any regular or irregular lump sum received; (iii) with the resulting sum being grossed up to an annual figure; (iv) to which any regular lump sum payment received should be added;</p> <p>(2) where the member is paid otherwise than monthly; (i) the pensionable pay the member received relating to that employment in the 12 weeks preceding the start of the pay period in which the sickness/ leave began; (ii) less any regular or irregular lump sum received; (iii) with the resulting sum being grossed up to an annual figure; (iv) to which any regular lump sum payment received should be added.</p> <p>(See Annex 1)</p>	Agreed in principle - still to be discussed in detail
Admin Regs - Schedule	Revaluation (CARE)	Based on CPI	Agreed
Admin 41(1)	Vesting period	2 Years - If a person's qualifying service in the Scheme is for less than two years, that person is entitled, when that active membership ceases, to be repaid contributions by the administering authority. (E&W reg. 18(1))	Agreed
Benefits 17	Working beyond 65	The ability to accrue service in the LGPS beyond age 65 up to age 75. Cost-neutral uplift factors for benefits accrued beyond age 65.	Agreed
Benefits 21	Lump sums	The option to convert up to 25% of the pension to lump sum (HMRC upper limit)	Agreed

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Admin 64,65	Abatement	Agreed that this policy be ceased	Agreed
Admin 8	Separate employments	Fees for returning officers at Local Government, Scottish Parliament & European elections was a final salary issue – this policy will cease. E&W – reg 20(2)(i)	Agreed
Admin 15, 16, 17, 18	Buy back (child-related/reserve forces/trades dispute/absence with permission)	Option to pay “back” contributions on return from certain periods of leave so as to count the period as pensionable.	Agreed
LGPS Transitional Regulations 2008 Reg. 10 and Schedule 2.	Transitional Protection	Benefits for pre-1 st April 2009 service calculated on 1/80 pension and 3/80 lump sum basis. Benefits for post-1 st April 2009 service calculated on 1/60 pension only (with option to commute up to 25% of value to lump sum).	Suggested underpin for members aged 57-59 (as they would be within 10 years of retirement at April 2012); accrued benefits pre-2014 & CARE are added together and compared to what they would have received under final salary and they receive the greater of the two. As per E&W proposal.
LGPS Transitional Regulations 2008 10 & Schedule 2	Rule of 85	Rule of 85 - transitional protection to 2020 retained.	Agreed
Benefits 13	Award of Additional Pension	Employing authority may resolve to award an active member additional pension of not more than £5,000 per year - Retain	Agreed
Benefits 39	Commutation of small pensions	Calculated in accordance with guidance issued by Scottish Minister with advice from the scheme actuary.	Agreed
	Governance	PSP Act requires new governance arrangements at scheme and fund level. Plus cost capping and regulatory data requirements.	Not agreed. Bi-lateral discussions on process