

Scottish LGPS 2015

A new Scottish Local Government Pension Scheme from 1 April 2015

Local authority employers, the Scottish Government and trade unions have finalised the Heads of Agreement for the new design of the Local Government Pension Scheme (LGPS) in Scotland. The new Scheme will start on 1 April 2015 and will meet the conditions laid down by recent legislation on public sector pensions.

The key changes are:

- a move to benefits being worked out using career average (CARE) rather than final salary
- pension is built up at a rate of 1/49th of annual pensionable pay
- member's normal retirement age being linked to their own State Pension Age. Members will still be able to retire any time from age 60 but a reduction for early payment may apply.
- protection of benefits for members age 55 and over at 1 April 2012 who will be guaranteed that their benefits will not be less than they would have been if the 2015 scheme had never been introduced.

A cost-control mechanism will be implemented to make sure the Scheme remains affordable and sustainable in the future.

A number of current 2009 Scheme features will continue in the new 2015 Scheme including certificate of protection, ability to swap annual pension for lump sum and rule of 85 protection.

These changes won't take place until April 2015. Benefits built up before April 2015 will continue to be worked out based on your final pensionable pay when you leave.

More information

You can view the full [Heads of Agreement](#) by visiting www.sppa.gov.uk and choosing the "Local Government" tab then "Consultation". In the next sections you will find answers to frequently asked questions and a comparison chart of the current 2009 Scheme and the new 2015 Scheme.

Consultations on draft Scheme regulations

Draft regulations on how the new Scheme will operate have been issued. Consultations on these [draft regulations](#) are now open and can be seen by visiting www.sppa.gov.uk then choosing the "Local Government" tab then "Consultation".

What happens next?

We are also working on a website that will help explain the changes and include examples of how the new Scheme may affect members.



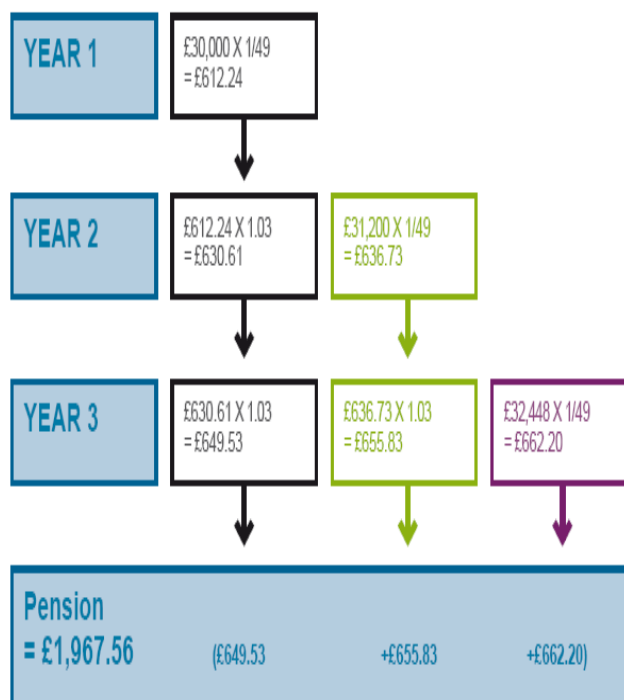
Frequently asked questions

How will a Career Average Scheme work? From April 2015, for each year in the new scheme, you will build up benefits based on a 1/49th of that year's pensionable pay. Your benefits then have cost of living increases added every year. Please note, the example uses a high growth rate and pay increase to ensure there are noticeable differences in the pensions values per year.

AN EXAMPLE OF HOW CARE MIGHT WORK

In our CARE scheme example, we assume:

- each year you earn a pension based on 1/49th of your pay in that year
- an annual growth rate of 3% in the value of each year's pension until you retire
- in year one of the CARE scheme you have a pay of £30,000 a year.
- you get a pay rise each year of 4%: in year two your pay would be $30,000 \times 1.04 = £31,200$ and in year three it would be $£31,200 \times 1.04 = £32,448$.
- you retire after being in the CARE scheme for three full years



What happens to my benefits built up before April 2015? Your final year's pay when you leave the LGPS will still be used to work out these benefits.

When will I be able to retire? You can retire at any point from your 60th birthday. However, if you retire before your State Pension Age, your benefits will be reduced and if you retire after this age your pension will increase.

What if my State Pension Age changes? If your State Pension Age changes, all service built up in the LGPS 2015 will be linked to your new pension age.

I am near retirement, what protection will I get? All of the benefits you have built up to 31 March 2015 will remain calculated on your final pensionable pay when you leave. Also, if you were age 55 and over on 1 April 2012, the total of all your benefits are guaranteed not to be less than they would have been if LGPS 2015 had never been introduced.

Will I still qualify for Rule of 85 protection after 2015? If you currently qualify for Rule of 85 protection then this will continue to apply.

Comparing the current and new scheme

The table shows the main provisions of the new Scottish Local Government Pension Scheme (LGPS 2015) from 1 April 2015 with the current scheme (LGPS 2009).

	LGPS 2015	LGPS 2009
Basis of pension	Career Average Revalued Earnings (CARE)	Final Salary
Accrual rate	1/49th	1/60 th
Inflation protection	Consumer Prices Index (CPI)	Consumer Prices Index (CPI)
Pensionable pay	Pay excluding non-contractual overtime, but additional hours for part time staff now included	Pay excluding non-contractual overtime
Employee contribution rates	Tiered contribution rate based on actual earnings	Tiered contribution rate based on full time equivalent pay
50:50	Members can pay half contributions for half of the pension benefit	No
Normal Pension Age	Equal to individual member's State Pension Age but not less than age 65	65
Annual pension for extra lump sum swap	Swap £1 of annual pension for £12 lump sum	Swap £1 of annual pension for £12 lump sum
Death in Service Lump Sum	3 x pensionable pay	3 x pensionable pay
Partner and survivor pension	Pension paid to husband/wife/civil partner and co-habiting partner if you die – no requirement to nominate	Pension paid to husband/wife/civil partner and nominated co-habiting partner if you die
III Health Provision	<p>Tier 1 - Immediate payment with service enhanced to Normal Pension Age (linked to State Pension Age)</p> <p>Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (linked to State Pension Age)</p> <p>Tier 3 - Discretionary employer lump sum payment</p>	<p>Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65)</p> <p>Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65)</p> <p>Tier 3 - Discretionary employer lump sum payment</p>
Certificate of protection	Certificate of protection for 10 years issued where pay has been reduced at no fault of member	Certificate of protection for 10 years issued where pay has been reduced at no fault of member
Protection for those nearing retirement	Members age 55 and over at 1 April 2012 will be paid the greater pension benefits whether under the Scottish LGPS 2015 or 2009 scheme	n/a