
LOCAL GOVERNMENT PENSION SCHEME (2015)

Report by Chief Officer Human Resources

PENSIONS FUND COMMITTEE

11 December 2014

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Pension Fund Committee with a further update on progress made at a National level with regard to the design of the new Local Government Pension Scheme (LGPS) in Scotland, scheduled for implementation from 1 April 2015.**
- 1.2 Information regarding the main scheme changes following the laying of the legislation before parliament is included at Appendix 1.
- 1.3 The implementation plan, including the planned communication and training strategies, is included at Appendix 2 providing a clear plan of how the scheme changes, regarding the administration of the new scheme, will be delivered.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Pension Fund Committee:-**
 - (a) Notes the progress that has been made at a National level, particularly with the laying of the Scheme Regulations before the Scottish Parliament.**
 - (b) Notes the impact of the scheme design in relation to the contributions payable.**
 - (c) Notes the main changes to the scheme and that these have been conveyed to all current scheme members.**
 - (d) Approves the implementation plan, including the planned communication and training strategy that will be applied to ensure a smooth transition between the current and new schemes.**

3 BACKGROUND

- 3.1 The reform of the LGPS, as with all the main public sector pension schemes, follows Lord Hutton of Furness' report of March 2011 and the resulting Public Service Pensions Act 2013.
- 3.2 The Scottish Local Government Pensions Advisory Group (SLOGPAG), a partnership between COSLA, trade unions for Local Government in Scotland and the Scottish Government, have been meeting since October 2012 in order to agree the terms of the new scheme. Which they agreed on 12 December 2013 with the signing of the Heads of Agreement New Local Government Pension (Scotland).
- 3.3 The high level objectives for the reform of the LGPS were set as follows: -
- To ensure the sustainability of the scheme, the design of the new scheme should be such that existing members remain in the scheme and non-members are encouraged to join
 - Levels of contribution rates which ensure protection of the lowest paid within the workforce
 - Provide quality benefits to scheme members
- 3.4 The new scheme was also subject to a robust and independent Equality Impact Assessment to ensure it met all legislative equality requirements in both effect and intent; to include inter-gender and inter-generation equity.
- 3.5 The new LGPS (Scotland) will take effect from 1 April 2015 replacing the existing scheme from that date. As the new scheme commences all existing scheme members and new entrants will become members of the new LGPS (Scotland).

4 UPDATE

- 4.1 The Local Government Pension Scheme (Scotland) Regulations 2014 were laid before the Scottish Parliament on 9 June 2014 and will come into force from 1 April 2015. These regulations cover Membership, Contributions, Benefits and Administration.
- 4.2 The most significant changes within the above regulations are included within Appendix 1. This bulletin has been issued to all scheme members along with their Annual Benefit Statement and separately to all new scheme members who have joined the scheme since 1 April 2014. Additionally, this has been provided to representatives of all the current active Admitted and Scheduled Bodies.
- 4.3 The following scheme legislation changes will have an impact on the Pension Fund with regard to the level of contributions being collected: -
- Contribution rates for employees are determined based on actual pay rather than full time equivalent
 - Material changes in pay, excluding pay awards and increments, will result in a review of the scheme members contribution rate
 - Contributions are taken for all hours worked up to the standard full time working week for each post a scheme member holds

- 4.4 The impact of the above changes in the scheme legislation has been considered with regard to the Scottish Borders Council scheme membership. The following figures have been calculated based on the 2013/14 financial year.

	Amount (£)
Reduction in members contribution rate	-30,472.24
Additional employee contribution for extra hours worked up to full time	32,717.58
Additional employer contribution for extra hours worked up to full time	104,079.60
Net Effect	106,324.94

As a result of the changes to the scheme it is estimated, based on Scottish Borders Council employees only, that there will be an increase in the annual contributions collected for the Fund as shown above.

- 4.5 The requirement to re-evaluate contribution levels for material changes will increase the workload for the Pensions Administration Team, through an increase in the volume of changes to scheme member's records required to be processed on an annual basis.
- 4.6 The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 were laid before the Scottish Parliament on 22 August 2014 and will come into force from 1 April 2015. These regulations cover the preservation of benefits accrued under the current and previous scheme regulations and the protections being afforded in certain circumstances under the new regulations.
- 4.7 Appendix 1 also contains summarised details of the main protections being afforded to scheme members in the above regulations.
- 4.8 A detailed Implementation Plan with regard to the administration of the new scheme is included at Appendix 2. This highlights the main tasks that need to be carried out to ensure a smooth implementation and transition from the current to the new scheme.
- 4.9 Details of the communications planned are also included within the implementation plan. The following summarises the methodologies that we plan to utilise as we communicate with all stakeholder groups: -
- SB Update for SBC scheme members
 - Direct written correspondence with current scheme members
 - Written correspondence to the active Admitted and Scheduled Bodies
 - Meeting with active Admitted and Scheduled Bodies
 - Content on SBC Website
- 4.10 As a result of the significant changes to the scheme it is imperative that we as Administering Authority ensure we are fully trained in the new scheme legislation. To date representatives from the pensions administration team have attended a workshop on the impact the changes will have on payroll processing teams, the knowledge gained from this session will be passed on to all the active Admitted and Scheduled Bodies when we meet to discuss the implications of the scheme changes.

- 4.11 There are two further training events being arranged for January/February 2015 to discuss the new regulations. The first being practitioner training which will be delivered by the Local Government Association, providing the practical background to the legislative changes. The second covering the changes required to the Pensions Administration system which will be delivered by Aquila Heywood the system provider.

5 IMPLICATIONS

5.1 Financial

There are no financial implications beyond those contained in the report.

5.2 Risk and Mitigations

The implementation of the new LGPS legislation will add further complexity to the calculation of member benefits, with existing scheme members having up to 3 different benefits (pre 2009 service, 2009 to 2015 service and post 2015 service) accruing depending on membership. However, this is mitigated through the implementation of the new Pensions Administration System along with the software release which will ensure compliance with the new legislation. It will be key to monitor the impact on scheme membership and the impact that the proposed changes have on the level of income the Fund will receive.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report. It should also be recognised that an independent Equality Impact Assessment of the scheme has been carried out.

5.4 Acting Sustainably

There are no significant effects on the economy, community or environment.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk and the Clerk to the Council have been consulted in the preparation of this report and any comments received have been incorporated into the final report.

Approved by

Chief Officer Human Resources

Signature

Author(s)

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Background Papers:

The Local Government Pension Scheme (Scotland) Regulations 2014
The Local Government Pension Scheme (Transitional Provisions and Savings)
(Scotland) Regulations 2014

Previous Minute Reference: Pension Fund Committee 4 December 2013

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

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