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 1/49th

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 scheme has been designed to help ensure it is both fair and affordable into the future. The Act also requires that costs are managed through a cost control mechanism which requires the scheme to set a cap, the ‘employer cost cap’. This cap is used when measuring changes in the cost of the scheme as assessed at valuations and will ensure that action is taken if the cost of the scheme increases or decreases outside of the margins set around the ‘employer cost cap’.

Annex A