

DRAFT REGULATORY IMPACT ASSESSMENT (RIA)

**LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) AMENDMENT (No. *)
REGULATIONS 2007**

Scottish Public Pensions Agency
October 2006

IMPLEMENTATION OF REGULATIONS TO ENABLE ELIGIBLE COUNCILLORS ACCESS TO THE LOCAL GOVERNMENT PENSION SCHEME

Purpose and Intended Effect of Measure

Objectives

1. To provide eligible councillors, as non employees, with access to the Local Government Pension Scheme (LGPS).

Background

2. This Regulatory Impact Assessment (RIA) accompanies the current consultation on the Local Government Pension Scheme (Scotland) Amendment (No. *) Regulations 2007, which provides councillors with access to a defined benefit pension scheme through making available the LGPS to councillors. The Regulations also propose inserting VisitScotland into the Schedule of Scheme Employers to allow staff of the new body access to membership of the scheme. This RIA focuses specifically on pension provision for councillors.

Consultation

3. A consultation exercise on the draft regulations is being undertaken between 16 October and 24 November 2006. This follows recommendations by the Scottish Local Authority Remuneration Committee (SLARC) on the remuneration of councillors, including pension provision.

4. The Committee specified that the scheme should:

- apply the same normal retirement age and employee contribution rate for councillors as others in the scheme;
- allow for the possibility of buying extra years of service from their entry to the scheme; and
- be a career average scheme rather than final salary to reflect the possibility that councillors may hold positions of responsibility with higher remuneration at various points in their career.

5. The Minister agreed the Committee's recommendations at the end of March 2006. In addition, the Minister stipulated that councillors re-elected in 2007 should be given the choice of opting into an arrangement that would allow them to buy pension entitlement in respect of previous years served since 1995.

6. This consultation focuses on the technical aspects that will enable the agreed pension arrangements to be implemented.

Options

7. This RIA considers the impact of the proposed regulations on the LGPS in comparison with maintaining the status quo:

- 1) Pension provision made available to councillors outwith the LGPS
- 2) Access to the LGPS for councillors

Costs and benefits

Option	Total cost per annum Economic, environmental, social	Total benefit per annum Economic, environmental, social
1 – Pension provision made available to councillors outwith the LGPS	<p>Economic – None.</p> <p>Environmental – None.</p> <p>Social – None, as it has been agreed that pension provision will be part of Councillors’ remuneration package whether or not this is via the LGPS.</p>	<p>Economic – Administration and benefit payment arrangements for LGPS continue on same basis.</p> <p>Environmental – None</p> <p>Social – None</p>
2 – provide councillors with access to LGPS	<p>Economic – Some implications for LGPS fund authorities to administer pension provision for Councillors. Potential strain on fund in relation to the early payment of individuals benefits in cases of death or ill health in line with normal membership of the LGPS.</p> <p>Environmental – None</p> <p>Social – None</p>	<p>Economic – Regulation proposals reduce potential strain on the fund though: provision of career average scheme (less impact from fluctuation in remuneration levels); and removal of provisions to allow discretionary compensation, shared cost AVCs, and augmentation. Also, additional cost of provision to purchase previous service falls to councillors themselves.</p> <p>Environmental – None</p> <p>Social – Councillors have access to well established defined benefit occupational pension scheme via LGPS. Equity in pension provision between councillors and local authority employees.</p>

Sectors and groups affected

8. All fund authorities may be affected by these regulations.

Race equality assessment

9. There are no such considerations in respect of this proposal.

Health impact assessment

10. There are no such considerations in respect of this proposal as the consultation focuses on the technical aspects required to implement councillors pensions via the LGPS, not whether pensions should be provided per se.

Rural considerations

11. There are no such considerations in respect of this proposal.

Small Firms' Impact Test (SFIT)

12. The proposals relate to the public sector and there are no such considerations in respect of this proposal.

Competition Assessment

13. This is not required for these proposals.

Enforcement, Sanctions and Monitoring

Enforcement

14. This is not required for these proposals.

Sanctions

15. This is not required for these proposals.

Monitoring and review

18. All LGPS funds undergo an actuarial valuation every three years. The last valuation assessed the state of the funds as at 31 March 2005. LGPS administering authorities' are required to manage and invest their pension funds in accordance with the terms of statutory regulations, and are required to produce Funding Strategy Statements which must be regularly reviewed.