LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND)
CIRCULAR SPN/LG   No. 3/2016

WHO SHOULD READ:

The Secretary General
Convention of Scottish Local Authorities
The Chief Executive
Scottish Local Authorities
The Chief Executive
Water Authorities
The Principal Reporter
Scottish Children's Reporter Administration
The Chief Executive
Scottish Environment Protection Agency
The Director General
Strathclyde Passenger Transport Executive
The Clerk
Strathclyde Passenger Transport Authority
The Chief Executive/Director
VisitScotland

ACTION: This circular should be brought to the attention of Pension Managers, Superannuation Sections and LGPS Employer Payroll Departments. You may also wish to draw it to the attention of the Directors of Finance and Administration

SUBJECT: Public Service Pension Indexation and CARE Scheme revaluation 2016

About Circular No.3/2016:-

The purpose of this circular is to:
• confirm that, in common with other public service pension schemes, there will be <u>no inflationary increase</u> in the value of local government pensions in payment (or deferred pensions) for the year 2016/2017;
• advise the rate that will be used for the 2015/16 annual revaluation of Career Average Revalued Earnings (CARE) benefits accrued in the 2015 Local Government Pension Scheme for active members.

Public Service Pensions Indexation

Public service pensions in payment, together with those that are deferred for payment at a future date, are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September.

In the 12 months to September 2015, CPI was negative (-0.1%). As a result, no inflationary increase is to be applied from 1 April 2016 for either pensions in payment or deferred pensions. Both will therefore remain frozen at their current level of payment or deferred value.

As there is no increase this year, the UK Government will not issue a Pensions Increase (Review) Order for 2016.

CARE Scheme Revaluation

The Local Government Pension Scheme (Scotland) Regulations 2014 were made under the Public Service Pensions Act 2013 (the Act). The 2015 pension scheme is a Career Average Revalued Earnings (CARE) scheme and Section 9 of the Act deals with the annual "in-service" revaluation of CARE scheme benefits, so that they keep pace with the passage of time. The SPPA's website provides further information on the principles of CARE scheme revaluation.

The Local Government Pension Scheme (Scotland) Regulations 2014 provide for annual revaluation by reference to changes in prices. For active members this is at the rate of CPI; for deferred members at the rate of CPI included in any Pension Increase (Review) Order.

Section 9(2) of the Act requires the change in prices used for revaluation to be such percentage increase or decrease as is specified in an order made by HM Treasury. The Public Service Pensions Revaluation (Prices) Order 2016 will fulfil that requirement in relation to prices and reflects the negative change in CPI (-0.1%) in the 12 months to September 2015. The Order is subject to affirmative UK parliamentary procedure and a draft is available here.

As a result of the negative increase for CPI applied in the Treasury Revaluation Order, the in-service revaluation for the 2015 Local Government Pension Scheme in respect of 2015/16 will be -0.1%.

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12 February 2016

Contact Information:
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