



# SCOTTISH PUBLIC PENSIONS AGENCY

7 Tweedside Park  
Tweedbank  
Galashiels TD1 3TE  
<http://www.scotland.gov.uk/sppa>

To the listed addressees

Telephone: 01896 893227  
Fax: 01896 893230  
david.lauder@scotland.gsi.gov.uk

Your ref:  
Our ref: LGT/12/01/04

25<sup>th</sup> November 2004

Dear Sir/Madam

## THE LOCAL GOVERNMENT PENSION SCHEME IN SCOTLAND FACING THE FUTURE

1. With the approval of Ministers, I enclose for your comments, *'Facing the Future - Propositions and Principles for an Affordable and Sustainable Local Government Pension Scheme in Scotland'*, a consultation document about the future of the Local Government Pension Scheme (Scotland) (the LGPS(S)) in Scotland. [The document is based upon a consultation document issued by the Office of the Deputy Prime Minister about the future of the LGPS in England and Wales.] The Local Government Pensions Committee have also issued [Circular No. 166](#) which provides a summary of the Green Paper issued by ODPM on 4<sup>th</sup> October 2004. The closing date for the receipt of your responses is 20 May 2005.

### Purpose

2. Your views are being sought on how best to take forward the development of the LGPS(S) to make it more attractive, affordable and sustainable for those who are members of it, for those who provide its benefits and for taxpayers who ultimately guarantee its security. To ensure the retention of the LGPS(S) as a funded, final salary public service pension scheme it is essential that it is kept under regular review, to ensure it continues to demonstrate to providers, and to tax payers in particular, good value for money.
3. The LGPS(S) needs to retain the best elements of the current Scheme and for these to be associated with the development of new, relevant and flexible elements, in close consultation with key stakeholders, to create a new-look LGPS(S). Consequently, the enclosed document provides several new elements for possible future inclusion in any new Scheme. This is a real opportunity for change within the statutory framework currently provided by the Scheme.



## **Principles and Propositions**

4. The consultation document, therefore, sets out a series of principles and propositions for the future of the LGPS(S), and a challenging outline timetable within which any subsequent necessary regulatory changes would need to take place.
5. The LGPS(S) must be regulated on the basis of fairness and affordability. Ensuring an equitable balance, therefore, between the provision of the pension promise by the Scheme and the cost of that provision remains essential. A modern pension package is needed which not only promotes a high take-up by employees but which remains affordable to employers and cost-effective to all Scheme interests.
6. The consultation document suggests the retention of several existing elements of the current Scheme, particularly those concerning its financial and actuarial basis. More challenging, however, are those propositions and principles now put forward as the basis for a new-look LGPS(S). These new elements, on which views are being sought, include a change to the accrual rate, equitable employee contribution rates, an improvement to death in service benefits, the expansion of survivor benefits to partners and cohabitants, flexible retirement options, access to a defined contribution option and improved ill health benefits for those incapable of employment.
7. The ODPM have obtained advice from the Government Actuary's Department (GAD) on the costs of introducing new arrangements in England and Wales. SPPA are also in discussion with GAD concerning the LGPS in Scotland.

## **Timetable and Next Steps**

8. The consultation document sets out in Section D an outline timetable of the next steps following the consultative period. A realistic target implementation date for any 'new' Scheme is 1 April 2008. In the interim, there are several important stages of analysis, development and, of course, consultation. Consultees' views are invited on the more detailed aspects of the future elements of the exercise which are just beginning.
9. Comments are also invited on a longer term approach to the existing provisions dealing with discretionary compensation arrangements for local government as discussed in Section B of the document. This will have to be developed and implemented before any new-look Scheme due to the need to comply with forthcoming age discrimination legislation by no later than October 2006. The intention would be, therefore, to hold an earlier consultation on amending draft regulations to the current Scheme to meet this timetable.
10. Similarly, provisions to be introduced by the Finance Act 2004 are programmed to take effect from April 2006. Your initial comments on these changes, summarised in Section B, will lead to a statutory consultation exercise in early Summer 2005, so that amendments can be in place by April 2006.

## Responses

11. Comments on the consultation document as a whole should be sent, no later please than 20 May 2005, to Jean Steel, Policy Officer LGPS, Scottish Public Pensions Agency, 7 Tweedside Park, Tweedbank, Galashiels, TD1 3TE. Responses may be sent by e-mail to [locgovpensionsreform@scotland.gsi.gov.uk](mailto:locgovpensionsreform@scotland.gsi.gov.uk). If you wish to discuss any of the proposals in depth please do not hesitate to contact me on 01896 893227 or send any queries by e-mail to [david.lauder@scotland.gsi.gov.uk](mailto:david.lauder@scotland.gsi.gov.uk).

Yours faithfully



D Lauder  
Policy Manager, LGPS

### Addressees

COSLA  
TGWU  
GMB  
STUC  
UNISON  
AMACUS  
Secretary, LGPC  
Union of Construction, Allied Trades and Technicians  
Strathclyde Passenger Transport Authority  
Audit Scotland  
National Association of Pension Funds  
CIPFA  
Women's National Commission  
Other Relevant Government Departments.