



SCOTTISH PUBLIC PENSIONS AGENCY

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To the listed addressees

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Your ref:
Our ref: LGT/01/11/00

2 September 2004

Dear Sir/Madam

PROPOSED CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME IN SCOTLAND

1. In June 2003 the UK Government published its plans for the future of occupational pension schemes in the White Paper "Simplicity, Security and Choice: Working and Saving for Retirement" (CM5835). The plans include the raising of the normal retirement age (NRA) from 60 to 65. In the Budget Statement earlier this year it was also confirmed that the minimum pension age would be raised from 50 to 55.
2. On 31st March 2004 the Office of the Deputy Prime Minister (ODPM), who are responsible for the LGPS in England and Wales, issued draft regulations entitled the Local Government Pension Scheme (Amendment) (No.2) Regulations 2004. The purpose of this letter is to bring to your attention Circular No. 161 issued by The Local Government Pensions Committee (which is part of the Employers Organisation for Local Government) in August 2004 to alert addressees to the fact that the Scottish Public Pensions Agency is considering introducing similar draft amendment regulations covering the LGPS in Scotland, and to invite comments by **2nd December 2004 at the latest.**
3. Circular 161 provides local authorities with the Local Government Pension Committee's response to the ODPM's proposals. The following link provides access to the circular which can be opened either as a word document or a pdf file <http://www.lg-employers.gov.uk/pensions/circulars.html>. The ODPM's consultation letter and draft amendment regulations can be viewed at <http://www.xoq83.dial.pipex.com/availabledoc.htm>
4. The LGPS already has an NRA of 65, but the Scheme will nonetheless be affected by the changes. Scheme members will be aware of the so called "rule of 85" where those members whose age and length of service total 85 or more can receive their full accrued pension. The ODPM's proposed amendments will mean that, from the date the change is introduced, no new scheme members will have access to the rule of 85. The earliest age they will be able to draw unreduced benefits, other than on grounds of redundancy or ill-health, will be 65. (In



England and Wales the changes are to take effect from 1st April 2005, whereas in Scotland the necessary changes will come into force from 1st April 2006.)

5. For existing members, the ODPM's proposal is that protection should be provided to those who would reach age 60 and satisfy the rule by 2013. (This would be in keeping with the UK Government's intention that occupational pension scheme members within 10 years of retirement at the time the White Paper was published in 2003 should not be adversely affected by the changes.) In the case of those who are unable to satisfy the rule of 85 by 2013, however, any such individual in England and Wales choosing to retire before age 65 would have their benefits for service from 2005 actuarially reduced.
6. The driving force behind the approach adopted by ODPM to the phasing out of the rule of 85 for existing members is the desire to ensure the continued sustainability and affordability of the LGPS in England and Wales, in view of the increasing financial pressures exerted on the scheme by factors such as increasing longevity. This is an issue which obviously is of concern to the scheme in Scotland as well. Before producing equivalent draft amending regulations, however, the SPPA will give careful consideration to whether there are any peculiarly Scottish aspects to this issue which should be taken into account.
7. There is another factor which appears to mitigate against the future existence of the rule of 85. An EC Directive on discrimination in the workplace, which covers the matter of ageism, is due to come into effect in 2006. This will make it unlawful for pension schemes to operate rules which discriminate on grounds of age.
8. Responses to this letter should be sent to me at the above address no later than 2nd December 2004. Electronic responses can be sent to the e-mail address given above. The intention will be to issue draft amending regulations for consultation purposes on completion of the current exercise.
9. Should any person wish to discuss any of the proposed amendments during the course of the consultation exercise, please contact me on the above telephone number.
10. The Agency may wish to publish responses to this consultation in due course, unless we are asked specifically to treat a response as confidential. Confidential responses will be included in any published statistical summary of comments received and views expressed.

Yours faithfully



D Lauder
Policy Manager, LGPS

Addressees

COSLA

TGWU

GMB

STUC

UNISON

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.