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To: LGPS Regulations Consultees

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Dear Sir/Madam

THE LOCAL GOVERNMENT PENSION SCHEME (BENEFITS, MEMBERSHIP AND CONTRIBUTIONS) (SCOTLAND) REGULATIONS 2008
THE LOCAL GOVERNMENT PENSION SCHEME (ADMINISTRATION) (SCOTLAND) REGULATIONS 2008

The Budget announcement on 22 June 2010 to switch the basis of uprating public service pensions from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) impacts on provisions within the above mentioned regulations. The decision on annual uprating is reserved to the UK Government and accordingly applied to the schemes in Scotland. This letter is to advise you about amendments that need to be made to the regulations (to take effect from 4 April 2011) as a consequence of the Budget announcement.

Pensions in payment and deferred awards are index-linked by virtue of the Pensions (Increase) Act 1971 whereby the rate is published by Treasury in an Order made under the Act. Thus, the change in indexation of pensions in payment will occur automatically without any statutory amendments. In addition where provisions of THE LOCAL GOVERNMENT PENSION SCHEME (BENEFITS, MEMBERSHIP AND CONTRIBUTIONS) (SCOTLAND) REGULATIONS 2008 and THE LOCAL GOVERNMENT PENSION SCHEME (ADMINISTRATION) (SCOTLAND) REGULATIONS 2008 refer to the Pensions (Increase) Act 1971, the CPI will automatically apply from 4 April 2011.

However there are references specifically to the RPI in the schemes regulations/rules and we have considered each one and at this point in time consider the following regulations require amendment to reflect the change to CPI from 3 April 2011.

The only changes that we believe are necessary in the LGPS are as follows –

1. LG Benefits Regs 2008 - Paragraph 1 of the Schedule substitutes a different regulation 5 (pensionable pay) for councillor members. As you know, pensions for councillors are calculated on a career average basis. Sub-paragraph (5) deals with the uprating of councillors' pay on an annual basis to provide an average pay upon which pension benefits will be calculated on retirement. Sub-para (5) currently makes a specific reference to RPI -

-(5) When calculating a councillor member's career average pay, the pay for any year other than the final year shall be increased in proportion to the increase in the Retail Price[s] Index from the last day of that year up to the last day of the month in which the councillor member's active membership ends."

We will amend the sub-paragraph to make clear that the uprating of councillors' pay post 3 April 2011 will be on the basis of CPI in line with increases under the Pensions Increase Act 1971 rather than RPI.

2. LG Administration Regulations 2008 – Schedule 1 Interpretation – definition of "indexing"
The current definition is "..indexing in accordance with the Government Index of Retail Prices". We intend to change this to read "..indexing in accordance with the Pensions Increase Act."

The changes being drafted will reflect the need to apply CPI from 4 April 2011. This letter commences the consultation on the proposed changes to the scheme outlined above. The regulatory amendments are currently being prepared as part of this consultation and will be issued as soon as possible but no later than 23 December 2010.

Comments should be addressed to me either by letter or email (see contact details above) no later than Friday 7 January 2011.

Yours faithfully

David Lauder
Policy Manager (STSS)