



Scottish Public
Pensions Agency
Buidheann Peinnseanan
Poblach na h-Alba

**Annual revaluation date
change in the Local
Government Pension Scheme
(LGPS)**

**Scottish Government
consultation
2023**

About This Consultation

The Local Government Pension Scheme (Scotland) continues to be an integral part of the remuneration package, and offers significant value in retirement, to people who have chosen to work in Local Government in Scotland.

As a defined benefit pension scheme, it provides the security of a government-backed guaranteed income in every year of retirement for all of its members.

This consultation seeks views on changing the Local Government Pension Scheme for Scotland (LGPS) annual revaluation date from 1 April to 6 April.

This is to mitigate against the impact of high inflation on LGPS revaluation this year and consequent tax liabilities arising as a result. These tax liabilities would arise because the timing of LGPS revaluation on 1 April is not aligned with HMRC's process for assessing the annual allowance tax charge. The proposed change would bring it into alignment.

We are seeking views on the draft regulations to effect this change.

Consultation Process

The Scottish Government welcomes views on the proposals set out in this document About changing the Local Government Pension Scheme for Scotland (LGPS) annual revaluation date from 1 April to 6 April.

Duration of Consultation

This consultation will run for a period of two weeks commencing on Tuesday 14 March and ending on Monday 27 March.

How to respond

Please use the consultation response form and once completed send to sppapolicy@gov.scot before midnight on the closing date.

Alternatively, responses can be posted to:

The Local Government Pensions Policy Team
SPPA,
7 Tweedside Park
Tweedbank,
Galashiels, TD1 3TE

Further information

If you are unable to access an electronic version of the document, please write to the above address and a paper copy will be provided.

Data Protection Statement

The Scottish Public Pensions Agency (SPPA) is an executive Agency of the Scottish Government and forms part of the legal entity of the Scottish Ministers (Framework Document).

This framework of statutory powers and responsibilities, as agreed with the Scottish Ministers, enables SPPA to undertake the role of data controller for the processing of personal data which is provided as part of your response to the consultation. Any response you send us will be seen in full by SPPA staff dealing with the issues which this consultation is about or planning future consultations.

The process allows informed decisions to be made about how SPPA exercises its public function.

Where SPPA undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. research organisation or a consultancy company).

Any such work will only be undertaken under contract. SPPA use Scottish Government standard terms and conditions for such contracts which set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the SPPA intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response.

If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing. You should also be aware of our responsibilities under Freedom of Information legislation.

If your details are published as part of the consultation response, then these published reports will be retained indefinitely. Any of your data held otherwise by SPPA will be kept for no more than three years.

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- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
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For further details about the information the SPPA holds and its use, or if you want to exercise your rights under the GDPR, please refer to our Privacy Policy in the first instance or contact:

Agency Data Protection Officer
Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE
Tel: 01896 892 469

Website: <https://pensions.gov.scot/>

The contact details for the Information Commissioner's Office are:

Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Tel: 01625 545 745 or 0303 123 1113

Website: <https://ico.org.uk>

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Policy aims with the proposed regulation changes

Changes would need to be made the LGPS Regulations 2018 to give effect to the change in the annual revaluation date from 1 April to 6 April. The main policy aim is to clarify that the revaluation date would change from 1 April to 6 April and that these changes have no effect on the amount of LGPS pension benefits anyone is entitled to on retirement.

Regulation 21 – Assumed Pensionable Pay (APP)

The policy aim is that there should be no change to the calculation of APP. Therefore, whenever the revaluation is applied for APP, while the revaluation date will now be 6 April, it takes effect from 1 April.

Regulation 23 – Active members

Currently in the LGPS regulations, the closing balance for a scheme year is calculated as at 31 March, the end of the scheme year, comprising the opening balance for the previous year, the pension accrued during the scheme year, and other adjustments. The revaluation adjustment is applied to the closing balance on 1 April, the beginning of the following scheme year to create the opening balance for that scheme year.

The policy aim is for the revaluation adjustment to be applied on 6 April, the first day of the following tax year.

Regulations 24 and 25 – Deferred and pensioner members

For members changing status between 1 to 5 April, the revaluation adjustment is applied on 6 April and for any pensions in payment takes effect from the date of the change of status.

For all members changing status, the balance is revalued on 6 April in the following scheme year rather than on 1 April, and for any pensions in payment takes effect from 1 April.

Regulation 27 – Flexible retirement members

The policy aim is that for all members changing status, the balance is revalued on 6 April in the following scheme year rather than on 1 April, and for any pensions in payment takes effect from 1 April.

Regulations 39, 40, 42, 43, 45 and 46 - Survivor benefits

1. for members dying between 1 to 5 April, if a revaluation was due on the 6 April following, that revaluation is allowed for in calculating the survivor pension. This will apply if the member dies in the period 1 to 5 April in the year in which they ceased to be an active member or in the following year.

This will ensure that the benefits due to these groups of members reflects the revaluation adjustment that would have applied on 1 April, as if no change had been made.

2. for members who leave active service and subsequently die within the same scheme year, the survivor pension is revalued on 6 April in the following scheme year rather than on 1 April and takes effect from 1 April.

Regulations 41 and 44 - Death grants for deferred and pensioner members who die in the period 1-5 April

For the purposes of calculating the death grant, the policy aim is that, if a revaluation was due on the 6 April following, that revaluation is allowed for in calculating the death grant. This will ensure that the death grant in relation to these groups of members reflects the revaluation adjustment that would have applied on 1 April, as if no change had been made.

Definition changes to “revaluation adjustment” in Schedule 1

The policy aim is to clarify that the revaluation adjustment is applied on 6 April in the following scheme year. For the purposed of transferred Club Service, the aim is that funds would apply revaluation adjustment for transferred Club Service on 6 April, regardless of the revaluation adjustment date from the sending scheme. Where revaluation of transferred service should apply at a different rate, this would continue to be the case and remain unchanged.

Definition of “revaluation date” in Schedule 1

The policy aim is to change the revaluation date in the Local Government Pension Scheme from 1 April to 6 April.

Impact assessment - Public Sector Equality Duty

SPPA has analysed the proposals set out in this consultation document to fulfil the requirements of the Public Sector Equality Duty (PSED) as set out in section 149 of the Equality Act 2010. This requires the Agency to pay due regard to the need to: 1) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act 2) advance equality of opportunity between people who share a protected characteristic and those who do not 3) foster good relations between people who share a protected characteristic and those who do not.

Summary of the evidence considered in demonstrating due regard to PSED

We have used data from the Government Actuary’s Department’s 2020 LGPS Scotland valuation to understand spread of average pensionable pay across the membership. This has allowed us to understand impact that either changing the revaluation date or not changing the revaluation date has on different ages.

Assessing the impact

The proposed changes are primarily a technical amendment to address the different CPI figures used by the pension input amount calculation, for annual allowance purposes, and CARE revaluation in the LGPS EW.

For members unaffected by the AA, the proposed change will have no effect on the amount of LGPS pension benefits they are entitled to on retirement.

SPPA has considered the impact of the proposed changes and presents its conclusions below.

Age

SPPA considers that the proposed changes indirectly engage with age. LGPS Scotland 2020 valuation data indicates that older members still in employment have higher average pensionable pay than younger members. Therefore, to leave the pension rules regarding inflation unchanged may have a greater impact on older members, who have more service in the LGPS and more potential to have higher pensionable earnings. Without the proposed changes these members are more likely to have a tax charge, or a higher tax charge, when, like in September 2022, inflation is higher than usual. This would not affect older members who are already receiving their pension. Nevertheless, these changes do not result in an adverse outcome for younger members. Younger members who have pensionable pay and service that would result in a breach of the annual allowance would also benefit from the proposed change to the revaluation date. That is to say, though the change may on average benefit older members more, there is no detrimental effect on younger members.

Other protected characteristics

For the protected characteristics of sex, disability, gender reassignment, pregnancy and maternity, race, religion or belief, and sexual orientation, we do not consider that changing the revaluation date will result in any direct adverse impact. We consider that any differential impact between these other characteristics would be a secondary effect of the differential effects on members of different ages.

For example, while, according to the 2020 LGPS Scotland valuation data, men have a higher average pay than women in the LGPS Scotland, the actual number of high paid men and women earning over £50,000, is similar. It is expected therefore, that the number of men and women benefiting from the change may be similar. However, LGPS membership is approximately 70% female and there are lower paid women than there are lower paid men. So, whilst the numbers of men and women benefiting from the change may be similar in the LGPS Scotland, the proportion of men expected to benefit from this change, is higher.

Consultation questions

Respondents are invited to answer the following questions.

1. Do you agree or disagree that the annual revaluation date should change from 1 April to 6 April? Please explain why.
2. Do you agree that the policy aim for regulation 21 is delivered through the draft regulations?
3. Do you agree that the policy aim for regulation 23 is delivered through the draft regulations?
4. Do you agree that the policy aim for regulations 24 and 25 is delivered through the draft regulations?
5. Do you agree that the policy aim for regulation 27 is delivered through the draft regulations?
6. Do you agree that the policy aim for regulations 41, 42, 44, 45, 47 and 48 is delivered through the draft regulations?
7. Do you agree that the policy aim for regulation 43 and 46 is delivered through the draft regulations?
8. Do you agree that amending the definition of “revaluation adjustment” and the new definition of “revaluation date” in Schedule 1 delivers the policy aim?
9. Are there any further considerations and evidence that you think SPPA should take into account when assessing any equality issues or adverse impacts arising as a result of the proposed changes? Please explain and provide evidence where appropriate.