

Local Government Pension Scheme 2026/02

- Who should read:**
- Secretary General, Convention of Scottish Local Authorities
 - Chief Executive, Scottish Local Authorities
 - Chief Executive, Water Authorities
 - Principal Reporter, Scottish Children's Reporter Administration
 - Chief Executive, Scottish Environment Protection Agency
 - Director General, Strathclyde Passenger Transport Executive
 - Clerk, Strathclyde Passenger Transport Authority
 - 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: **TIERED CONTRIBUTION RATE SYSTEM**
Local Government Pension Scheme in Scotland
Version 20

Date: 27 February 2026

The purpose of this circular is to notify all interested parties of the release of Version 20 of the guidance on the tiered contribution rate system for the Local Government Pension Scheme in Scotland.

Under The Local Government Pension Scheme (Scotland) Regulations 2018, the earnings ranges used to determine annual contribution rates are to be increased each year by any increase applied to pensions under the Pensions (Increase) Act 1971.

This version replaces Version 19 which was issued on 6 March 2025.

Changes to the guidance are as follows:

- Annex C Table 1
- Annex C Table 2

The tables have been amended to show salary bands uprated by the Consumer Prices Index (CPI) increase for 2026/27.

Administering Authorities are asked to ensure that Version 20 of the guidance is forwarded to LGPS employers.

Any questions?

Please contact sppapolicy@gov.scot if you have any enquiries about this circular.

Iain Coltman
Head of Pension Policy
27 February 2025

Local Government Pension Scheme in Scotland – Employer Guidance for the Assessment of Member Contribution Rates

Important - Please Note

From April 2015, when allocating contribution rates to members, pensionable pay in this guidance means the actual pensionable pay, regardless of hours worked. When deducting contributions from members, those contributions will be deducted from the actual pensionable pay received.

This guidance also applies to Councillor members by substituting ‘pensionable pay’ as appropriate in accordance with scheme regulations.

1. Introduction

This Appendix gives further guidance to employers on how to assess the correct contribution rate for members. The guidance applies to active members of the Local Government Pension Scheme (LGPS) from 1 April 2026.

Contributions are determined according to the level of a member’s actual pensionable pay. Pensionable pay is defined in scheme regulations and is explained further in section 4.1 of the Payroll Guide. Further information on employee contributions, including a ‘50/50 section’ is in section 5.1 of the Payroll Guide.

LGPS regulations require that contribution rates are applied according to ranges of pay bands (or tiers) rising from 5.5% to 12% depending on the member’s rate of pensionable pay (see Table 1 of Annex C). Members pay 5.5% on the first £28,500 of pay, 7.25% on pay over £28,501 up to £34,900 and so on.

Using these tiers, it is possible to calculate an average contribution rate to one decimal place for any given pensionable pay. Details of the average contribution rates to be used are shown in the “lookup” Table 2 of Annex C.

It has been agreed that Employing Authorities will discharge their statutory obligation to set a member contribution rate by deriving the said contribution rate from the bands of pay contained in Table 2 of Annex C.

The contribution rate provided by Table 2 of Annex C should be determined according to the member’s actual rate of pensionable pay on 1st April (i.e. the pensionable pay at the beginning of the new scheme year). The rate will then be applied in the forthcoming year in

accordance with 5(e) below. These rates must be halved for 50/50 section members.[Note that this will in some instances mean a rate defined to two decimal places]

In assessing contribution rates for all employees (i.e. including part time, term time, voluntary term time, zero hours and casuals), the pensionable pay to be used in Table 2 of Annex C must be the member's actual pensionable pay rather than a full-time equivalent rate of pensionable pay.

Tables 1 and 2 of Annex C will be updated annually by SPPA.

Employing authorities must set contribution rates annually for each member. Members joining for the first time or part way through any year will have their contribution rate for the remainder of that year based on their rate of pensionable pay on joining the scheme.

The remainder of this appendix explains how the contribution rate allocation should be administered in detail, including non-straightforward cases. It is an employer responsibility under the Regulations to make the decision on the allocation of an appropriate rate. If a dispute arises however, the administering authority for the fund may be contacted for advice in arriving at a decision. Ultimately if a person remains dissatisfied with their contribution rate, they can lodge an appeal under the Scheme's appeal arrangements.

2. Tiered employee contribution rates

Contribution Rates Table

The table used for the assessment of member contribution rates is included at Table 1 of Annex C.

3. Updates to the contribution rates table

The table will be updated in line with Pensions Increase legislation on an annual basis by Scottish Public Pensions Agency SPPA. The update will be applicable from each new scheme year (but see 5(e)).

The annual update to Table 1 of Annex C will in turn affect the bandings in Table 2 of Annex C. This table will also be maintained annually by SPPA.

Active members will have their contribution rate for the forthcoming year based on the bandings in Table 1. New members who join the LGPS part way through any year must be assigned a contribution rate based on their rate of pensionable pay at date of joining (see 5(d)).

4. Operation of tiered contributions for payroll purposes

The tiered contribution rate ranges in Table 1 of Annex C have been used in the calculation of pay bands shown in Table 2 of Annex C. Table 2 is in effect a "lookup table" which breaks down the contribution rate ranges from Table 1 into steps of 0.1% and allocates pay ranges

to these steps to simplify the process of allocating members' contribution rates and for the application of those rates when running payrolls. Where pay values exceed the maximum included in Table 2, the appropriate administering authority must be contacted for guidance.

Note: If your payroll uses hourly rates rather than annual amounts, you may need to convert the pay values in Table 2 to suit. In applying an average contribution rate for a member with "ad hoc" pensionable allowances or variable hours, please refer to paragraph 5(c) below for guidance.

5. Allocation to average contribution rates

General Principles

- (a) Contribution rates for members are determined for the forthcoming scheme year on the basis of the member's rate of pensionable pay as at 1st April of that year (i.e. beginning of the new scheme year) and at each 1 April thereafter but see paragraph (d) for members who opt in or new members during any year. Once a contribution rate has been determined it is applied to the pensionable pay received.
- (b) Pensionable pay (see section 4.1 of the Payroll Guide) used to determine a contribution rate must include basic pay and any other pensionable allowances. Any reductions in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when determining the level of pensionable pay for the purposes of assessing / reviewing the appropriate contribution rate.
- (c) For members with variable payments / allowances or fluctuating hours, employers should include an estimate of the annual rate of such payments in their calculation of the rate of pensionable pay. Employers may, in the absence of or in preference to any other justifiable and reasonable method, base such an estimate on the average of payments over a year (or any other period the employer considers reasonable). Once set, the contribution rate for the remainder of that year will not be adjusted to reflect the actual value of those variable payments. Refer to Annex A, "Allocation for existing members" Scenario B for treatment if a member is in part time employment.
- (d) For new scheme members or employees who opt into the pension scheme after each 1st April, the allocation of their contribution rate will be based on their rate of pensionable pay plus the estimated annual value of any other pensionable allowances at the date scheme membership commences.
- (e) The new contribution rates are to apply from either:
 - 1. Week 1/ Month 1 of each new tax year, or
 - 2. the first full pay period in each new tax year

as determined by the employing authority with the agreement of the administering authority.

- (f) When determining pensionable pay for the purpose of allocating a contribution rate to a member from Table 2, the amount must be rounded down to the nearest pound.
- (g) Pensionable allowances for part-time workers must be included where applicable, for example, bonus payments, and distant islands allowances.
- (h) Any additional hours worked by a part-time member over and above the member's contracted hours up to the standard full time hours for that member's job must be included by calculating the member's annual average additional pensionable hours and applying the appropriate rate of pay applicable at the 1st April. Pensionable hours each pay period are the hours worked up to those of the standard full-time working week for the employee in that employment. Hours worked in excess of the standard full-time working week for the employee in that employment will, apart from contractual overtime, be non-pensionable. Where a part-time member's standard hours are regularly changed see (k) below.
- (i) Any reductions in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when determining the level of pensionable pay for the purposes of assessing / reviewing the appropriate contribution rate.
- (j) For members with multiple contracts, pensionable pay under each contract is considered separately and each contract is allocated a contribution rate individually.
- (k) Members without breaks in employment who remain with the same employing authority will retain the same contribution rate for the whole of the year (unless that member elects to join the 50/50 section of the scheme, where they would then pay half that rate of contributions). The exception to this is where regulation 9(4) of The Local Government Pension Scheme (Scotland) Regulations 2018 applies i.e. where there has been a permanent material change in the member's terms and conditions (e.g. on promotion, demotion, re-grading or a part-time member's contractual hours change). However where such a change is not considered material by the employer, i.e. where the change is not viewed in the context of the member's pay as significant, the employer may decide to ignore the change and assess at the next 1st April. An employer may consider frequent changes of a member's contractual hours as not permanent changes and assess at the next 1st April based on an estimate of average hours (see (c) above).
- (l) Members moving to an employment with a different employing authority, even within the same fund, must have their contribution rate assessed by their new employer as if they were a new start member with that employer (see paragraph (d) above).
- (m) Members returning from, Maternity Leave (no pay, SMP etc.), parental leave, paternity leave, sick leave (half pay, no pay, SSP) or career breaks etc. in the same year must pay contributions at their original rate, unless the member's contracted hours have permanently changed or their rate of pay has altered. Those who go to reduced pay during the year must continue to pay contributions at the rate they were placed in but on the reduced amount of pensionable pay they actually receive. When determining a contribution rate for those staff already on reduced pay or no pay at 1st April their

contribution rate must be based on their rate of pay that would have been received had they not been on leave including the estimated annual value of any other pensionable allowances.

- (n) Having determined an appropriate contribution rate, the employer must (as soon as is reasonably practicable) notify the employee of the contribution rate to be deducted from their pensionable pay and the date from which the rate is payable. A similar notification must also be issued to the appropriate administering authority. It is for the employer to determine the method by which the notification is given to the employee but the notification must contain a conspicuous statement giving the address from which further information about the decision may be obtained; must notify the employee of the right to appeal to an adjudicator against the decision (which must be lodged within 6 months of being notified of the initial decision, or such longer period as the adjudicator may allow); must set out the job title and address of the adjudicator (i.e. the person who has been appointed to consider appeals); and must notify the employee that, if they are unhappy with the adjudicator's decision, they would have the right to ask the Scottish Ministers, within 6 months of the adjudicator's decision, to undertake a further review of the decision.
- (o) Where a backdated pay award is received by a member, pension contributions are to be deducted from the backdated payment at the rate applicable on the date when the payment is made to the member, regardless of the period to which the backdated award relates. The average contribution rate for such members is not recalculated retrospectively. Note, however, that where a payment is made at any time after 31st March 2015 that relates to a period prior to 1st April 2015, the employee contribution rate under the 2009 Scheme should be applied to that pay. It is acceptable for the employer contribution rate applicable at the time of payment to be applied to the pre (and post) 2015 pensionable pay. The pensionable pay for the pre 2015 element should, however, be based on the 2009 Scheme definition of pensionable pay (e.g. excluding non-contractual overtime) and not the 2015 Scheme definition of pensionable pay (which would, for example, include non-contractual overtime for overtime worked up to the hours of the standard full-time working week for the employee in that employment).
- (p) Where a member is a variable-time employee whose pay consists entirely of fees (e.g. a returning officer), the average contribution rate will be determined by reference to Table 2 of Annex C, on each occasion a fee is paid according to the amount of fee paid.
- (q) Where an employer fails to deduct the correct pension contributions from a member resulting in that member being placed in arrears of contributions, those arrears are to be calculated and deducted according to the average contribution rates that employee would have paid on his or her pensionable pay throughout the period during which those arrears accumulated.
- (r) Annex A gives more details of how to allocate contribution rates each year. Annex B is a table setting out some examples of how to calculate full year/full time pensionable

pay. Annex C sets out the contribution tiers in Table 1 while Table 2 provides details of average contribution rates to be applied within certain pay ranges.

- (s) Where the member has chosen the 50/50 section option, assessment should be as for members in the main section of the scheme but the rate from Table 2 should be halved. Elections take effect from the beginning of the next available pay period following the member's election. An election to cancel a 50/50 option also takes effect from the beginning of the next available pay period following the cancellation election.
- (t) 50/50 Optants should be put back into the main section from the beginning of the next pay period after going onto nil pay due to sickness, injury or ordinary maternity, paternity or adoption leave. They should also be put into the main section from the beginning of the next available pay period following the employers' automatic re-enrolment date regardless of what category of worker they are.

Annex A

1. Allocation for existing members

The allocation of members to contribution rates is based on pensionable pay at each 1st April.

General Principle:

Members who are employed at the start of each new scheme year and who were in pensionable employment at the end of the previous scheme year must have their contribution rate (for either the main or 50/50 sections of the scheme) set according to the annual rate of pensionable pay they received on 1st April. For members with variable payments / allowances or fluctuating hours, employers should include an estimate of the annual rate of such payments in their calculation of the rate of pensionable pay. Employers may, in the absence of or in preference to any other justifiable and reasonable method, base such an estimate on the average of payments over a year (or any other period the employer considers reasonable). Once set, the contribution rate for the remainder of that year will not be adjusted to reflect the actual value of those variable payments.

Any reductions in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when determining the level of pensionable pay for the purposes of assessing / reviewing the appropriate contribution rate.

Scenarios:

- A. Member is full time on 1 April. Contribution rate is set according to the rate of pensionable pay applicable on 1st April for the next scheme year while with that same employing authority.
- B. Member is part time on 1 April. Contribution rate must be set according to the rate of pensionable pay applicable on 1st April. Pay for any additional pensionable hours worked over and above the member's standard hours during the year must be included by calculating the product of the annual average additional hours worked and the appropriate rate of pay at 1st April.
- C. Member has worked a combination of full time and part time continuously throughout the scheme year. Contribution rate must be set according to the rate of pensionable pay that the member received on 1st April. That is, if the member were part time on 1st April, the rate would be determined according to the actual rate of pay on that date.

2. Allocation for new members during the year

A new member starts pensionable employment (or a member who opts into the scheme) with an employer after 1st April will only have part year service during the year.

General Principle:

Members must have their contribution rate based on the rate of pensionable pay for that employment as at the date joined scheme membership.

Scenarios:

- A. New member is employed on 1st June and the employer must set the contribution rate for that member for the remainder of the scheme year.

The member's contribution rate must be based on the rate of pensionable pay as at 1st June including the estimated annual value of any other pensionable allowances or hours in excess of contracted hours (up to those of the standard full-time working week for the employee in that employment) where applicable.

3. Members who move employments during a year

Member moves employment within an employing authority, or to a different employing authority within the same fund, or to a different employing authority in another Scottish LGPS Fund.

General Principle:

Members who were scheme members with a previous employing authority and were allocated a contribution rate in that employment must have a new contribution rate determined by their new employer on the same basis as if they were a new start member.

Scenario:

- A. Member moves employment during the scheme year either to a new employing authority within the same fund or to a different fund. The contribution rate assigned with respect to the first employment must be ignored by the new employer and a new rate set in the new employment on the same basis as any other new start member.
- B. Member moves to a new employment with the same employer. This would usually constitute a permanent and material change in a member's terms and conditions and therefore an assessment of contribution rate would be required. However, an assessment would not be necessary where the change is not considered by the employer as permanent and material (see 5(k)).

4. Concurrent employment scenarios

Member has concurrent employments with the same or a different employer.

General Principle:

Each employment contract must be assessed separately and assigned a contribution rate individually.

An employee will retain a contribution rate applicable to each separate post for the whole of each scheme year (unless a change to the rate is necessary on account of a permanent material change to the terms and conditions of a member's employment which affect the member's pensionable pay in the course of a scheme year – see 5(k)). In circumstances where a member has more than one employment either with the same employer or with different employers, each of those posts is to be treated in isolation when determining a contribution rate to be allocated to the member. In such cases the contribution rate for each of the member's employments must be calculated in accordance with sections 1 and 2 of this appendix.

Scenarios:

- A. Member has concurrent part time Employments 1 and 2, which terminate at the same time and starts new Employment 3 without a break. In this scenario the contribution rate for Employment 3 would be based on the rate of pensionable pay at the start date of Employment 3.
- B. Member has concurrent part time Employments 1 and 2. Employment 1 terminates and Employment 3 starts without a break. In this scenario the employee has multiple employments at the point Employment 3 starts; therefore, the contribution rate for Employment 2 remains unchanged and the contribution rate for Employment 3 would be based on the rate of pensionable pay at the date of starting that employment.
- C. Member starts new Employment 2 whilst already employed in Employment 1. In this scenario the employee has multiple employments at the point Employment 2 starts; therefore, the contribution rate for Employment 2 would be based on the rate of pensionable pay at the date of starting Employment 2.
- D. Member starts new Employment 2 whilst already employed in Employment 1 and then terminates Employment 1 and starts Employment 3. In this scenario the employee has multiple employments at the point Employment 2 starts and at the point Employment 3 starts; therefore, the contribution rate for Employment 2 and 3 would be based on the rate of pensionable pay at the date of starting those employments.

Notes:

Concurrent employment requires each employment to have a separate employment contract. Multiple duties under a single employment contract do not constitute separate employments even if the different duties attract different rates of pay. There is no difference between concurrent employment contracts with a single employer or with multiple employers.

Annex B

Calculation of Pensionable Pay

The table below gives some examples of how to calculate pensionable pay for contribution rate assessment

Scenario		Pensionable Pay	Contribution Rate
Full Time –	Employed full time Rate of pensionable pay @ 1 April = £20,000	£20,000 No adjustment is required	5.5% based on table 2 below
Full Time –but with a period of no pay through sickness	Employed full time Salary point @ 1 April £24,000 Period of no pay 165 days during the year to scheme year end Rate of pensionable pay @ 1 April £0.00 .	£24,000 ignoring period of no pay through sickness	5.5% based on table 2 below
Part Time – Full Year	Employed part time 20 hours per week Full time for post is 37.00 hours per week (£37,000 pa) Rate of part-time pensionable pay @ 1 April = £20,000	£20,000	5.5% based on table 2 below

Scenario		Pensionable Pay	Contribution Rate
Part-time – Full Year – with additional hours	<p>Employed part time 35 hours per week</p> <p>Works average additional hours (over the year to 31 March) 3 per week</p> <p>Full time for post is 37.00 hours per week</p> <p>Rate of part-time pensionable pay @ 1 April = £8 per hour</p>	<p>Based on additional hours up to standard F/T hours for that employment (37 x £8 = £296) £296 x 52¹ = £15,392</p>	5.5%
Full Time - Part Year	<p>Employed full time</p> <p>Continuous employment from 1 July</p> <p>Rate of pensionable pay @ 1 July = £ 13,333</p>	<p>£13,333</p> <p>Employer will set a new rate for the following year based on the rate of pensionable pay at 1 April</p>	5.5%
Part Time – Part Year	<p>Employed part time 20 hours per week</p> <p>Full time for post is 40 hours per week</p> <p>Continuous employment from 1 September</p> <p>Rate of part time pensionable pay = £17,143 p.a</p>	<p>£17,143</p> <p>Employer will set a new rate for the following year based on the rate of pensionable pay at 1 April</p>	5.5% based on table 2 below

¹ The employer may use their preferred multiplier

Scenario		Pensionable Pay	Contribution Rate
Concurrent Posts	<p>Employment 1 - Employed part time 18.5 hours from beginning of year</p> <p>Full time for post is 37 hours per week FTE rate of pensionable pay for Employment 1 = £30,000</p> <p>Also</p> <p>Employment 2 - Employed part time 18.5 hours from 1 December</p> <p>Full time for post is 37 hours per week FTE rate of pensionable pay for Employment 1 = £20,000</p>	<p>Contribution rate applicable to Employment 1 based on £15,000</p>	5.5%
		<p>Contribution rate applicable to employment 2 based on £10,000</p>	5.5%

Annex C

Contribution Rates Tables

The table for the allocation of rates for 2026/27 is:

Table 1

Table 1 - Tiered Contribution Pay Rates	
Pensionable Pay (2025/2026)	Rate (%)
On earnings up to and including £28,500	5.5%
On earnings above £28,501 and up to £34,900	7.25%
On earnings above £34,901 and up to £47,800	8.5%
On earnings above £47,801 and up to £63,800	9.5%
On earnings of £63,801 and above	12%

Tiered contribution rates from Table 1 are used to determine the member's average contribution rate for the whole of the scheme year in accordance with Table 2 below. This table is in effect a "lookup table" which breaks down the contribution rates from Table 1 into steps of 0.1% and allocates pay ranges to these steps to simplify the process of allocating contribution rates to members for payroll purposes. Table 2 will be updated on an annual basis and included with an updated Table 1 in future versions of this guidance. Where pay values exceed the maximum included in Table 2, the appropriate administering authority must be contacted for guidance.

Notes:

1. If your payroll is held as an hourly rate you may need to convert the pay values in this table to suit. In applying an average contribution rate for a member with "ad hoc" pensionable allowances or variable hours, please refer to paragraph 5(c) of the main part of this appendix for guidance.
2. For members in the 50/50 section the rates shown above may be divided by 2 (but see Table 2 for average rates to be used).

Table 2 – Look up Table for 2026/2027
[For members in the 50/50 section divide the appropriate rate by 2]

Contribution Rate	Actual Pay Min	Actual Pay Max	Contribution Rate	Actual Pay Min	Actual Pay Max
5.50%	Up to	£29,338	8.40%	£82,411	£84,732
5.60%	£29,339	£31,171	8.50%	£84,733	£87,188
5.70%	£31,172	£33,250	8.60%	£87,189	£89,791
5.80%	£33,251	£35,283	8.70%	£89,792	£92,553
5.90%	£35,284	£36,666	8.80%	£92,554	£95,492
6.00%	£36,667	£38,163	8.90%	£95,493	£98,622
6.10%	£38,164	£39,787	9.00%	£98,623	£101,966
6.20%	£39,788	£41,555	9.10%	£101,967	£105,543
6.30%	£41,556	£43,488	9.20%	£105,544	£109,381
6.40%	£43,489	£45,609	9.30%	£109,382	£113,509
6.50%	£45,610	£47,898	9.40%	£113,510	£117,960
6.60%	£47,899	£49,578	9.50%	£117,961	£122,775
6.70%	£49,579	£51,381	9.60%	£122,776	£128,000
6.80%	£51,382	£53,320	9.70%	£128,001	£133,688
6.90%	£53,321	£55,411	9.80%	£133,689	£139,906
7.00%	£55,412	£57,673	9.90%	£139,907	£146,731
7.10%	£57,674	£60,127	10.00%	£146,732	£154,256
7.20%	£60,128	£62,800	10.10%	£154,257	£162,594
7.30%	£62,801	£64,688	10.20%	£162,595	£171,885
7.40%	£64,689	£66,109	10.30%	£171,886	£182,303
7.50%	£66,110	£67,595	10.40%	£182,304	£194,064
7.60%	£67,596	£69,149	10.50%	£194,065	£207,448
7.70%	£69,150	£70,776	10.60%	£207,449	£222,814
7.80%	£70,777	£72,481	10.70%	£222,815	£240,640
7.90%	£72,482	£74,271	10.80%	£240,641	£261,565
8.00%	£74,272	£76,151	10.90%	£261,566	£286,476
8.10%	£76,152	£78,129	11.00%	£286,477	£316,631
8.20%	£78,130	£80,213	11.10%	£316,632	£353,882
8.30%	£80,214	£82,410	11.20%	£353,883	and above*

* Contribution rates will increase beyond 11.2% of pay for higher salaries, but we have not been asked to provide bands above 11.2% of pay.