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Consultation: The Annual revaluation date change in the Local Government Pension Scheme (LGPS)

Thank you for your consultation seeking views on the consultation covering the Annual revaluation date change in the LGPS and the draft LGPS (Scotland) (Amendment) Regulations 2023 ('the Regulations').

I respond on behalf of the Local Government Association (LGA) and the Local Government Pension Committee (LGPC) in respect of the Local Government Pension Scheme (LGPS).

The LGA is a politically led, cross-party membership organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. 331 councils in England including district, county, metropolitan, unitary, London boroughs and the City of London are members of the LGA. There are 22 Welsh unitary authorities in membership via the Welsh Local Government Association (WLGA). The LGPC is a committee of councillors constituted by the LGA, the WLGA and the Convention of Scottish Local Authorities (COSLA). The LGPC considers policy and technical matters affecting the Local Government Pension Scheme (LGPS).

I hope the content is helpful. Please do not hesitate to contact me if you have any questions about this response.

Yours faithfully



Joanne Donnelly
Head of Pensions

Actuarial guidance

The regulations continue to repeatedly refer to annual revaluation being applied in accordance with guidance provided by Scottish Ministers, even though there is no such guidance. As this wording has been retained, we assume the Scottish Government now intends to issue this much needed guidance. Revaluation is a complex area that requires more clarification than can be provided in the regulations.

General technical comments

Club transfers

If these proposals are taken forward, revaluation will apply on different dates in different public service pension schemes. Care will be needed to ensure that a member transferring career average benefits from one scheme to another does not miss out on revaluation.

If a transfer value is calculated between 1 April and 5 April, the member may miss out on revaluation for a year if the sending scheme applies revaluation on 6 April.

We do not believe that this issue necessitates any changes to the LGPS regulations. Changes may be required to the public sector transfer club memorandum to ensure fair and consistent outcomes for transferring members.

Questions raised in the consultation

Question 1. Do you agree or disagree that the annual revaluation date should change from 1 April to 6 April? Please explain why.

We agree in principle with the change; however, we do not agree with the timing.

We agree that changing the date of annual revaluation from 1 to 6 April on the basis that inflation should not be considered when measuring pension growth for the annual allowance. The change will prevent many members exceeding the annual allowance due to the spike in CPI this year.

However, this issue has existed since the pension input period (PIP) was aligned with the tax year in 2016/17, so could have been rectified at a much earlier date.

Introducing the change at a time when administering authorities' resources are already over-stretched is particularly unwelcome. Administering authorities are currently dealing with many challenges including the McCloud remedy, the introduction of pensions

dashboards and the new single code from the Pensions Regulator. Recruitment and retention remains an issue in the sector.

In addition, consulting on a policy change that will have backdated effect will create legal uncertainty for administering authorities. Administering authorities will need to consider how to proceed during the period from 31 March 2023 to the date the regulations come into force. To support authorities and encourage consistency, we recommend that SPPA provide support / guidance to authorities.

Consulting on a policy change that will come into force (albeit with backdated effect) shortly after the end of the consultation is very challenging for administering authorities and software suppliers. Software suppliers have already confirmed it will not be possible to adapt their systems in time. This means administering authorities will need to undertake manual calculations, which are labour intensive and subject to human error.

Also, a two-week consultation does not give enough time for respondents to provide a considered response.

Question 2. Do you agree that the policy aim for regulation 21 is delivered through the draft regulations?

Yes, we agree the policy aim for regulation 21 is delivered through the draft regulations, but please see our answer to question eight.

Question 3. Do you agree that the policy aim for regulation 23 is delivered through the draft regulations?

Yes, we agree the policy aim for regulation 23 is delivered through the draft regulations.

Question 4. Do you agree that the policy aim for regulations 24 and 25 is delivered through the draft regulations?

We assume that the question should also refer to regulation 26.

We agree that the policy aim for regulations 24 and 25 is delivered through the draft regulations.

We do not agree that this is the case for regulation 26. This is for the following reasons:

- The amendment to the regulation does not backdate the revaluation adjustment due on the balance at 31 March after becoming a pensioner to 1 April. An equivalent of amendment regulation 3(3)(c)(ii) is needed.

- The amended regulation does not deal with cases where the member ceased to be an active member, became a deferred member and a pensioner member within the period beginning with 1 April and ending with 5 April. For example, the regulation does not provide for the revaluation adjustment on the balance on the previous 31 March. An equivalent of amendment regulation 3(3)(b) is needed. However, we would expect such cases to be rare.
- The amendment does not set out what order the revaluation should be applied if the index rate adjustment occurs on the revaluation date. An equivalent of amendment regulation 3(3)(d)(iv) is needed.

Also, regulation 26(7) should make it clear that regulation 26(8) does not apply to pension credit members. This is because revaluation adjustment is not due for these members.

Question 5. Do you agree that the policy aim for regulation 27 is delivered through the draft regulations?

We agree that the policy aim for regulation 27 is delivered through the draft regulations.

Question 6. Do you agree that the policy aim for regulations 41, 42, 44, 45, 47 and 48 is delivered through the draft regulations?

We assume that the question should refer to regulations 39, 40, 42, 43, 45 and 46.

There is an existing issue where the date of death falls between 1 April and the next pensions increase date. The regulations appear to indicate that pensions increase will not be applied on the pension increase date immediately following the date of death. We suggest deleting the following wording in regulation 42(7)(b) 'opening' and 'for the following scheme year'. This suggestion applies equally to regulations 43(14)(b), 45(7)(b) and 46(14)(b).

Example: Member leaves active membership on 31 August 2022 and dies on 1 April 2023. Survivor benefits are payable from 2 April 2023. Amendment regulation 6(1)(a) inserts new regulation 42(4A). This applies a revaluation adjustment in the survivor account on 6 April 2023, deemed to apply from the date of death. However, regulation 42(7)(b) states that it is the opening balance in the member's survivor account for the 'following' scheme year to which pensions increase is applied. The balance for the survivor's following scheme year is that on 1 April 2024 and not the balance on the date of death. This means that pensions increase due on 10 April 2023 is missed.

Question 7. Do you agree that the policy aim for regulation 43 and 46 is delivered

through the draft regulations?

We assume that the question should refer to regulations 41 and 44.

Amendment regulation 7(1) inserts new regulation 44(5). The regulation says ‘...payable in accordance with paragraph (4) (but not for the purposes of a death grant derived from a pension credit payable in accordance with paragraph (4)), if the member-’. For simplicity, we suggest changing this to ‘For the purposes of paragraph (3), if the member-’. The revised wording also ensures that pension credit death grants are not covered by regulation 44(4), as these death grants are calculated under paragraph (4).

Question 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?

We agree the policy aim is delivered regarding the amendment to the definition of ‘revaluation adjustment’ in Schedule 1. However, there is an existing issue with the definition not reading clearly within the context of regulation 21(8) – assumed pensionable pay (APP). We recommend that a specific definition of ‘revaluation adjustment’ for the purpose of regulation 21(8) is added to regulation 21.

The definition in schedule 1 refers to an amount applied to a “pension account”, this does not happen when applying a revaluation adjustment to APP.

Our suggestion would also make clear that the percentage to be applied on the first day of the second scheme year in which the APP applies is the percentage that would apply to CARE balances on the next 6 April, rather than the percentage that applied to CARE balances on the previous 6 April.

Question 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.

None that we are aware of.