

Scottish Local Government Pension Scheme Advisory Board

SPPA Update - 9 May 2024

1. Local Government Pension Scheme (Scotland) (Amendment) (No.2) Regulations 2024

1.1 Under Regulation 61, where a scheme employer ceases to have any active members of the LGPS and is not planning to enrol anyone further in the scheme, an actuarial valuation is carried out. An exit credit is due if their pension liabilities are calculated to be less than the assets held at the date of exit. A change to the Regulations was made in 2018 to allow pensions risks to be shared more fairly between employers and administering authorities. Previously scheme employers were responsible for any estimated shortfall against their liabilities at the point of exit but could not receive any surplus.

1.2 Changes were subsequently made to the regulations in E&W in 2020, to provide that administering authorities have a discretion to determine the amount of exit credit which should be payable to an employer leaving the Local Government Pension Scheme (the LGPS).

1.3 The funding position of LGPS funds has improved significantly, as indicated by the latest 2023 valuations, partly due to the effect of persistent high inflation on gilts. We have been made aware that the increase in pension exit credits, which funds would be required to pay when an employer leaves the fund, may have a negative impact on cash flow and result in any subsequent risk being passed on to the remaining employers of the fund.

1.4 We have been approached by administering authorities and asked to make similar amendments to the regulations in Scotland to those made in E&W. These Regulations will amend the Local Government Pension Scheme Regulations 2018 to create a discretion for administering authorities to determine the amount of exit credit which should be payable to an employer leaving the Local Government Pension Scheme.

1.5 Draft regulations are now with the Scottish Government Legal Department for checking and we expect to consult on them within the next few weeks. The regulations will apply retrospectively from 1 June 2018.

2. Government Actuary's Department - Early and Late Retirement Guidance

2.1 If a member chooses to retire before their Normal Pension Age (NPA), their benefits will be reduced, as they are being paid out for longer. Conversely, if a member chooses to retire after their NPA, their benefits are enhanced. The benefits are either reduced or enhanced using factors provided by the Government Actuary Department (GAD).

2.2 Following the exercise to update factors due to changes in the SCAPE discount rate last year, the SPPA asked GAD in its capacity as Scheme Actuary, to recommend actuarial guidance to be used along with the new Early and Late Retirement factors which were implemented in September 2023.

2.3 GAD consulted with SPPA and the Local Government Association and SPPA have now signed off the completed the guidance which will be issued shortly.

3. SAB Follow Up Training Session

3.1 One of the outcomes discussed at the SAB Follow Up Training Session, was that it would be good practice to send a member of the SAB to regular stakeholder meetings such as the quarterly Scottish Pension Liaison Group (SPLG) and the Investment Group (IGG) meetings.

3.2 These groups are comprised of fund administrators and managers, who meet to share knowledge and discuss current issues affecting the Local Government Scheme in Scotland.

3.3 Establishing a regular contact with these existing groups may provide a better understanding of the issues that are faced in Scotland and provide a point of contact when the SAB requires information.

4. Updated Ill-health Guidance

4.1 The purpose of the Guide to Ill Health Retirement and Early Payment of Deferred Benefits is to provide guidance to employing & administering authorities about ill health retirement, and is of particular relevance to Line Managers, HR Staff and Appointed Persons reviewing appeals at Stage 1 of the Internal Dispute Resolution Procedure (IDRP).

4.2 As a result of our consultation and based on comments from stakeholders, changes have been made to clarify the requirements of employers and administrators. The updated Ill-health guidance was completed and sent out to administering authorities via [Circular 2024/03](#) and is available on the [SPPA website](#).

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