

**The Local Government Pension Scheme (Scotland)
Schedule 7 (Councillors)
Payments to Increase Pension**

Date: 25 April 2007

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1 Background

- 1.1 Under Schedule 7 of the Local Government Pension Scheme (Scotland) Regulations 1998 (“the Principal Regulations”) (SI 1998/366), as inserted by the Local Government Pensions Etc (Councillors and VisitScotland) (Scotland) Amendment Regulations 2007 (SSI 2007/71) regulation 54 of the Principal Regulations is amended in respect of councillor members. The amended regulation enables an active councillor member to elect to make additional contributions to the LGPS to increase the pension that would otherwise be payable to him.
- 1.2 Amended regulation 54(5) provides that the amounts of the additional contributions must be as shown in guidance issued by the Government Actuary. Amended regulation 54(7) provides that the benefits payable if additional contributions cease before normal retirement age must be as shown in guidance by the Government Actuary. The purpose of this note prepared by the Government Actuary's Department for the Scottish Public Pension Agency (SPPA) and issued to them for onward transmission to administering authorities and employing authorities, is to provide the guidance required by amended Regulations 54(5) and 54(7).
- 1.3 This GAD guidance note comes into effect from 2 May 2007, and applies in regard of elections to purchase additional pension made on or after that date. Elections in respect of pre-eligibility service are covered by separate GAD guidance.

2 Benefits

- 2.1 If a councillor member purchases additional pension, this will provide the following benefits:

Retirement

- 2.2 On attaining age 65, an additional pension will be payable for life and a lump sum equal to three times the initial rate of pension will be payable. The pension will be indexed in line with the Retail Prices Index (RPI) from the date contributions commenced to the date of death. The pension payable at retirement may be commuted to provide a larger lump sum, subject to HMRC limits.
- 2.3 Amended regulation 54(7) requires the Government Actuary to advise the additional pension awarded if the councillor does not complete all the contributions due.
- 2.4 In order that the full additional pension is credited on retirement, other than on death in service or on leaving service on grounds of permanent incapacity, the member must continue paying additional contributions until their 65th birthday. If the member ceases contributions in these circumstances the additional pension will be reduced by the ratio of the term whilst contributions were in payment (that is, from the date that the first contribution was due to the time contributions ceased) to the potential term had contributions carried on until their 65th birthday.
- 2.5 In deciding how much additional pension to purchase, such members may wish to take into account that the additional pension actually purchased will fall short of their "headline" target if they retire before attaining age 65. The additional benefits would be reduced due to contributions ceasing before age 65. In addition, the benefits would be reduced in line with the guidance under regulations 30 and 34 if drawn before age 65 (other than on the grounds of permanent ill health).

Death before retirement

- 2.6 Should a councillor die before retirement while making contributions and at the time of the election provided a satisfactory medical report as described in amended regulation 54(4), the attaching additional long-term spouse's or civil partner's pension payable will be 50% of the full rate of pension being purchased. Any long-term children's pensions payable will be calculated based on a member pension including the full rate of additional pension being purchased.
- 2.7 If the death occurs after contributions have ceased and before retirement, or if a satisfactory medical report was not provided then the long-term spouse's or civil partner's pension is 50% of the additional pension after the reduction described in paragraph 2.4. Any long-term children's pensions payable will be calculated based on a member pension including the additional pension after the reduction described in paragraph 2.4.
- 2.8 In all cases the additional pension will be indexed in line with RPI from the date contributions commenced up to the date of death.
- 2.9 The short-term pensions and death grant payable on the death of a councillor member while in active service are unaffected by contracts to purchase additional pension since they are based on multiples of career average pay.
- 2.10 The member pension used when calculating the death grant payable on the death of a deferred councillor member who has commenced an additional pension contract should include the additional pension after the reduction described in paragraph 2.4.

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Ill health

2.11 Should a councillor cease paying contributions due to incapacity before age 65, and at the time of the election provided a satisfactory medical report as described in amended regulation 54(4), the pension paid on retirement will include the full amount of additional pension purchased, together with an attaching lump sum of three times the initial pension. If a satisfactory medical report was not provided then the pension paid on retirement will be reduced as described in paragraph 2.4. The pension will be indexed in line with inflation from the date contributions commenced up to the date of retirement.

Death after retirement

2.12 On death of a member after retirement, the short and long-term pensions payable to a spouse, civil partner or child are calculated with reference to the member pension payable before the member's death including the additional pension payable, as is the death grant that may be payable.

3 Maximum additional pension

- 3.1 The maximum additional benefit that can be purchased is limited by amended regulation 54(2). The limit is that the additional pension must be no more than £5,000 pa when it becomes payable. This limit is the rate of pension at the date of retirement.
- 3.2 SPPA has confirmed that this rate is to be increased in line with inflation each year so a member applying to purchase benefits providing an additional pension of £5,000 pa in 2007 will remain within the limit despite the actual pension payable at age 65 including indexation in line with inflation from 2007 to age 65.
- 3.3 In addition to this restriction, councillor members considering purchase of additional pension may wish to consider the limits on the tax relief in respect of pension contributions by HMRC and the likelihood and implications of exceeding their Annual or Lifetime Allowance as a result of purchasing additional pension.

4 Contributions

- 4.1 Tables are attached to this Guidance Note that should be used in order to determine the additional contributions, expressed as fixed level amounts, for an additional pension of £250 pa (indexed in line with inflation from the date contributions commence to the councillor's 65th birthday), payable from 65. This contribution will also purchase the associated benefits described in section 2. Amended regulation 54(8) specifies that contributions commence at the councillor's next birthday after his election to purchase additional pension.
- 4.2 This guidance may be replaced by updated guidance in the future. In this event, the contributions under contracts that have already commenced may be revised. If following such a review of contributions a councillor decides to cease contributions, the additional benefits purchased will be calculated as if the councillor had ceased to pay contributions other than on death in service or on leaving service on grounds of permanent incapacity.

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5 Table A - Payments to increase pension – Male councillors

Monthly additional contributions to be made by an active councillor member who has elected to make additional contributions to the LGPS to increase his pension:

Age on next birthday after election	Monthly contribution for an increase in pension of £250 pa (£)	Age on next birthday after election	Monthly contribution for an increase in pension of £250 pa (£)
20	6.60	45	22.00
21	6.80	46	23.40
22	7.10	47	25.10
23	7.40	48	26.90
24	7.70	49	28.80
25	8.00	50	31.10
26	8.40	51	33.50
27	8.70	52	36.30
28	9.10	53	39.50
29	9.50	54	43.20
30	10.00	55	47.60
31	10.40	56	52.90
32	10.90	57	59.50
33	11.40	58	67.70
34	12.00	59	78.60
35	12.60	60	93.70
36	13.20	61	116.10
37	13.90	62	153.50
38	14.60	63	228.10
39	15.40	64	452.30
40	16.30		
41	17.20		
42	18.30		
43	19.40		
44	20.60		

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6 Table A - Payments to increase pension – Female councillors

Monthly additional contributions to be made by an active councillor member who has elected to make additional contributions to the LGPS to increase her pension:

Age on next birthday after election	Monthly contribution for an increase in pension of £250 pa (£)	Age on next birthday after election	Monthly contribution for an increase in pension of £250 pa (£)
20	6.70	45	22.60
21	6.90	46	24.10
22	7.20	47	25.80
23	7.50	48	27.80
24	7.90	49	30.00
25	8.20	50	32.40
26	8.60	51	35.10
27	9.00	52	38.10
28	9.40	53	41.40
29	9.80	54	45.30
30	10.30	55	49.90
31	10.70	56	55.40
32	11.30	57	62.10
33	11.80	58	70.60
34	12.40	59	81.60
35	13.00	60	96.90
36	13.60	61	119.70
37	14.30	62	157.40
38	15.10	63	232.90
39	15.90	64	458.90
40	16.80		
41	17.70		
42	18.80		
43	19.90		
44	21.20		