

## **EXECUTIVE NOTE**

### **THE LOCAL GOVERNMENT PENSIONS ETC. (COUNCILLORS AND VISITSCOTLAND) (SCOTLAND) AMENDMENT REGULATIONS 2007 SSI/2007/71**

The above instrument is made in exercise of the powers conferred by sections 7 and 24 of the Superannuation Act 1972. These powers have been executively devolved to the Scottish Ministers by virtue of the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 1999 (S.I. 1999/1750). The Instrument is subject to negative resolution procedure.

#### **Policy Objectives**

This instrument makes amendments to the Local Government Pension Scheme (Scotland) Regulations 1998 in accordance with regulation 2 of these Regulations.

In January 2006 the Chairman of the Scottish Local Authorities Remuneration Committee (SLARC) submitted a report to the Scottish Ministers making certain recommendations with regard to the remuneration of councillors. The report also made recommendations on pension provision.

SLARC recommended that councillors should have access to a defined benefit pension scheme and that, in particular, the Local Government Pension Scheme (LGPS) should be available to councillors. The Committee specified that the scheme should:

- apply the same normal retirement age and employee contribution rate for councillors as others in the scheme;
- allow for the possibility of buying extra pension from their entry to the scheme; and
- be a career average scheme rather than final salary to reflect the possibility that councillors may hold positions of responsibility with higher remuneration at various points in their career.

The Minister agreed the Committee's recommendations and, in addition, stipulated that councillors re-elected in 2007 be given the choice to opt into an arrangement that would allow them to buy pension entitlement in respect of previous years served since 1995.

The Regulations provide access to the LGPS to councillors, taking on board the recommendations of SLARC, and also provide for the option mentioned above to purchase pension entitlement in respect of years served since 1995.

The Regulations also insert VisitScotland into the Schedule of Scheme Employers to allow staff of the new body access to membership of the scheme.

#### **Consultation**

A consultation exercise was conducted from 16 October to 24 November 2006. This included consultation with local authorities, with employer and employee representatives, and with other Government Departments. Responses were received from SLARC, COSLA, the City of Edinburgh Council, the National Association of Councillors and the Local

Government Employers' organisation in England and Wales. There were no significant comments on the policy objectives. Technical points were taken into account when the Regulations were finalised.

### **Financial effects**

The instrument will have financial implications for Local Government. Pension costs will be determined by the number of councillors who choose to join the scheme and by the salary level these councillors are paid. Councillors' eligibility to join an existing pension scheme will ensure that administrative costs are kept to a minimum. Local authorities are expected to fund 'employers' pension contributions.

Costs and benefits are outlined in the Regulatory Impact Assessment (RIA).

Scottish Public Pensions Agency  
February 2007

**REGULATORY IMPACT ASSESSMENT (RIA)**

**LOCAL GOVERNMENT PENSIONS Etc. (COUNCILLORS AND VISITSCOTLAND) (SCOTLAND) AMENDMENT REGULATIONS 2007**

# **IMPLEMENTATION OF REGULATIONS TO ENABLE ELIGIBLE COUNCILLORS ACCESS TO THE LOCAL GOVERNMENT PENSION SCHEME**

## **Purpose and Intended Effect of Measure**

### Objectives

1. To provide eligible councillors, as non employees, with access to the Local Government Pension Scheme (LGPS).

### Background

2. This Regulatory Impact Assessment (RIA) accompanies the Local Government Pensions Etc. (Councillors and VisitScotland) (Scotland) Amendment Regulations 2007, which provide councillors with access to a defined benefit pension scheme through making available the LGPS to councillors. The Regulations also insert VisitScotland into the Schedule of Scheme Employers to allow staff of the new body access to membership of the scheme. This RIA focuses specifically on pension provision for councillors.

### **Consultation**

3. A consultation exercise on the draft regulations was undertaken between 16 October and 24 November 2006. This followed recommendations by the Scottish Local Authority Remuneration Committee (SLARC) on the remuneration of councillors, including pension provision.

4. The Committee specified that councillors should be provided with access to the Local Government Pension Scheme and that the scheme should:

- apply the same normal retirement age and employee contribution rate for councillors as others in the scheme;
- allow for the possibility of buying extra years of service; and
- be a career average scheme rather than final salary to reflect the possibility that councillors may hold positions of responsibility with higher remuneration at various points in their career.

5. The Scottish Minister for Finance and Public Service Reform agreed the Committee's recommendations at the end of March 2006. In addition, the Minister stipulated that councillors re-elected in 2007 should be given the choice of opting into an arrangement that would allow them to buy pension entitlement in respect of previous years served since 1995.

6. The consultation exercise focused on the technical aspects required to implement the agreed pension arrangements.

### **Options**

7. This RIA considers the impact of the proposed regulations in providing access to the LGPS for councillors. As a decision has already been made following SLARC's recommendations that councillors be admitted to the LGPS, it is not appropriate to consider alternative options within this RIA.

## Costs and benefits

<b>Option</b>	<b>Total cost per annum Economic, environmental, social</b>	<b>Total benefit per annum Economic, environmental, social</b>
Access to the LGPS for councillors	<p><b>Economic</b> – Costs to members and employers in the form of contributions. Cost to members will be 6% of salary in form of employee contributions. Costs to employers in total are estimated to be of the order of £3m pa, based upon the total expected salary costs for councillors of £22m pa and an average employer contribution rate of 14.1 % of employee pay for all potential joiners (1,222 councillors). Some minor implications for LGPS fund authorities to administer pension provision for councillors, but minimal as scheme arrangements already established.</p> <p><b>Environmental</b> – None</p> <p><b>Social</b> – None</p>	<p><b>Economic</b> – New Regulations specifically for councillors reduce potential cost to the LGPS fund by provision of career average scheme (less impact from fluctuation in remuneration levels); and removal of provisions to allow discretionary compensation, shared cost AVCs, and augmentation. Also, additional cost of provision to purchase previous service falls to councillors themselves.</p> <p><b>Environmental</b> – None</p> <p><b>Social</b> – Councillors have access to well established defined-benefit occupational pension scheme via LGPS. Broad equity in pension provision between councillors and local authority employees.</p>

### Sectors and groups affected

8. All local authorities may be affected by these regulations.

### *Race equality assessment*

9. There are no such considerations in respect of this proposal.

### *Health impact assessment*

10. There are no such considerations in respect of this proposal as the consultation focuses on the technical aspects required to implement councillors pensions via the LGPS, not whether pensions should be provided per se.

### *Rural considerations*

11. There are no such considerations in respect of this proposal.

### **Small Firms' Impact Test (SFIT)**

12. The proposals relate to the public sector and there are no such considerations in respect of this proposal.

### **Competition Assessment**

13. This is not required for these proposals.

### **Enforcement, Sanctions and Monitoring**

#### Enforcement

14. This is not required for these proposals.

#### Sanctions

15. This is not required for these proposals.

#### Monitoring and review

18. All LGPS funds undergo an actuarial valuation every three years. The last valuation assessed the state of the funds as at 31 March 2005. LGPS administering authorities' are required to manage and invest their pension funds in accordance with the terms of statutory regulations, and are required to produce Funding Strategy Statements which must be regularly reviewed.

SPPA

February 2007

### **Declaration and publication**

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

**Signed by the responsible Minister**

**Tom McCabe**

**Date 12 February 2007**

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