# The Local Government Pension Scheme (Scotland) Regulations 2018

The Scottish Government
Riaghaltas na h-Alba

## RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

### *1. Name/Organisation*

**Organisation Name**

ICAS Pensions Panel on behalf of ICAS

**Title** **Mr** ☐ **Ms** ☐ **Mrs** ☐ **Miss** √☐ **Dr** ☐ ***Please tick as appropriate***

**Surname**

Scott

**Forename**

Christine

### *2. Postal Address*

CA House
21 Haymarket Yards
Edinburgh

| | | |
|---|---|---|
| **Postcode** EH12 5BH | **Phone** 0131 347 0238 | **Email** cscott@icas.com |

### *3. Permissions* - I am responding as…

**Individual** ☐ / **Group/Organisation** √☐

***Please tick as appropriate***

**(a)** Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

***Please tick as appropriate*** ☐ **Yes** ☐ **No**

**(b)** Where confidentiality is not requested, we will make your responses available to the public on the following basis

***Please tick ONE of the following boxes***

Yes, make my response, name and address all available ☐

*or*

Yes, make my response available, but not my name and address ☐

*or*

Yes, make my response and name available, but not my address ☐

**(c)** The name and address of your organisation ***will be*** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your ***response*** to be made available?

***Please tick as appropriate*** √☐ **Yes** ☐ **No**

**(d)** We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

***Please tick as appropriate*** √☐ **Yes** ☐ **No**

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1. Early payment of pension at age 55 - these regulations allow deferred members of earlier schemes to elect for early payment of their benefits between age 55 and 60 without needing their former employer's consent. This also applies to pension credit members who were awarded the credit under the Earlier Schemes to be able to elect to receive their benefits early, at a reduced rate, on or after age 55.

We have no comments to make in response to this question.

2. Calculation of 'the Underpin' - the regulations also clarify how to carry out the calculation of the protection known as 'the underpin', taking into account the actuarial increase/reduction when considering the better of the two benefit options for the member on retirement.

We have no comments to make in response to this question.

3. Survivor Benefits Walker & Goodwin Judgements - the regulations amend the calculation of survivor partner pensions so that surviving civil partners, survivors of married same-sex couples and male survivors of female married members are placed in a similar position to female survivors of male married members.

We have no comments to make in response to this question.

4. Further Flexibilities for Fund Authorities - these regulations provide further flexibilities for fund authorities in dealing with employers and allow for amendments to an employer's contribution rate in between valuations.

We very much welcome the proposed introduction of Deferred Debt Arrangements (DDAs) into the LGPS (Scotland) Regulations 2018. This will bring the 2018 Regulations into line with the September 2020 amendments to the Local Government Pension Scheme Regulations 2013 which apply in England and Wales, and with the Occupational Pension Schemes (Employer Debt) Regulations 2005 which were amended in 2018 to introduce DDAs for private sector multi-employer schemes.

By allowing employers to defer any exit payment and to carry on participating in the Scheme on an on-going basis without any active members, employers would be better able to manage accured liabilities without building up additional liabilities.

This approach is fair to other employers in the Scheme as under a DDA an employer would retain all the same obligations to the Scheme.

By remaining in the Scheme, the employer would also continue to benefit from investment returns and favourable member movements which could reduce the ultimate cost of providing benefits.

While immediate costs to the employer are likely to be lower and therefore much more affordable, we agree that regular valuations do need to be carried out and payments due under DDAs adjusted if necessary, subject to any affordability constraints.

The employer's funding position could be volatile so employers would need to be able to manage changes in their funding position and therefore any potential increases in payments to the Scheme under a DDA.

We also support the addition of a provision which would allow any cessation debt calculated to be guaranteed for 90 days. Historically, there has been an issue where an exit illustration has been provided but by the time the exiting employer has completed their consultation the amount of the deficit has deteriorated to such an extent that exit has become unaffordable. The 90 days guarantee would create greater certainty for all parties.

Prior to making use of DDAs it will be necessary for Scheme funds to take actuarial advice and set out in an updated Funding Strategy Statement (FSS) how they plan to implement the new flexibilities.

We therefore welcome Scheme Advisory Board (SAB) plans, agreed at the SAB's August 2021 meeting, to issue guidance to Scheme funds to ensure that employers are treated in a fair and transparent way and that FSSs should include further detail about:

- Steps to permit transfers of staff between Scheme funds as a pragmatic solution to cessation issues.
- Proportionate steps for identifying historic liabilities, relevant to the specific admission agreement and exit plan.
- Their approach to using the 90-day stability option (once this is available under the Regulations).

We also welcome, the SAB's agreed plan to ask administering local authorities to engage with admitted bodies, on request, as to the extent and limitations of any guarantees relating to their pension liabilities so they are aware of the outcome of leaving the Scheme fund before any decision is made.

5. Cost Cap - in order for GAD to finalise the result of the 2017 valuation, the cost cap figure is amended, with retrospective effect, to 1 April 2015.

We have no comments to make in response to this question.

Thank you for your comments.