

Features of the new LGPS (Scotland)

Feature	New LGPS(Scotland) provisions by 1 April 2009												
Type of scheme	Defined benefit final salary scheme, with a normal retirement age of 65. Rule of 85 transitional protection to 2020 retained.												
Accrual rates	1/60 th with option to commute up to 25% of fund value into lump sum.												
Death in service arrangements	A lump sum death grant of 3 times final pay. Increases in partners lump sum to be provided where active, deferred or pensioner member dies. Short term spouses' benefits removed.												
Ill health benefits	Two entry point ill health provision where scheme members who are permanently incapable of carrying out efficiently the duties of their job: (i) have no reasonable prospect of undertaking gainful employment before scheme normal retirement age of 65; or (ii) have a reasonable prospect of undertaking other gainful employment before age 65. Transitional protection for existing scheme members whose service enhancement would be less than under current arrangements (to be reviewed after three years). Third tier, outside the pension scheme, consisting of one-off lump sum payment by employer at their discretion. Calculated on one week's pay per year of service and limited to maximum of 30 weeks' pay. Covers those whose employment is terminated on capability grounds, who are not in receipt of ill-health benefits and who have a reasonable prospect of undertaking further gainful employment before age 65. Implementation of certificate of protection to cover circumstance where member is required to take lower salary due to ill health.												
Partner pensions	Dependants' benefits payable in respect of widows, widowers, civil partners, plus unmarried partners who cohabit, at rate of 1/160 th												
Flexible arrangements in the run-up to retirement	Current provisions for flexible retirement to be retained as feature of the new Scottish LGPS. Increased flexibility through being able to draw all or part of occupational pension benefits without having to retire completely. In case of flexible retirement, employer consent required to reduce hours or lower grade, but employer consent to access benefits only required in respect of those under age 60. A provision to buy additional pension benefit.												
Minimum Pension Age	All new scheme members to have Minimum Pension Age of 55 years. All current scheme members will have Minimum Pension Age of 55 from 6/4/2010, except for any member who was in the scheme on or before 5 April 2006 whose employment is terminated on grounds of redundancy or efficiency and is aged 50 or over at that point. Such members will have a protected pension age of 50.												
Working beyond 65	The ability to accrue service in the LGPS beyond age 65 up to age 75. Cost-neutral uplift factors for benefits accrued up to beyond age 65.												
Contribution rates for scheme members	Introduction of a five-tier employee contribution rate structure, delivering an average employee contribution rate of 6.3%. Tiers operate on a banding system, as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Pensionable pay</th> <th style="text-align: left;">Rate (%)</th> </tr> </thead> <tbody> <tr> <td>On earnings up to and including £18,000</td> <td>5.5%</td> </tr> <tr> <td>On earnings above £18,000 and up to £22,000</td> <td>7.25%</td> </tr> <tr> <td>On earnings above £22,000 and up to £30,000</td> <td>8.5%</td> </tr> <tr> <td>On earnings above £30,000 and up to £40,000</td> <td>9.5%</td> </tr> <tr> <td>On earnings above £40,000</td> <td>12%</td> </tr> </tbody> </table>	Pensionable pay	Rate (%)	On earnings up to and including £18,000	5.5%	On earnings above £18,000 and up to £22,000	7.25%	On earnings above £22,000 and up to £30,000	8.5%	On earnings above £30,000 and up to £40,000	9.5%	On earnings above £40,000	12%
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Contribution rates for employers	Overall average new scheme costs estimated at 19.6% of payroll, with employee contributions at an average of 6.3% Employer contributions to make up the difference. Commitment to establishing cost sharing mechanism to ensure sustainability of the scheme over the long term.												