Sixty second summary

Scottish LGPS amendment Regulations 2022

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The Scottish Public Pensions Agency (SPPA) have published the Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022. These come into force on 1 June 2022. Amongst other things, flexibilities have been introduced around the treatment of exit valuations and changes to employer contributions between formal valuations, similar to those implemented in England and Wales in 2020. The headlines are discussed below.

Further flexibilities for administering authorities

A number of flexibilities are available around the treatment of exit valuations, including the introduction of 'deferred debt agreements', inter-valuation contribution changes and spreading of exit payments.

We welcome the introduction of these greater flexibilities to the current provisions relating to employer funding. As with the scheme in England and Wales, we believe it is important for the Scottish Scheme Advisory Board (SSAB) and SPPA to issue supplementary guidance to administering authorities regarding the practical implementation of these new flexibilities.

A 60 Second Summary that we prepared following the launch of the equivalent English and Welsh regulations explores the flexibilities in more detail. These changes happened from September 2020 therefore we can learn from experiences south of the border. For example, upfront discussion on the principles around applying the flexibilities to allow efficient drafting of policy, or earlier engagement with employers that are likely to be interested in taking advantage of the new flexibilities.

Other actuarial focussed changes

Flexibilities aside, there are a couple of other changes introduced by these amendment Regulations that should be of interest to administering authorities and their actuaries.

- **Actuarial valuations of pension funds** – the amendments confirm a change, requiring administering authorities to *'obtain an actuarial valuation of the assets and liabilities of each of its pension funds both on an ongoing and a cessation basis as at 31st March 2020 and on 31st March in every third year afterwards'*. We are pleased to see that this amendment is actually effective from the date the amendment Regulations come into force and not 31 March 2020, thus avoiding any need for retrospective adjustments to Rates & Adjustment Certificates. We do have some concerns though regarding how administering authorities and their actuaries define "ongoing" and "cessation" in a consistent manner across the scheme without some sort of steer from the SSAB and SPPA.

- **Special circumstances where revised actuarial valuations and certificates must be obtained** – we note that the requirement to guarantee a cessation valuation for a period of 90 days has been retained from the original consultation. This raises a number of questions, not least reaching a consensus over the date on which the 90-day guarantee period commences e.g. is it the cessation date, or the calculation date, or the reporting date? As with the new flexibilities it is hoped the SSAB and SPPA will issue supplementary guidance to administering authorities and their actuaries regarding the practical implementation of this change.

Early payment of pension at age 55

Changes have been introduced to 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.

Survivor benefits (Walker & Goodwin judgements)

Amendments have been introduced to 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 are aware, however, that concerns were raised regarding the scope of these changes during the consultation exercise, given the potential risk of a further inequality being introduced to widows' pensions where the relevant additional membership (e.g. added years) would not be included when calculating survivor benefits for those individuals. We note that no changes appear to have been made following the consultation process to address these concerns.

Concern was also raised over the impact on children's pensions that may be found to have been overpaid in circumstances where a survivor pension might now become due as a result of the above changes. We cannot see that this concern has been addressed in the final Regulations. It is hoped, therefore, that the SSAB and SPPA will produce guidance to administering authorities on what to do where this occurs.

Conclusion

On the whole, we believe the changes that are being introduced are welcome. We do have some concerns regarding the changes to survivor benefits and what this does in terms of introducing further inequalities and impacts on other survivor entitlements already paid.

The introduction of administering authority flexibilities is pleasing to see, although guidance from the SSAB and SPPA will be necessary, particularly with regards to the application of a number of elements that deviate from what has already been introduced in England & Wales.