

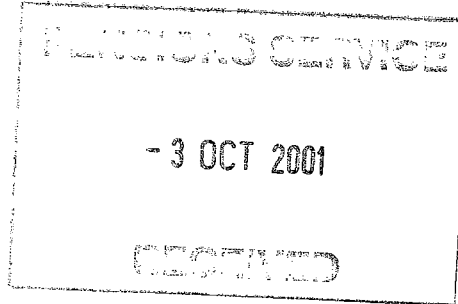


# SCOTTISH PUBLIC PENSIONS AGENCY

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Dear Colleague

## LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) REGULATIONS 1998

I enclose a final version of Guidance Notes we have received from the Government Actuary's Department, on Regulations 24A(1) and 19(4A), in relation to an increase in benefits for a person who remains in service after his 65<sup>th</sup> birthday.

Yours sincerely

*Rose A. Stewart*  
Mrs R A Stewart



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5. **Example** Consider a male member whose 65th birthday fell on 12 August 2000. As he had joined the Local Government Pension Scheme before 7 July 2000, the member could have elected that the regulations in force prior to 7 July 2000, under which contributions would continue to be payable by a member who remains in service after age 65, would apply to him, but he did not do so. Thus his last day of paying contributions was 11 August 2000. If he had retired then he would have been entitled to a pension of £8,046 p.a., a retirement grant of £24,138 and a spouse's long-term pension of £4,023 p.a. all of which would have been based on 38 years and 65 days' membership and final pay of £16,860. However, he sought and obtained his employing authority's consent to him remaining in service after his 65th birthday, under the terms of Regulation 24A.
6. The member's last day of service was 17 September 2000. The period for which payment of benefits was delayed was therefore 37 days. Thus the increase in benefits under Regulation 19(14A), as a result of payment of the pension commencing on 18 September 2000 instead of 12 August 2000, would be as follows:

Member's pension	$£ 8,046 \times 37 \times 0.02/100 = £59.54$
Retirement Grant	$£24,138 \times 37 \times 0.01/100 = £89.31$
Spouse's long-term pension	$£ 4,023 \times 37 \times 0.02/100 = £29.77$

If the member had died on 1 September 2000, after payment of his benefits had been delayed for 20 days, the increases in benefits under Regulation 19(4A) would be:

Spouse's long-term pension	$£ 4,023 \times 20 \times 0.02/100 = £16.09$
Minimum underpin 3/80ths death grant*	$£24,138 \times 20 \times 0.01/100 = £48.28$

\* In practice, it is likely that the alternative death grant due of twice final pay will be more than 114.5343/80ths of £24,138 increased in accordance with Regulation 19(4A).

7. On retirement on 18 September 2000 there would be no adjustment for pension increases initially for someone with a date of leaving service, for pension increase purposes, of 11 August 2000. Thus the pension to the member paid from 18 September 2000 would be £8,105.54 p.a. (i.e. 8,046 + 59.54) and the retirement grant would be £24,227.31 (i.e. £24,138 + £89.31.) If the member had died on 1 September 1999, the spouse's long-term pension would have been £4,039.09 (i.e. £4,023 + £16.09).
8. The pension increase in April 2001 is 3.3%, based on the increase in the RPI in the year to September 2000. For pensioners with a date of leaving service of 11 August 2000 the increase is 2.2%. Thus a member's pension in payment of £8,105.54 p.a. would be increased in April 2001 by multiplying by a factor of 1.022 to give £8,283.86. (For simplicity the effect on the pension increase of part of the pension being GMP has been ignored.) There would also be a pensions increase adjustment to the retirement grant in April 2001 for the period between 11 August 2000 and 17 September 2000 of 0.28%. The



supplementary payment would be £67.84 (i.e.  $.0028 \times 24,227.31$ ). If the member had died on 1 September 2000, the spouse's long-term pension would also be increased in April 2001, by 2.2%, to £4,127.95 ( $1.022 \times £4,039.09$ ), also ignoring the effect on the pension increase of part of the pension being GMP.

9. **Review of factors** The rate of increase in the pensions and grants for each day for which payment is delayed will be reviewed from time to time, having regard to changes in the return on investments and the mortality rates of members and their spouses.

*R.T. Foster*

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