

PE1757/A

Scottish Government submission of 3 December 2019

Thank you for your letter dated 22 November in relation to the Committee's consideration of the above petition. I have been asked to reply as SPPA is responsible for providing advice to Scottish Ministers on public service pensions.

Early retirement is provided under regulation 29 of the Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141). Regulation 29(5) says that in such cases, the amount of retirement pension must be reduced by the amount shown as appropriate in actuarial guidance issued by the Scottish Ministers. Prior to issuing such guidance, the Scottish Ministers take advice from the appointed scheme actuary in order to determine what an appropriate reduction should be.

There is a cost for early retirement for both the member of the scheme and the tax-payer, since the scheme member's pension is payable for a longer period than if they had retired at their normal pension age (generally age 65 for pension built up before 1 April 2015, and State Pension Age for pension built up after that date). Scottish Ministers therefore adopt the principle of 'financial neutrality' when setting the actuarial factors used to work out the reduced pension payable by the Scottish LGPS on early retirement. This means that the reduced early retirement pension is calculated to be of the same value as the pension which would have been paid at normal pension age.

The reduction factors are calculated using the Scheme Actuary's assessment as to the likely pattern of life expectancy for men and women in the scheme and are reviewed from time to time. Factors are provided on a unisex basis, meaning the same factors apply to men and women.

The 'fiscal neutrality' principle means that the costs of retiring early are evenly balanced between the member and the scheme, and we would therefore expect the same proportionate impact on workers across all pay grades on early retirement at a given age. The same approach is generally followed for all Scottish public service pension schemes.