

Scottish Borders Council

Increase of Local Government Pensions – 2021

Under the Pension Increase Review Order 2021 Public Sector pensions are to be increased with effect from **12 April 2021**, to take account of the increase in the cost of living. The increases are based on the annual inflation rate in September 2020 as measured by the Consumer Prices Index (CPI).

For pensions which commenced before 27 April 2020 the increase is 0.50%. The increases for pensions starting on or after 27 April 2020 are as follows:-

Pensions Starting	% Inc	Pensions Starting	% Inc
On, or before 27/04/20	0.50	28/09/20-27/10/20	0.25
28/04/20-27/05/20	0.46	28/10/20-27/11/20	0.21
28/05/20-27/06/20	0.42	28/11/20-27/12/20	0.17
28/06/20-27/07/20	0.38	28/12/20-27/01/21	0.13
28/07/20-27/08/20	0.33	28/01/21-27/02/21	0.08
28/08/20-27/09/20	0.29	28/02/21-27/03/21	0.04
		28/03/21 onwards	NIL

1. When will the increase be paid?

The increase takes effect from 12 April 2021, the same date as the increase in state pensions.

2. Who qualifies for pensions increase?

Pensions increase is paid to all pensioners aged 55 or over, or at any age if you retired on ill health grounds. If you are receiving a widow, widower, partner or child pension, payment of pensions increase is made at any age.

3. Is all of my pension increased?

Pensions increase is added to the whole of the pension being paid at the time, including any previous increases. However, the Local Government Pension Scheme (LGPS) was contracted out of the State Earnings Related Pension Scheme (SERPS), so if you were a member of the LGPS between 6 April 1978 and 5 April 1997, you may find that part of the increase is paid by us and part is added to your state pension. This is explained in more detail below.

4. How will the increases be paid?

If your pension is based on any service between 6 April 1978 and 5 April 1997 that was contracted out you may have earned a Guaranteed Minimum Pension (GMP). If you have, then at state pension age or straight away in the case of a widow, widower, or partner pension, HMRC (Her Majesty's Revenue and Customs) should tell you how much it is.

Your pensions increase from then on would normally be paid in two parts.

With your state pension, you would get the increase on any GMP earned before 6 April 1988, together with any increase above 3% on any GMP earned from 6 April 1988 onwards.

With your pension from us, we would pay the increase up to 3% on any GMP earned from 6 April 1988 onwards, together with all the increase on the rest of your pension (except on any GMP earned before 6 April 1988).

This sounds a bit complicated but you may find it easier if you simply think of it as your increases being split between the state scheme and the pension from us, but between the two you will get the full increase each year.

If you don't have any GMP entitlement, we will pay the full increase.

5. What is the Guaranteed Minimum Pension (GMP)?

The Local Government Pension Scheme (LGPS) was contracted out of the State Earnings Related Pension Scheme (SERPS), so if you were a member of the LGPS between 6 April 1978 and 5 April 1997 the LGPS must pay you a guaranteed minimum amount of pension (GMP) based on the state entitlement you would have earned if you had not been a member of the LGPS during this time.

At State Pension Age your pension will be compared with this GMP and increased to the rate of your GMP should this be higher. In most cases, your LGPS pension is higher than your GMP.

The GMP is an amount broadly equivalent to what you would have received if you had been in SERPS for that period of service. If you have a GMP, then at State pension age or following your spouse's death in the case of a widow, widower, or partner pension, DWP will calculate and inform you of the amount of the GMP.

6. Are there circumstances when I wouldn't get any GMP increases with my state pension?

This may occur if you:-

- are resident in a country overseas with which the UK does not have a reciprocal arrangement for increasing social security pensions, or
- are deferring your State retirement after reaching State pension age and therefore do not receive State Retirement Pension, for example if you continue to receive Incapacity Benefit after reaching State pension age; or
- have an additional pension from the State scheme which is less than the total GMPs to which you are entitled (you will receive a notice of entitlement from DWP which tells you what these amounts are); or
- are entitled to a widower's GMP in respect of your late wife's Local Government pension entitlement, are under age 65 or your late wife was under age 60 when she died, and you do not receive a State Retirement Pension by virtue of your late wife's National Insurance contributions.

In such cases, we would pay the full increase on your pension.

7. What about pensions that have not been increased previously?

There may be a considerable period between the date your pension begins and the date you receive an increase for the first time. Where this happens the increase will take account of all the increases since your pension began. However, this higher rate of pension applies only from the date you qualified for pensions increase: there are no arrears due from before that date.

For example, assume a pension of £10,000 a year began on 1 August 2015 but the pensioner did not qualify for pension increases until 12 April 2021. The cumulative pension increases over that period are 8.88%. Until 12 April 2021 the gross pension payable would be £10,000 a year and from 12 April 2021 it would be £10,888 a year.

8. When does a pension "begin"?

A pension normally begins for pension increase purposes on the day after the last day of service. However in some circumstances it can be deemed to begin earlier.

For example, if the best 12 months used for final salary does not coincide with the final year of employment, the starting date for pensions increase is taken as the end of the 12 month period used in the calculation of pay rather than the end of service. This could happen where the pay in an earlier year is higher than the final year.

Widow, widower, partner and child pension payable when a local government pensioner dies are generally treated for pensions increase purposes as beginning on the same date as the pension from which they derive.

9. Where can I get further information?

This note gives general information only and should not be regarded as a complete statement of the provisions of pensions increase legislation relating to local government pensions.

Further information about your pension increase can be obtained by contacting The Pensions Team, HR Shared Services, Scottish Borders Council, Council Headquarters, Newtown St.Boswells, Melrose TD60SA. Telephone: (01835) 825205/826577/826562. Email: pensions@scotborders.gov.uk