



GOVERNMENT **ACTUARY'S** DEPARTMENT

**The Local Government Pension Scheme (Scotland)
Regulation 54 – Purchase of Added Years
Applications on or after 1 December 2006**

Date: 16 April 2007

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1 Purchase of Added Years

- 1.1 Under Regulation 54 of the Local Government Pension Scheme (Scotland) Regulations 1998 (“the Principal Regulations”) (SI 1998/366), an active member may elect to make additional contributions to the LGPS to increase his total membership by an additional period. This additional period is generally referred to as “Added Years”, though it does not have to be a whole number. Regulation 54(5) provides that the amounts of the additional contributions must be such percentage of the member’s pay for the time being as is shown in guidance issued by the Government Actuary. The purpose of this note prepared by the Government Actuary’s Department for the Scottish Public Pension Agency (SPPA) and issued to them for onward transmission to administering authorities and employing authorities, is to provide the guidance required by Regulation 54(5).
- 1.2 This GAD guidance note reflects the changes made to the LGPS as a result of SSI 2006/468 and SSI 2006/514, coming into effect from 1 December 2006, and applies in respect of elections to purchase added years made on or after that date. Elections before that date continue to be governed by the earlier GAD guidance issued on 15 June 1998.
- 1.3 The provisions of the schedule to SSI 2006/514 maintain the opportunity for certain members to receive some retirement benefits unreduced before age 65. SPPA have confirmed that added years are included in the period of total membership which is used to determine whether retirement benefits commencing before age 65 under Regulation 30 or 34(1A) have to be reduced under Regulation 30(4) or 34(1B). Thus, by the purchase of added years, a member may be able to bring forward the date on which his benefits relating to protected membership can be brought into payment without reduction, so increasing the value of the benefits he receives for his actual service and for any other period which is included in the definition of total membership. The way the provisions have been drafted produces a situation in which it is difficult to derive reasonable contribution rates for added years which do not, overall, cause a loss to the funds maintained by administering authorities, so leading ultimately to higher contributions by employing authorities. SPPA has confirmed that no allowance should be made for the effect on the value of other benefits in the contribution rates for added years which are the subject of this Guidance Note.
- 1.4 Tables are attached to this Guidance Note that should be used in order to determine the additional contributions, expressed as a percentage of the member’s pay, for an increase in total membership of one year.
- 1.5 The maximum number of Added Years that may be purchased is limited to 6 2/3 years in aggregate (prorated for part-timers) by regulation 54(2). In addition to this restriction, members considering purchase of Added Years may wish to consider the limits on the tax relief in respect of pension contributions by HMRC and the likelihood and implications of exceeding their Annual or Lifetime Allowance as a result of purchasing Added Years.
- 1.6 In order that the whole year may be counted as part of total membership, other than on death in service or on retirement on grounds of permanent incapacity, the member must continue paying additional contributions until their 65th birthday.

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- 1.7 Members enjoying transitional protection under the terms of SSI 2006/514, and who intend to retire before their NRD at an age when they would be entitled to immediate retirement benefits without reduction (in respect of protected service) under Regulation 30(4) as it stood prior to 1 December 2006, need to be aware that the added years for which they have elected to make additional contributions would be reduced in accordance with Regulations 54(10) and 82(8), unless regulations 82(3) or (4) apply, to reflect the contributions not to be paid for the remaining period to age 65, and to allow for early payment of the added years benefits. In deciding how many added years to purchase, such members may wish to take into account that the number of added years actually purchased will fall short of their “headline” target if they retire before attaining age 65.
- 1.8 For the avoidance of doubt, membership purchased under the terms of this guidance is categorised as Part C Membership for the purposes of the guidance on regulations 30 and 34. Membership purchased under the terms of the earlier guidance on Regulation 54 is categorised as Part A Membership for the purposes of the guidance on regulations 30 and 34.

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2 Table A - Added Years - Males

Additional contributions, of the percentage of pay, to be made by an active member who has elected to make additional contributions to the LGPS to increase his total membership

Age on next birthday after election	Percentage for an increase in total membership of 1 year	Age on next birthday after election	Percentage for an increase in total membership of 1 year
16	0.28	41	0.76
17	0.29	42	0.80
18	0.30	43	0.85
19	0.31	44	0.90
20	0.33	45	0.95
21	0.34	46	1.01
22	0.35	47	1.08
23	0.36	48	1.15
24	0.38	49	1.23
25	0.39	50	1.32
26	0.40	51	1.43
27	0.42	52	1.55
28	0.43	53	1.69
29	0.45	54	1.85
30	0.47	55	2.04
31	0.49	56	2.27
32	0.51	57	2.56
33	0.53	58	2.93
34	0.55	59	3.41
35	0.57	60	4.09
36	0.60	61	5.10
37	0.63	62	6.78
38	0.66	63	10.14
39	0.69	64	20.21
40	0.72		

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3 Table A - Added Years - Females

Additional contributions, of the percentage of pay, to be made by an active member who has elected to make additional contributions to the LGPS to increase her total membership

Age on next birthday after election	Percentage for an increase in total membership of 1 year	Age on next birthday after election	Percentage for an increase in total membership of 1 year
16	0.30	41	0.80
17	0.31	42	0.85
18	0.32	43	0.89
19	0.33	44	0.95
20	0.34	45	1.00
21	0.36	46	1.06
22	0.37	47	1.13
23	0.38	48	1.21
24	0.40	49	1.30
25	0.41	50	1.40
26	0.43	51	1.50
27	0.44	52	1.63
28	0.46	53	1.77
29	0.48	54	1.94
30	0.49	55	2.14
31	0.51	56	2.38
32	0.54	57	2.68
33	0.56	58	3.05
34	0.58	59	3.55
35	0.61	60	4.24
36	0.63	61	5.27
37	0.66	62	6.98
38	0.69	63	10.39
39	0.73	64	20.62
40	0.76		