

**POLICE PENSION SCHEME
10/2015**

WHO SHOULD READ: The Chief Constable of Police Scotland
Pension Administrators

ACTION: Information on the 2015 Police Pension Scheme regulations

SUBJECT: Publication of the 2015 Scheme regulations, related
amending statutory instruments and a Summary of
regulations

The purpose of this circular is to:

- Inform interested parties that the 2015 Scheme regulations came into force on 1 April 2015 and are available to view on the UK Government legislation website. An instrument correcting minor errors came into force on 1 November 2015
- Advise of other regulations to allow for transitional provisions

Background

1. The UK Government's Public Service Pension Act 2013 required that public pension schemes including those devolved to the Scottish Ministers had to be closed from 31 March 2015 and replaced with a new scheme from 1 April 2015. As part of that change the Act also allowed protection against this change for those scheme members close to retirement. This means that there are the following types of member:

- (a) Full protection –these members are not affected and remain in their final salary until retirement;
- (b) Tapered protection - members remain in their final salary scheme beyond 1 April 2015 but transfer over to the new scheme on a date determined by their age and/or scheme membership as at 1 April 2012; and
- (c) No protection- member moved over to the new scheme from 1 April 2015.

Full details of the protections and how they work are available on the SPPA website. Letters were issued to all scheme members in March 2015 advising their protection status, including the date of transition if applicable.

2. This circular sets out the regulations introduced to reflect the new 2015 scheme, transitional amendments to provide for the protections and movement of members from their original scheme to the new scheme.

The Police Pension Scheme (Scotland) Regulations 2015 – [SSI 2015/142](#) and Police



Pension Scheme (Scotland) Amendment Regulations 2015 [SSI 2015/325](#)

3.1 SSI 2015/142 sets out the regulations covering the new 2015 Career Average Revalued Earnings (CARE) Scheme. Current members of the 1987 and 2006 schemes who do not have protection joined the new scheme from 1 April 2015. SSI 2015/325 makes minor corrections to the original instrument.

3.2 The regulations were subject to consultation from 11 November 2014 to 5 January 2015. The main features as proposed in the consultation can be found [here](#).

- a pension scheme design based on CARE
- a provisional accrual rate of 1/55.3ths of pensionable earnings each year
- there will be no cap on how much pension can be accrued
- a revaluation rate of active members' benefits in line with the Consumer Prices Index (CPI) + 1.25%
- pensions in payment and deferred benefits to increase in line with the Consumer Prices Index (CPI)
- average member contributions of 13.7%
- flexible retirement from the scheme's minimum pension age of 55, built around the scheme's Normal Pension Age of 60 – for all active members aged 55 or more at retirement, scheme benefits taken before Normal Pension Age will be actuarially reduced with reference to the scheme's Normal Pension Age, rather than the deferred pension age
- the Normal Pension Age of 60 is set to reflect the requirements of the UK Government's Public Service Pensions Act.
- late retirement factors for members retiring from active service to be actuarially neutral from Normal Pension Age
- a deferred pension age equal to the individual's State Pension Age
- optional lump sum by commutation at a rate of £12 for every £1 per annum of pension foregone in accordance with HMRC limits and regulations
- the rules on abatement in existing schemes to continue
- ill-health retirement benefits to be based on the arrangements in the 2006 scheme
- all other ancillary benefits to be based on those contained in the 2006 scheme
- members rejoining after a period of deferment of less than 5 years can link new service with previous service, as if they had always been an active member
- members transferring between public service schemes would be treated as having continuous active service
- an employer cost cap and floor

Following further consultation and discussion with key stakeholders, several changes were made to the scheme design:

- The accrual rate was adjusted to 1/56.1th of pensionable earnings each year to allow for more beneficial early retirement factors to be applied from age 55 to around 59
- A single contribution rate of 13.46% of pensionable pay for all scheme members
- New Governance arrangements for the scheme including the establishment of a



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Pension Board and a Scheme Advisory Board. The governance arrangements mirror those for the other public service pension schemes administered by SPPA.

Other key features of the scheme include:

- Option to Buy Out Early payment reduction for officers retiring before age 60.
- Option to purchase Added Pension to increase retirement benefits
- Protections for existing scheme members based on age and service

4. SPPA has written to individual scheme members advising them of their protection status. Where an individual qualifies for tapered protection or is unprotected information has been given confirming their date of entry to the new scheme. The letter also contains a leaflet highlighting the changes.

5. SPPA a dedicated [microsite](#) contained within the main SPPA website providing information on the 2015 scheme, including a number of helpful resources.

6. The [2015 scheme regulations](#) can be accessed on the SPPA website.

7. Annex A provides a brief outline of the regulations. A [Summary](#) of the 2015 Regulations is also available on the SPPA website and attempts to explain each regulation in more detail. The document will be continually reviewed and individual items can be further explained where appropriate. Feedback is invited on this document, particularly where it is felt further clarity could be achieved – please use the contact details below.

[The Police Pension Scheme \(Consequential Provisions\) \(Scotland\) Regulations 2015 S.S.I. 2015/118](#)

8. The above Regulations made consequential provision in relation to the new public service pension scheme under the Public Service Pensions Act 2013. They modify the effect of other statutory provisions in their application to the police pension schemes.

9. The main provisions of these regulations:

- allow the 2015 scheme to contract out of the additional State Pension until contracting-out ends in April 2016.
- Allow those members who are required to transfer to the 2015 scheme to retain a final salary link to their existing scheme benefits.
- reflect the policy intention that those with continuous service in the existing schemes and the 2015 scheme should generally (subject to certain conditions) be treated as if they remained active members for particular purposes or in “pensionable service” for the final salary schemes until their pensionable service in the 2015 scheme is terminated.
- Applies modifications for members with service in both schemes so that the person is treated as having a single period of pensionable service in one scheme



and that a person will not have access to short service benefit until pensionable service terminates in the 2015 scheme, rather than when the person transfers into the 2015 scheme.

- provides that the “cessation date” when a person ceases to be in contracted-out employment under the existing schemes (and from which point GMPs may need to be increased) is treated as the date when the person leaves the 2015 scheme, and not the date when they move to the 2015 scheme.
- provides that a person will not acquire the statutory right to a cash equivalent under their existing scheme until pensionable service terminates in the 2015 scheme.
- provides for ill-health benefits payable in both schemes to be paid from the 2015 scheme until the normal pension age of the existing scheme so that the member will not suffer any tax consequences as a result of the way the ill-health provisions have been structured in the new scheme.
- modifications to the protections on short service benefits to enable the split pension age in the scheme (where normal pension age is age 60 and deferred pension age is equivalent to state pension age).

10. The above regulations can be viewed on the UK Government legislation website [here](#).

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5 November 2015

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ANNEX A

These Regulations establish a career average revalued earnings scheme for the payment of pensions and other benefits to members of the Police Service of Scotland.

Part 1 introduces the regulations and provides definitions of key terms used throughout.

Part 2 provides for the establishment and scope of the scheme.

Part 3 contains governance provisions. This part names Scottish Ministers as scheme manager and provides for the delegation of functions. It obliges the scheme manager to pass on member's records where an officer joins a police force elsewhere in the UK. It also establishes a pension board and a scheme advisory board as required under the Public Service Pensions Act 2013.

Part 4 provides for scheme membership. It sets out the key concepts of eligible service, pensionable earnings and assumed pay. It contains opting out and auto-enrolment provisions. It also provides for the determination of a new member's eligibility for payment of ill-health benefits. It also defines deferred membership.

Part 5 provides for the establishment of a member's pension accounts in relation to a continuous period of pensionable service under this scheme. It describes the different types of pension that can be accrued in the scheme. It also provides for the establishment of a pension credit member's account.

Chapter 1 explains how the amount of accrued pension is calculated.

Chapter 2 explains how adjustments to amounts of accrued pension are calculated. It includes actuarial reductions for early payment of pension for active and deferred members. It also introduces "age addition" and "late payment supplement" which are actuarial increases for the payment of active members' pensions beyond NPA and deferred members' beyond SPA respectively.

Chapter 4 provides for the establishment of the active member's account. This Chapter shows how the proportion of pensionable earnings accrued as pension is revalued each year until the member leaves pensionable service.

Chapter 5 provides for the establishment of the deferred member's account and explains how the provisional amount of each description of deferred pension is calculated. It allows for a deferred member's account to be reinstated as active where the officer returns to employment following a gap in service that does not exceed five years.

Chapter 6 provides for the establishment of the retirement account. It shows how the amount of retirement earned pension is worked out.

Chapter 7 provides for the establishment of the pension credit member's account.



Part 6 defines the key terms of “medical unfitness” and “permanent medical unfitness.” It provides for compulsory ill-health retirement and early payment of full retirement pension on grounds of permanent medical unfitness. It includes the questions that should be referred by the employer to the Selected Medical Practitioner and the outlines the procedure that must be undertaken and report prepared in reaching a decision.

Part 7 provides for a member’s entitlement to payment of retirement benefits. It sets out the key concept of qualifying service. It specifies how the annual rate of pension is calculated for full retirement pensions and ill-health pensions, and provides for review and cancellation of ill-health benefits.

Part 8 provides for benefits for pension credit members.

Part 9 provides for death benefits. It provides for the recovery and suspension of benefits in certain cases.

Part 10 provides for the payment of contributions by members at 13.46% of pensionable pay, and employers at 23.1% of pensionable pay. It allows for the payment of contributions for a period of unpaid leave and refunds of contributions for members opting out with less than two years’ service.

Part 11 provides for making and receiving transfer payments. It also includes regulations for police officers moving between forces in the UK.

Part 12 requires the appointment of a scheme actuary to provide guidance on actuarial matters in relation to this scheme and connected schemes. Valuations must be undertaken at regular intervals. The employer cost cap is set at 12.3%.

Part 13 contains supplementary provisions on dual capacity membership, payment of benefits including trivial commutation, payment and deduction of tax and miscellaneous provisions. It provides for appeals to the sheriff against certain decisions made under the scheme.

Schedule 1 provides for appeals against medical decisions and referral of a decision to a medical authority for reconsideration.

Schedule 2 lists progressive medical conditions.

Schedule 3 makes provision for payments for added pension. Additional contributions to purchase added pension can be made by lump sum or regular monthly contributions at a fixed amount or fixed percentage of salary. Added pension can be purchased for self-only and also for beneficiaries in the event of the member’s death.

Schedule 4 makes transitional provision. It provides for full and tapering protections for members of the existing 1987 and 2006 schemes. It contains provisions for payments of ill-health and death benefits in respect of transition members. It contains a calculation for weighted accrual for existing transition members of the Police Pension Scheme