

Police Pension Scheme Stakeholders

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Your ref:
Our ref:

11 November 2014

Dear Colleagues

Proposals for implementation of the Scottish Police Pension Scheme with effect from 1 April 2015

Please find enclosed a consultation on the draft Scottish Police Pension Scheme Regulations 2015. The 2015 Regulations make provision for the new Police pension scheme to be implemented with effect from 1 April 2015. I would be grateful if you would distribute this letter and attachments as widely as possible.

The Framework Document setting out the terms of the new scheme and a series of Frequently Asked Questions (FAQs) are available on the [SPPA's website](#).

The following documents are attached:

- Annex A: Background to the proposed changes
- Annex B: Key areas of difference from the England and Wales draft regulations
- Annex C: Link to the draft Regulations
- Annex D: Consultation Response Form

As set out in the background note below the scheme design for Scotland mirrors that being introduced for police officers in England and Wales. The Home Office began a consultation on 20 October 2014 on its 2015 regulations and these have been used as the basis for the regulations for the scheme in Scotland. Annex B sets out the key differences applied to the Scottish draft regulations..

Please note that both employee and employer contribution rates due from 1 April 2015 have still to be finalised. The employee contribution rates remain subject to further discussion with stakeholders, and the employer contribution along with the employer cost cap will be set by the 31 March 2012 valuation which is due to conclude shortly. These will be included in the regulations when confirmed.

You can respond to this consultation on line via the following link:

https://www.surveymonkey.com/s/2015_Police_Regulations

Alternatively you may complete the Consultation Response Form attached at Annex D which can be submitted electronically to

policepensionsreform@scotland.gsi.gov.uk or by post to the following address:

Police Pensions Consultation (2015 Reform)
SPPA Policy
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

A printable [Consultation Response Form](#) is available via the SPPA website:

The consultation will close on 6 January 2015 and we ask that anyone wishing to respond does so by then.

We intend to publish a summary of consultation responses as soon as possible after the consultation closes. We would like to be able to include any response you make in that summary. However, if you ask us not to publish your response to this consultation, we will regard it as confidential.

Respondents should also be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and will have to respond appropriately to any relevant request made to the SPPA under that Act for information concerning this consultation exercise.

Yours faithfully



Chad Dawtry
Director of Policy

ANNEX A

Background

In 2010, the UK Government gave a commitment to review the long-term affordability and sustainability of public service pension schemes. Although Scottish Ministers have executive devolved powers to make and amend regulations covering Police Pension Schemes, overall occupational pensions policy remains reserved to the UK Government.

Recommendations made by Lord Hutton of Furness' review of public service pensions were subsequently reflected in the UK Government's Public Service Pensions Act 2013 which provides:

- The end to current final salary pension schemes
- A normal pension age of 60 for Police officers
- Improvements to public sector scheme governance arrangements
- That the reforms must be implemented by April 2015
- Protection against the reforms for scheme members close to retirement

These provisions of the Act must be applied to the main public service schemes in Scotland.

In March 2012 Kenny MacAskill, the Cabinet Secretary for Justice, commenced negotiations with police pension stakeholders to deliver a new Scottish police pension scheme from 1st April 2015. Those negotiations were required to deliver a new scheme that remained within the set financial cost limits and was a Career Average Revalued Earnings Scheme (CARE). The UK Government's Public Service Pensions Act subsequently required the scheme to have a normal pension age of 60.

Within the constraints that have had to be applied Scottish Ministers have done everything possible to explore options for reform which would help mitigate the impact of changes, particularly increased Normal Pension Age, on Scottish police officers. However the constraints have unavoidably restricted the opportunity to provide a Scottish specific scheme which means that the scheme design in Scotland will mirror the one being introduced for police officers in England and Wales.

Overall Police Pension Scheme design

- a pension scheme design based on career average revalued earnings;
- a provisional accrual rate of 1/55.3ths of pensionable earnings each year, subject to agreement on the outstanding issues set out in Annex B;
- 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%. Further discussions will be undertaken to set the actual rates that will be applied from April 2015. ;
- 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. Occupational pensions policy is reserved so the requirements have to be applied to the police scheme in Scotland;
- 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; and
- an employer cost cap and floor

Full details of the 2015 scheme are set out in the 2015 Police Scheme Framework document available on the [SPPA website](#).

ANNEX B

The new Scottish Police Pension Scheme design mirrors the provisions set out in the Home Office Consultation of 20 October for members of the Police force in England and Wales.

We would like to draw your attention to these areas where changes have been made:

1. Part 2 Establishment of the scheme

On scheme eligibility, the Scottish draft regulations reflect the single authority structure in Scotland. The scheme is designed to provide for members of the Police Service of Scotland eligible under section 6 of the Police and Fire Reform (Scotland) Act 2012.

References to Home Police Force and posts specific to England and Wales have therefore been removed.

2. Part 3 Governance

The Public Service Pension Act 2013 requires schemes to set up new governance arrangements through the creation of Scheme Pension Boards and Scheme Advisory Boards. Discussions have been on going to agree on how both will be set up and run from 1 April 2015. The draft regulations use a similar approach taken on other Scottish unfunded schemes which set out the necessary legislative requirements of the 2013 Act.

The definition of Scheme Manager reflects the various roles of Scottish Ministers under the governance regulations. In addition, where the scheme manager's duties apply to scheme administration we have left scheme manager in to describe the role delegated to the Scottish Public Pensions Agency.

3. Opting out

In line with other Scottish public service schemes the opt-out period for the initial period of eligible service has been extended to three months.

4. Regulation 27 Pensionable Earnings

This definition has been changed in line with the 2006 regulations.

Whilst there are other general changes that are made to reflect specific Scottish requirements it is hoped that setting out the key differences above will help in considering these regulations against those currently out for consultation from the Home Office.

ANNEX C

The Scottish Police Pension Scheme Regulations 2015

As these regulations run to 106 pages, please see link below to the Police Pensions consultation page of the SPPA website.

[Police Pensions draft consultation](#)

ANNEX D

CONSULTATION RESPONSE FORM - SCOTTISH POLICE PENSION SCHEME 2015. CONSULTATION ON DRAFT REGULATIONS –The Scottish Police Pension Scheme Regulations 2015.

1. Name/Organisation

Organisation Name

Title

Surname

Forename

2. Postal Address

Postcode

Phone

Email

3. Permissions - I am responding as... (please complete either sections (a), (b) and (d) **or** sections (c) and (d):

Individual

or Group/Organisation

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please state yes or no: _____

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please state yes to one of the following:

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please state yes or no:

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please state yes or no:

ABOUT YOU

I am responding ...

- as a member of the 1987 scheme (old scheme)
- as a member of the 2006 scheme (new scheme)
- on behalf of an Employer Organisation
- on behalf of a Trade Union/Staff Association
- other (please specify)

What is your gender?

- I am female
- I am male

I am employed as...

- a police officer
- I'm retired
- other (please specify)

What is your working pattern?

- I work part-time
- I work full- time
- Not applicable

CONSULTATION QUESTIONS

Question 1: Do the regulations appropriately set out the specific responsibilities of the Scottish Police Authority as employers and the Scottish Ministers as the defined Scheme Manager?

Yes

No

Comments:

Question 2: Do you consider that there are any equality issues, which will result in individual groups being disproportionately affected by the reforms? If so, what do you consider to be the nature and scale of that disproportionate effect?

Yes

No

Comments:

Other comments: please use this space to provide any further comments.

Comments:

Please e-mail your response to: policepensionsreform@scotland.gsi.gov.uk
Or post your response to:

Scottish Police Pension Scheme (2015) Consultation
Policy Branch
SPPA
7 Tweedside Park
Tweedbank
Galashiels
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The closing date for this consultation is 6 January 2015.