

THE POLICE PENSION SCHEME (PPS) AND THE NEW POLICE PENSION SCHEME (SCOTLAND) (NPPS)

REPORT ON CONSULTATION ON REGULATIONS TO INCREASE EMPLOYEE CONTRIBUTION RATES FROM 1 APRIL 2013 AND SUMMARY OF RESPONSES

1. Purpose

1.1 The purpose of this paper is to provide a summary of the feedback received to the Scottish Government's recent consultation on regulations increasing employee contributions to the police pension schemes from 1 April 2013.

2. Introduction

2.1 The Scottish Public Pensions Agency, on behalf of the Scottish Government, conducted a public consultation inviting stakeholders to register their views on the Scottish Government's proposals for increasing employee pension contributions to the police pension schemes in Scotland for 2013 -14 from 1 April 2013.

2.2 The Cabinet Secretary for Finance, Employment and Sustainable Growth in his statement of 28 November 2012 confirmed that employee contributions in Scotland would increase from 1 April 2013, for a second year. He explained that the Scottish Government would face a £100 million budget reduction for every year that the increases were not applied and that the Scottish Government had no effective choice but to implement a second year of increases for members of the NHS, Teachers, Police and Fire pension schemes

2.3 The Scottish Government's consultation began on 24 January 2013 and closed on 20 February 2013. A short consultation period was necessary because of the UK Government's insistence on the need to bring in the contribution rises by 1 April 2013. This report summarises the 189 responses received by the SPPA to that consultation.

2.4 A copy of the consultation documents can be accessed on the SPPA website at [Police consultations](#)

3. Consultation process

3.1 The Scottish Government's consultation letter and draft regulations were issued by email to employers, staff associations and other stakeholders on 24 January 2013. The document was also posted on the SPPA's website for access by police officers. The consultation document set out the Scottish Government's suggested distribution of contribution rate increases (see Table 1 below) and was

based on those rates proposed by the Home Office in its consultation issued on 24 January 2013 for police officers in England and Wales.

3.2 In considering how best to structure the increases, the UK Government laid out a series of parameters within which individual public service pension schemes could develop their approach to achieving the required savings:

- There should be no increase in employee contributions for those earning less than £15,000 on a Full Time Equivalent basis;
- There should be no more than a 0.6 percentage point increase in 2012-13 for those earning up to £21,000, and no more than a 1.5 percentage points increase in total by 2014-15;
- There should be no more than a 2.4 percentage points increase in 2012-13 for high earners, and no more than 6 percentage points increase in total by 2014-15.

3.3 In proposing the implementation of the same contribution tiers as proposed in England and Wales, the Scottish Government has sought to protect the low paid, apply increases progressively and limit the level of opt out that higher contribution rates may generate.

3.4 The first year of increases was applied from 1 April 2012 and opt-out data has been monitored to check the impact of the increases. There has only been a small increase in opt-outs and the data does not indicate that a change in approach is necessary when considering the distribution of contribution increases for 2013-14. An Equality Impact Assessment will be published in due course.

Police Pension Scheme (1987)

Wholetime Pensionable pay band	Current rate (%)	Proposed increase from 2013-14 (%)	Cumulative increase from April 2012	New contribution rate from April 2013
£27,000 and under	11.6%	0.6%	1.2%	12.2%
£27,001-£60,000	12.25%	1.25%	2.5%	13.5%
Over £60,000	12.5%	1.5%	3.0%	14.0%

New Police Pension Scheme (2006)

Pensionable pay Band	Current rate %	Proposed increase from 2013-14 (%)	Cumulative increase from April 2012	Revised rate (%)
£27,000 and under	10.1%	0.6%	1.2%	10.7%
£27,001- £60,000	10.5%	1.0%	2.0%	11.5%
Over £60,000	10.75%	1.25%	2.5%	12.0%

4. Analysis of Responses

4.1 The consultation posed five questions, one of which provided the opportunity to provide a general response on the policy. Although 189 responses were received only a few gave direct answers to some or all of the questions. The main comments are summarised in the tables at **Annex A**.

Respondents		Permission to publish response given
Individual Responses	186	varied
Staff Representative Organisations	Representation	
Fife Council	1	unknown
Scottish Police Federation	1	yes
Other		
unknown	1	unknown

4.2 The following table provides a breakdown of the employment of the individual members who responded (where stated).

Stated employment	Number	%
Police Constable	138	76.2
Sergeant	31	17.1
Inspector	10	5.5
Chief Inspector	2	1.1
Total	181	99.9

5. Key messages

Scottish Police Federation

- Outlined the unique nature of the work of police officers and the fact that consultations of this nature do not address this;
- The income generated by the additional contributions will not be used towards the UK Government's deficit or debt reduction plans;
- Highlights the view that contribution increases are being imposed due to shortcomings in the private sector;
- Believes that Scotland's police officers should be able to negotiate their pensions with their government without pre-conditions;
- Believes that the absence of a valuation makes contribution increases impossible to justify;
- Likelier risk of opt out with contributions at an even higher level;
- View that any contribution increases should follow same pattern as is applied to general taxation.

Fife Council - There has been no noticeable increase in opt outs since April 2012 at Fife Constabulary. Police officers, whilst unhappy about contributions increases, are aware of the benefits of remaining a member of the Police Pension Scheme and the New Police Pension Scheme. Ensuring that contribution rates continue to be set progressively is the fairest way.

Strong message from members that they will or are already considering opting out of the scheme due to the increased cost of living.

6. Next Steps

6.1 The Scottish Government is now considering its response to the consultation exercise. The recommended contribution rates will be submitted to the Scottish Ministers for consideration and final approval. Once agreed they will be included in regulations and after further consultation will be laid before the Scottish parliament to come into effect on 1 April 2013.

Annex A:

Question 1: Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?

	Responses
Yes	12
No	74
Respondents who did not answer this question	102
<p>Key Comments: No. I don't see how the increase to pension contributions in the current economic climate will minimise opt outs. I think the pension scheme does provide a level of financial security after retirement but the police pension scheme contributions are already set at a considerably higher percentage than most other public sector organisations. This coupled with the other proposed amendments to the police pension - particularly the requirement to work until aged 60 - or you won't get your full pension entitlement to 67 may not encourage officers - particularly those younger in service and on lower pay, to continue with the scheme.</p> <p>Officers will continue to pay into the PPS and NPPS until they close in 2015 no matter what. The opt out will be an issue when a new scheme is introduced in 2015.</p> <p>In my opinion they reflect a fair increase</p>	

Question 2: Are there any other rates which you think would help to further minimise any opt outs from the police pension schemes but will deliver the necessary increase?

	Responses
Yes	26
No	47
Respondents who did not answer this question	115
<p>Key Comments: A current rate of 11% was fair and satisfactory in my opinion. We then get out of the police pension exactly what we paid in over 30 years.</p> <p>I am not adverse to contribution increases so long as my pension is worth what it is for retiring officers presently, however that appears not to be the case.</p> <p>An increase in pay at least equivalent to the increase in rates would help. We all appreciate the need to contribute to the country's debt issues but public sector pensions are an easy target.</p>	

Ensuring that all public sector workers pay the same level of contributions as the police

Increase has come at a time when Police have had no pay increases for the last few years - coupled with rising living costs and previous pensions increases it is effectively another pay cut. It is very ill timed and could be delayed

The tiered contributions should only be paid by the promoted ranks. Those officers not promoted should not see any increase as after all, its the promoted ranks that get the real massive pensions.

No - in general I am opposed to the increases. The only comment I would make is that I feel the tiered rates are divisive and it would be more fair and equitable to have a single rate.

A clear explanation to officers what their expected final pension will be on the NPPS as no-one has told us what these figures are so we do not know if it is worth continuing on the scheme with the increased payments expected of us. I believe these increased payments are going to be 14 or 15 %.

Question 3: Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

	Responses
Yes	38
No	28
Respondents who did not answer this question	122
Key Comments: the Government have not taken into account the fact that while our contributions have increased, our wages have not, effectively meaning a potential wage cut to police officers of 4% over 3 years. This is money that we can ill afford.	
I do not believe that the Police Service are being treated fairly, particularly in relation to their pension contributions. As an organisation, we are not in a position to negotiate on a level playing field, have no union but a toothless Federation which has been repeatedly over-ruled even after arbitration. Although very conscious of our legal and moral duties to provide a public service, I feel this has been used as an excuse to run roughshod over our organisation.	
If people opt out now who will be funding the pension scheme in future years. Furthermore if officers have to work until they are older, that surely presents problems for the future as the police service will have to continue to pay officers on the top salary for a lot longer, which in turn will have an impact on the ability to recruit new officers who would be coming in on a much reduced salary in comparison.	
Losing skilled workers who felt that the pension was a reason to stay with the police if people are starting to get less of a salary due to increases in contributions they may	

well leave the service all together.

These increases push an already financially stretched workforce further towards poverty. By the very nature of the role of a police officer the majority of the workforce cannot choose low cost options - many officers have to drive to work rather than use public transport as it does not operate at the times required to fit with shift patterns and postings can be to areas that are not well serviced by public transport or to places of work that change on a regular basis. Again, due to shift patterns, you have no choice but to pay for greater child care than you may otherwise need. There is very little flexibility or option for supplementing income and in general this is not supported by the organisation.

Question 4: Do you consider that there are any potential equality issues? For example, is there anything in the proposals that might result in individual groups being disproportionately affected by the proposed contribution tiering?

	Responses
Yes	21
No	37
Respondents who did not answer this question	130

Key Comments: New recruits and those younger in service will particularly be disadvantaged. They will eventually either opt out or not contribute at all due to financial costs. This will be contrary to the Governments desire to have all workers contribute to a pension and so lessen the burden to the country in later years.

The wage increase at the moment is lower than the increase in the contributions being made by offices and thus technically it is a pay cut for officers, whom may already be on a tight family budget.

Police officers who have paid higher contributions for a number of years may now be in a position whereby after paying more in contributions, they will be working for longer and receiving no more benefit for the higher contributions for longer than most other public sector workers.

Age discrimination? Protecting the pensions of officers that are of a certain age or are in the last 10 years of their service is clear discrimination

Under the protected characteristic of AGE. Where officers are being required to work longer for less, they are effectively being disadvantaged by not being able to access their lump sum to pay off mortgages or pre existing financial commitments- (investment products etc)- further by having to work longer in post on shift work there is an implied detrimental effect on health. Indeed where officers may have intended using their lump sum to re train or undertake a second career they will now be unable to do so until much later in life.

Under the protected characteristic of Disability – where an officer may suffer mental health problems as a direct result of having to work longer and therefore their personal resilience to deal with stressful environment being eroded because of the “moving of mental goalposts or finish lines”.

Where officers are required to work longer there is also a greater risk of physical disability incurred on duty. This combined with changing pensions or conditions that might be seen to address Long Term sickness, may also be viewed as punitive.

Question 5: Are there any other specific issues around these potential increases that you would like the Scottish Government to consider?

	Responses
Yes	40
No	15
Respondents who did not answer this question	133

Key Comments: The change in terms and conditions for new entrants is understandable and those who choose to join understand the new pension conditions and accept them. To change the conditions for those who have already started saving for their future retirement, is putting doubt as to their future financial security.

Police officers are aware that their contributions will increase again from April 2013. However, these increases cannot be seen in isolation. There is concern amongst officers about the impact of public sector pension reform and HMRC tax changes. All of these issues could impact on policing as a career choice and on career progression.

Why the Scottish Government are being forced given the matter should be devolved!

The main issue is the increase to working years raised from the current expected 30 years pensionable service to qualify for full pension. Should changes be required to provide a sustainable pension for the future, these changes should be implemented for new officers entering the service and not for the current serving officers.

The Scottish Government should consider the impact of the loss of support from officers and their families. Officers goodwill and attitude of getting the job done despite detriment to their personal and family time will fade and the country as a whole will be the loser.

Yes basic affordability.