

Scottish Police Pension Scheme Advisory Board

PPS-SAB

MINUTES

Date: 15/11/2018

Location: St Andrews House, Edinburgh

Chair: Lorimer Mackenzie (SPPA)

Attendees: John MacLean (Scottish Police Authority)
Calum Steele (Scottish Police Federation) *by audioconference*
Craig Suttie (Association Scottish Police Superintendents)
David Hamilton (Scottish Police Federation) *by audioconference*
George Russell (Government's Actuary Department)

Officials: Derek Smith

Iain Coltman

Marie Swinney

Secretariat: Clare Moffat (SPPA)

Apologies: Alasdair Corfield (Police Scotland)
Peter Jamieson

1. Welcome and Introductions

1.1. The Chair welcomed board members and George Russell from the Government Actuary's Department (GAD).

2. Conflicts of Interest

2.1 No new conflicts of interest declared.

3. Minutes from previous meeting/Action points

3.1 Minutes of meeting 2/10/2018 agreed. Action point 32 closed.

4. Scheme Valuation – recap and provisional results

4.1 The Chair introduced the '2016 Valuation of the Police Pension Schemes (Scotland): Cost cap rectification benefit improvements – 2015 Scheme member contribution rate' which sets out the impact on the cost cap breach of introducing a new lower tier of member contribution rates for 2015 Scheme members earning less than £31,000 p.a., as requested at the previous meeting on 02/10/2018.

4.2 The employer side thanked GAD for producing these figures. Following discussion, board members formed the view that the potential benefit to members was unlikely to be significant

enough to change member behaviour or encourage increased participation in the scheme. The employer side therefore supported the change of accrual rate to 1/48.1th of pensionable pay to fully rectify the cost cap breach.

- 4.3 Member representatives agreed that this was also their preferred position, as an increase in the accrual rate in the 2015 Scheme was the most beneficial and equitable outcome for the active membership affected by the breach in the employer cost cap. The Board members unanimously agreed to recommend that the cost cap breach is rectified by an improvement to 2015 scheme accrual rate to 1/48.1th of pensionable pay.
- 4.4 The Board discussed next steps. The Chair proposed that SPPA draft a letter to Scottish Ministers on behalf of the SAB with the recommendation. Following this, draft regulations would be prepared which would then be open for consultation. The timing would be tight given the need to implement changes with effect from 1 April 2019. SPPA would:
 - consult on the regulations in the most expedient way possible
 - assist and support the board to coordinate communications with stakeholders,
 - welcome comments from the board on best communications approach and challenges to be considered

The timings of each step are likely to be led by the board's constituents and also the co-ordination with the other Schemes for which Ministers have responsibility, ensuring a consistent approach across the public sector.

- 4.4 Member representatives suggested that communications must reference possible changes arising from a future valuation process. The Chair agreed, and discussion followed on the different roles of the Pension Board and Scheme Advisory Board, clarifying that the Scheme Advisory Board, which has responsibility for scheme valuation, would lead on the rectification of the cost cap.
- 4.5 Member representatives noted that complex information without full context introduced risk that communications on the valuations would not be clearly understood by all members. The Chair reminded the board that information on possible rectification methods is already in the public domain, whilst reassuring that communications will be consistent across all Schemes with input sought from the SAB.

Action Point: SPPA to draft the board's recommendation and circulate for review

- 4.6 GAD confirmed that once HMT directions were finalised, it was hoped that the formal valuation reports could be finalised by the end of November 2018, followed by the supplementary reports in December. The Chair acknowledged the significant work undertaken by GAD which has provided clear and detailed options to support the work of the SAB. The Chair also assured the SAB that SPPA would immediately notify members where any further developments might prompt reconsideration of the position reached.
- 4.7 GAD reminded the SAB of the UK Government's commitment to review the cost cap mechanism, which will be conducted by the Government Actuary in an open and transparent manner.

5. Governance Review

The Chair updated the board on the progress of the 2017 review recommendations:

Training

5.1 The Chair noted the need to review annual training plans at the next routine board meeting with particular focus on induction training available for new members.

Board composition

5.2 The Board agreed to the continuation of SPPA as Chair of the SAB, with this arrangement reviewed on an annual basis. The terms of appointment would also be considered, as well as improvement to diversity, noting the limitations by virtue of SAB members being drawn from a single employer scheme. SPPA proposed that the SAB Terms of Reference were reviewed for approval at the next SAB.

Board Interaction

5.3 A discussion followed on the formal distribution of board minutes, as currently the draft minutes are accepted at the next meeting before publication in the Governance section of the SPPA website. SPPA acknowledged that the publication of minutes is not currently up to date but will be following the conclusion of the valuation. This process will be considered when SAB Terms of Reference are reviewed for approval at next SAB. The governance review had suggested members attend other governance groups, and that SPPA host an annual pensions conference. The Chair noted that board members already attend the police pension board as well as boards at a UK level. The proposal to organise a conference would be revisited in 2019, with member representatives noting that advance notice would be welcomed for this. In the meantime, the Chair invited all board members to contact SPPA with any recommendations for improving scheme governance.

Action Point: Send ideas and suggestions on training and conference topics to the Chair

6. Annual Allowance Service Delivery

6.1 SPPA Customer Services was reviewing its approach to annual allowance and the provision of voluntary scheme pays, which included consideration of resources required over all the schemes it administered. Iain Coltman advised that SPPA had considered the points raised by employer representatives at the previous SAB and would shortly consult on scheme amendments that included some administrative provision.

7. Any Other Business

7.1 None

8. Dates of future meetings

8.1 Next meeting will be scheduled for February 2019

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Action Ref.	Action	Action Owner and date raised	Latest position	Status
14	Any comments on the communication of consultations to be sent to SPPA	SPPA 01/12/2015	None received	Closed
15	SPPA to draft executive summary of Home Office document of known work on the regulations	SPPA 01/12/2015	Issued at meeting 8/12/2016. SPPA to reissue 30/10/17	Closed
16	SPPA to draft circular for board members	SPPA 01/12/2015	Published	Closed
17	SPPA to liaise with Ops to establish working times re estimates	SPPA 01/12/2015	Operations aware of the potential increase in estimate requests. Any issues with delivery would be an issue for the Pension Board	Closed
18	SPPA to include relevant examples of scheme pays in their communications	SPPA 01/12/2015	Information available on SPPA website	Closed
19	SPPA to discuss the issue of participation rates with organisers of the Pension Board to ensure consistency	SPPA 01/12/2015		Closed
20	Scottish Government Officials discuss restricted commutation with colleagues and provide comments to SPPA in first instance	John Nicholson 01/12/2015		Closed
21	SPPA to liaise with Home Office in the first instance (cross border transfers)	SPPA 01/12/2015	SPPA wrote to HO and DoJNI.	Closed

22	Secretariat to make arrangements for future meetings and issue calendar invites	SPPA 01/12/2015	Secretariat to arrange next 2 meetings (Dec and March 17)	Closed
23	Any comments on summary of regulations document, send to SPPA	SPPA 01/12/2015	None received	Closed
24	SPPA to issue presentation to the group, and any queries should be sent to SPPA	SPPA 02/03/2016	Issued 04/03/16	Closed
25	Chad Dawtry and Peter Jamieson to discuss this further (Briefing for PNB)	SPPA 02/03/2016	Chair met PNB Chair. Secretariat to make arrangements	Closed
26	Employer reps to take forward the issue of gathering participation rate information from the employer HR/payroll systems	SJH/JM 01/09/2016	Payroll teams issue monthly data to SPPA Policy. PS/SPPA Technical Working Group established	Closed
27	SPPA to condense previous papers on commutation and transfers issue to the board	SPPA 01/09/2016	Issued 13 September 2016 in advance of SAB of 8 December 2016	Closed
28	SPPA to issue amended Governance review letter to board	SPPA 01/09/2016		Closed
29	Staff side to write to set out position on PPS Commutation	SPF/ASPS	Letter from SPF to SPPA dated 12/12/2016	Closed
30	Members to provide comments on draft assumptions for 2016 valuation	All 30/10/17		Closed
31	SPPA to consider funding position for SAB commissions of actuarial advice	SPPA 30/10/17		Open

32	SPPA to review opt out forms	SPPA 30/10/17	Ongoing action - SPPA Customer Services are gathering more data with aim to focus on clear questioning to support a mechanism which encourages members to remain in the Schemes.	Closed
33	Board members to consider any views on the employee contribution structure from April 2019	All 30/10/17		Closed
34	Provide link to online tPR training	SPPA 30/10/17		Open
35	Board members to provide a view on chairing arrangements to SPPA by 20 November 2017	All 30/10/17		Closed
36	Further information of the draft employer charter and its remit to be shared	SPPA 30/10/17		Closed
37	GAD to consider most efficient way to review rectifying options: - provide figures to demonstrate impact of options - show interaction between different rectifying measures	GAD 20/09/2017	Letter from GAD to SPPA dated 02/10/2018 shared with SAB.	Closed
38	SPPA to consider options for contributions	SPPA 20/09/2017		Closed
39	Members to provide comments on options for rectification of cost cap breach by next meeting (02/10/2018)	All 20/09/2017		Closed

40	SPPA to issue Participation Rates paper	SPPA 20/9/2017	SPPA issued draft paper to SAB 28/09/2018, noting further investigation required on impact of auto-enrolment in October 2017.	Closed
41	SAB to provide Chair with summary of key points for consideration within communications of benefit changes to rectify cost cap breach, outlining content, channels and timings.	All 02/10/2018		Closed
42	SAB to send any calculations requests to SPPA, to co-ordinate, for GAD to action before next meeting.	All 02/10/2018		Closed
43	SPPA to provide summary of Governance Review recommendations and implementation progress	SPPA 02/10/2018	Verbal update at SAB 15/11/2018.	Closed
44	SPPA to set out landscape and consider how (or if) this current AA service delivery can be secured – whether a change in regulations or a circular is necessary.	SPPA 02/10/2018	SPPA to include in forthcoming consultation to scheme amendments	Closed
45	SPPA to report to SAB on UK-wide public sector AA Group	SPPA 02/10/2018		Open
46	SPPA to draft the board's recommendation and circulate for review	SPPA 15/11/2018		New

47	Send ideas and suggestions on training and conference topics to the Chair	All 15/11/2018		New
48	SAB Terms of Reference are reviewed for approval at the next SAB	All 15/11/2018		New