

Scottish Police Pension Scheme Advisory Board

PPS-SAB 15/11/2018 03

MINUTES

Date: 02/10/2018

Location: St Andrews House, Edinburgh

Chair: Lorimer Mackenzie (SPPA)

Attendees: John MacLean (Scottish Police Authority)
Alasdair Corfield (Police Scotland)
Craig Suttie (Association Scottish Police Superintendents)
David Hamilton (Scottish Police Federation) *for Calum Steele*
Dipak Hirani (Government Actuary's Department (GAD) by telephone)
George Russell (GAD)

Officials: Peter Jamieson
Iain Coltman
Jim Preston

Secretariat: Clare Moffat (SPPA)

Apologies: Calum Steele (SPF)
Derek Smith

1. Welcome and Introductions

1.1. The Chair welcomed board members and colleagues from GAD. David Hamilton attended for Calum Steele.

2. Conflicts of Interest

2.1 No new conflicts of interest declared.

3. Minutes from previous meeting/Action points

3.1 Agreed.

4. Scheme Valuation – recap and provisional results

4.1 The Chair introduced the Police Pension Schemes (Scotland) 2016 Valuation: Cost cap rectification benefit improvements calculations from GAD to support the SAB to consider the cost cap rectification options.

4.2 GAD drew the attention of the SAB to the fact that further calculations have highlighted that the illustrative increase in accrual rate in previous meeting on 20/09/2018 was overstated at 1/47.4. The revised increased accurate rate is 1/48.1, a decrease to the previous calculation. GAD will issue a revised paper to the SAB to this effect.

4.3 GAD explained some illustrated potential benefit improvements which would each increase the cost cap breach of the scheme by 2%. Figures in brackets illustrate how each benefit, in isolation, would clear cost cap completely. The list is not exhaustive, but includes:

- increasing member's accrual rate to 1/52.5 (1/48.1)
- increasing surviving partner's proportion to 94% (200%)
- increasing commutation factor to £20:£1 p.a. (£30:£1 p.a.)
- increasing the in-service revaluation rate to CPI + 1.65% (CPI + 2.0%)

These illustrated benefit improvements would only affect members' pension accrual in the CARE scheme in respect of service from 01/04/2019 to 31/03/2023 and the SAB may wish to consider other changes. The Chair reminded the SAB that if agreement could not be reached, the default position would be to increase the 2015 scheme accrual rate.

4.4 GAD explained that benefit changes may cause changes in member behaviour which may affect the scheme costs but any additional costs or savings would not be known until future valuation cycles.

4.5 GAD have not yet prepared calculations reflecting any change to early retirement factors as more information would be required to allow assumptions to be made about the impact on member behaviour and retirement patterns.

4.6 Staff side queried if the benefits could be segmented e.g. reduction in employee contribution rate for younger officers to increase participation. SPPA explained that segmentation by pay band is possible, but not by age. The Board highlighted their hope to increase participation by improving communication; citing the opportunity to explain the merits of the 2015 Scheme when communicating benefit changes. The Chair expressed that SPPA would prefer a coordinated communication strategy across all schemes, where possible, and asked SAB members to notify SPPA of their thoughts on content, timings, and channels. The Chair acknowledged the SAB's view that all communications explaining the changes to rectify the cost cap breach must include a clear caveat stating "subject to any changes arising from a future valuation process".

Action Point

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.

4.7 Staff representatives asked for an explanation for the difference in the level of breach in England and Wales. GAD explained the one of the main reasons is because of the difference in 2016 past service costs assumptions (E & W predicted a decreasing workforce whereas a more stable workforce was assumed in Scotland).

4.8 The Chair acknowledged staff side's point that democratic process and further scrutiny for due diligence was required before a formal response could be made on rectifying action. The Chair reassured the Board that they will be notified of any further HMT action likely to cause material impact and asked the Board to confirm if they would like any further calculations to be produced by GAD.

Action Point

SAB to send any calculations requests to SPPA to co-ordinate, for GAD to action before next meeting.

4.9 Dipak Hirani (by telephone) and David Hamilton left the meeting.

5. Contribution Rates from 2019

- 5.1 SPPA asked if the SAB wished to review the employee contribution rates from April 2019. The Board agreed that approaches to contribution rates from 2019 will be scheduled for discussion on the first SAB meeting following the conclusion of valuation actions.

6. Governance Review

- 6.1 The Chair outlined SPPA's commitment to the review, with most recommendations now implemented. Staff side asked for a summary of the review, which the Chair agreed to provide.
- 6.2 The key recommendation in the Governance Review was for the Police SAB to be chaired independently. The Chair asked the Board to consider this point. The Board confirmed that they are content for SPPA to continue to chair, subject to review every 12 months. This will be scheduled as an agenda item.
- 6.3 The Chair also welcomed any requests for SAB member training and assured the Board of SPPA's continued support.

Action Point

SPPA to provide summary of recommendations and implementation progress

7. Regulation Amendments

- 7.1 SPPA reminded the SAB of regulations currently under public consultation relating to Guaranteed Minimum Pension, and secondly of plans to consult on miscellaneous amendments to the 1987, 2006, 2015, Injury Benefit and AVC scheme regulations in a single instrument later in the Autumn.

8. Annual Allowance

- 8.1 Employer representatives raised the issue of AA savings statements, acknowledging that this was primarily an administrative issue and that SPPA had recently adopted good practice. Employer representatives asked if it was appropriate for the provision of joint savings statements (for transitional members), and secondly guarantees of the option of voluntary scheme pays, to be reflected in a SPPA Policy Circular or scheme legislation.
- 8.2 SPPA reported its involvement with a UK wide Group investigating the impact AA is having on the public sector, in particular on recruitment, retention and promotion. Membership of this group includes representative from Police staff associations in England & Wales. Staff side asked to be kept informed of the work of the group.

Action Point

SPPA to set out landscape and consider how (or if) this service delivery can be secured

Action Point

SPPA to report to SAB on UK-wide public sector AA Group

9. Any Other Business

9.1 Members to comment on Participation Rates Paper by correspondence. The Chair confirmed that this paper will continue to be issued quarterly.

10. Dates of future meetings

10.1 SPPA to investigate SAB members' availability w/c 05/11/2018.

Scottish Police Pension Scheme Advisory Board

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		Open
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		Open

33	Board members to consider any views on the employee contribution structure from April 2019	All 30/10/17		Open
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		Open
36	Further information of the draft employer charter and its remit to be shared	SPPA 30/10/17		Open
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		Open
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		New
42	SAB to send any calculations requests to SPPA, to co-ordinate, for GAD to action before next meeting.	All 02/10/2018		New
43	SPPA to provide summary of Governance Review recommendations and implementation progress	SPPA 02/10/2018		New
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		New
45	SPPA to report to SAB on UK-wide public sector AA Group	SPPA 02/10/2018		New