

Scottish Police Pension Scheme Advisory Board

MINUTES

Date: 29/01/2020

Location: St Andrew's House, Edinburgh

Chair: Iain Coltman (SPPA)

Attendees: Alasdair Corfield (Police Scotland)
Calum Steele (Scottish Police Federation)
Craig Suttie (Association Scottish Police Superintendents)
John MacLean (Scottish Police Authority)

Adviser: George Russell (Government Actuary's Department)

Observer: Sharon Dalli (Police Scotland)

Officials: Jim Preston (SPPA)
Marie Swinney (Police Division)
Peter Jamieson (Police Division)
Stuart MacArthur (SPPA)

Apologies: Mhairi Kinnaird (SPPA)
Tom Nash (SPPA)

Secretariat: Clare Moffat (SPPA)

1. Welcome and Introductions

- 1.1. The Chair welcomed board members, George Russell (GAD) and Sharon Dalli (Pensions Manager, Police Scotland) and introduced Stuart MacArthur (Governance Manager, SPPA). The Chair briefly outlined SPPA structural changes with Tom Nash's appointment as Head of Business Affairs.

2. Conflicts of Interest

- 2.1 No new conflicts of interest declared.

3. Minutes from previous meeting/Action points

- 3.1 Minutes of meeting 26 June 2019 were agreed.
Action points updated:

Action ref.	Update
44	Re-opened - not fully resolved No decision from UKPPCF and SAB (England & Wales) AA discussions.

	Chair to circulate any updates re. taper review
45	Open Chair to circulate updates on taper review and share any further information including response from Home Office to English SAB
48	29/01/2020 - Agenda item 8
50 & 51	Closed - links to action point 58 29/01/2020 - Agenda item 5
52	Closed SAB agreed it is not the forum for Injury Benefit review; Also raised by SAB Chair at meeting with PNB Chair 07/10/2019
56	Closed Circular issued 26/06/2019 and consultation ended 27/01/2020.
57	Closed Chair wrote to PNB Chair 19/07/2019 and discussed at meeting held 07/10/2019
58	29/01/2020 – Agenda item 5
59	Closed Circulated 01/07/2019

4. Legislation update

- 4.1 The Chair explained that the Police Pensions (Amendment) (Scotland) Regulations 2020 consultation closed on 27 January 2020. This consultation sought views of police stakeholders on proposed changes to survivor benefits for same sex couples following the *Walker v Innospec*; clarified the calculation of proportionate enhanced upper tier ill health benefits for part time members; allowed for open-ended member contribution rates in the 2015 scheme and; updated the transfer of business from Equitable Life to Utmost Life and Pensions Limited as approved AVC scheme provider.

The Chair thanked Police Scotland for submitting their views and advised that a consultation response will be provided in due course.

- 4.2 The Chair also confirmed that The Police Pension Scheme Amendment (Increased Pension Entitlement) (Scotland) Regulations 2019, to allow for GMP-related overpayments to be converted to an increased pension entitlement (IPE), were laid on 22 November 2019 and came into force on 30 December 2019. SPPA published Police Circular 2020/01 on 23 January 2020 to notify all stakeholders of this regulation update.

5. Participation Rates

- 5.1 The Chair confirmed that SPPA plan to approach Police Scotland Payroll to resolve the ongoing issues with data reporting and system issues. The introduction of the single payroll system from May 2019 should help solve data gathering problems and assist with more accurate data gathering to produce detailed participation reports. Of the data analysed to September 2019, participation remains consistent at 88.1%.

- 5.2 Members asked GAD's view on the participation rate and opt out factors. GAD confirmed that improved data gathering would provide analysis with more detailed assumptions. The group discussed possible external factors which could affect opt out trends, including contribution costs and scheme reform as well as the potential changes resulting from McCloud/Sargeant. The automatic enrolment exercise is due in May 2020, and may provide some insight into the estimated impact on participation.

SPPA outlined that the Scottish Teachers' Pension Scheme Advisory Board implemented changes to the Teachers' opt out form in the hope of gathering more detail on the reasons for opting opt.

6. Update on McCloud and Sargeant

- 6.1 The Chair introduced the HM Treasury's Working Proposals to address the unjustified age discrimination in the transitional arrangements to the 2015 pension schemes. GAD explained the background and outlined the two lead proposals for discussion and comment:
- (i) deferred choice underpin - this would give all members in scope a choice at retirement to be calculated on the basis of pre-2015 (old) or post-2015 (new) scheme benefits.
 - (ii) immediate choice - this would give all members in scope an immediate choice upfront whether they wished their benefits for the remedy period to be on the basis of old or new scheme service.
- 6.2 The Chair invited views from the group, which would be channelled back to HM Treasury in advance of its planned broader consultation in Spring 2020. Member representatives outlined the benefits of joint working on a UK-wide approach and the importance of participation at technical discussions on this complex issue and tax implications. The Board agreed that retrospective action will apply for any events during the remedy period with recrystallizing of benefits, and immediate priority likely to be given to addressing ill-health cases. The Chair advised that SPPA has established an internal working group to focus on revisiting past cases.
- 6.3 Employer representatives raised concerns around the administration and delivery of the proposals. They acknowledged that the immediate option appeared to offer some certainty but requested clarity on the communication of options, to ensure that scheme members could make an informed choice. Member representatives suggested that the deferred option may be the only workable option as there are too many unknowns to consider immediate option.
- 6.4 The Chair advised that changes to the regulatory framework will be set by HM Treasury once the discriminations remedy is determined and scheme specific discussion will be invited on how to implement. Members will attend the planned England and Wales SAB meetings in February and March 2020 and that the SPPSAB should respond to these proposals through the Chair, either unilaterally or by organisation/group.
- 6.5 GAD advised that the cost cap mechanism is also under review. The Chair confirmed that AA and tax discussions are underway with HMRC and HMT, with clarification likely before HMT's consultation.

Action point: The Chair to investigate role of Scottish representatives at England and Wales technical group

6.6 The Chair advised that he could forward a summary table for the working proposals which may assist the group agreed to provide comments to the Chair by 31 March 2020 at the latest.

Action point: Chair to circulate summary table of working proposals to SAB

Action point: SAB to provide comments to Chair by 31 March 2020

7. Automatic re-enrolment – Eligibility for health benefits

7.1 Employer representatives introduced a paper which questioned a regulatory solution to the issue that approx. 2000 members are due to be automatically enrolled into the scheme in May 2020 and, in order to be assessed for ill-health benefits, these members must complete the medical assessment (MA) process within 6 weeks of joining.

7.2 The group discussed the potential likelihood of members immediately opting out again, highlighted that regulations state that members are entitled to ill-health benefits from the day of enrolment and raised concerns that the employer's proposal [to change the regulations so that re-joiners pay a reduced contribution rate until MA process complete to reduce the risk of cover] could disadvantage members and should not therefore be the solution to an internal process.

7.3 Following discussion the employer representatives agreed to consider proposal overnight and provide an employer view on 30 January 2020.

Action point: Employer view on eligibility for health benefits to be provided by 30 January 2020

8. Governance

8.1 The Chair invited feedback on the revised terms of reference documents circulated 1 July 2019 and re-issued 23 January 2020. Amendments were highlighted and the recommendation of an independent Chair by KPMG discussed. The group were content that SPPA continue to chair the SAB for the foreseeable future.

8.2 The Chair introduced Stuart MacArthur, who outlined plans for improved governance management. The Board thanked Stuart for this insight and encouraged Pension Board interaction and engagement.

9. AOB

9.1 The Chair noted that Jim Preston, Senior Policy Manager at SPPA, is retiring in spring 2020. The Chair and board members thanked Jim for his support and valuable contribution over the years.

10. Dates of future meetings

10.1 SPPA will circulate a note to gather available dates for the last week of March 2020.

Action Point: SPPA to gather availability for the last week of March 2020.

**These minutes were approved on 21 August 2020 as a correct record
of the meeting held on 29 January 2020.**

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