

POLICE PENSION SCHEME

REPORT ON CONSULTATION ON PROPOSALS FOR POLICE PENSIONS (AMENDMENT) (SCOTLAND) REGULATIONS 2022

1. Purpose

1.1 The purpose of this paper is to provide stakeholders with a summary of the feedback received to the Scottish Government's consultation on proposals for amending provisions in the Police Pension Scheme 1987 (the 1987 scheme). The draft statutory instrument sought to extend an existing policy to provide retiring officers with the better of factors available in Scotland, or England and Wales – “the underpin”. Secondly, the instrument introduces changes to commutation for officers retiring under the relevant voluntary retirement age¹ with less than 30 years' service. Currently, these officers would have access to a pension commencement lump sum limited to 2.25 times their ordinary pension.

1.2 Changes are proposed to be implemented on 1st April 2022.

2. Background - commutation

2.1 When officers reach 50 years of age and at least 25 years' service they are entitled to a full ordinary pension at retirement, and are able to commute up to 25% of their pension to a lump sum on an actuarially neutral basis. However, where an officer is under their relevant voluntary retirement age and has less than 30 years' service, a longstanding provision limits this lump sum to 2.25 times the ordinary pension.

2.2 In 2016 The Home Office allowed for discretion to waive the restriction on commutation of pension in the English Firefighters' Pension Scheme 1992 for firefighters who are under 55 and have less than 30 years' service, giving Fire and Rescue Authorities discretion to waive the restriction in the interests of efficiency. Discussions about developing an approach to this provision in the 1987 scheme in Scotland have been ongoing since this time.

¹ Regulation A4 of the Police Pensions Regulations 1987 sets out the voluntary retirement ages as 60 for superintendent or inspector and 55 for a sergeant or constable. Where there is no rank specific voluntary retirement age, the age of 65 applies for the purposes of commutation

The Underpin

2.2 The Government Actuary's Department (GAD) provide the actuarially-neutral factors which are used in the calculation of lump sums. Up until 2012, factors for lump sums in the 1987 scheme in Scotland were calculated using data solely from England and Wales, due to a lack of specific data from Scotland being available. However, more detailed and robust data on Scotland was available from 2012.

2.3 Due to increased mortality rates in Scotland amongst normal aged pensioners, Scottish factors were lower, which would consequently lead to lower lump sums. Considering the impact of pension reform and the principle of protection, Scottish Ministers decided to implement an underpin ensuring that the higher of either the England and Wales or Scottish factors are applied to the lump sum at retirement.

3. Consultation

3.1 Following discussions at the Scottish Police Pension Scheme Advisory Board which provides advice to Scottish Ministers on the desirability of changes to the scheme regulations, the Scottish Public Pensions Agency, on behalf of the Scottish Government, conducted a public consultation inviting stakeholders to register their views on changes to existing provisions for commutation in the 1987 scheme. The consultation ran from 24 December 2021 to 1 February 2022.

3.2 The current provisions in place restrict commutation provisions for officers who are under 55 and have less than 30 years' service. Removal of the cap is actuarially neutral. Proposals here remove the cap entirely allowing officers to access the full commutation provision of 25% of pension. During this consultation views were sought explicitly around the proposed timing of 1st April as implementation date for removal of the cap, with Scottish Ministers recognising that changes to the treatment of lump sums could have an impact on retirement patterns and in year costs of lump sum payments.

3.3 The underpin currently in place which allows Scottish officers to access commutation factors using England and Wales data is due to end on 31 March 2022. The proposal here is to extend the underpin indefinitely. Whilst factors are regularly reviewed, the factors applicable to the scheme in England and Wales have generally provided lumps sums 2.86% higher than the Scottish-specific factors.

3.4 This report summarises the 3 responses received to the consultation.

4. Consultation process

4.1 The Scottish Government's consultation document was issued by email to stakeholders on 24th December 2021 and the documentation was also posted on the Scottish Public Pensions Agency's website.

5. Analysis of responses

5.1 The consultation invited comments on two proposals for inclusion in the scheme draft regulations. The main comments are summarised part 6.

Respondents can be broken down as follows:

Respondents	Permission to publish response given
Staff side representatives (2)	Not specified
Scottish Police Federation	
Association of Scottish Police Superintendents	
Employer side (1)	
Scottish Police Authority	
Police Service of Scotland	

6. Key Messages

Scottish Police Federation

- The Scottish Police Federation (SPF) response was brief, indicating their support and that in their view the cap should be removed as soon as possible.

Association of Scottish Police Superintendents

- The Association of Scottish Police Superintendents (ASPS) response indicated support for both changes. Their response indicated their view that the commutation cap is unjust and should be removed as soon as possible

The Scottish Government was grateful for the confirmation of the staff side's position.

Scottish Police Authority/Police Service of Scotland

- The Scottish Police Authority (SPA) and Police Service of Scotland (PSoS) submitted a joint response, demonstrating that both employer bodies shared the same view.
- Both respondents supported the changes and proposed timescales.
- The response noted that the removal of the cap on commutation would have an impact on workforce planning and an increase in retirements. Employer bodies sought assurances from SPPA that the impact and timing of change would not affect service delivery standards.
- Employer bodies noted that the implementation date for change in commutation provisions is concurrent with [provisions in place to address the age discrimination that was identified by the Courts in the transitional protections afforded to some scheme members in public service pension schemes](#). The response noted the need for urgent, bespoke, robust communications from SPPA to ensure that officers are able to make informed decisions.

The Scottish Government is grateful for this observation. SPPA is currently implementing plans to ensure that changes can be fully supported without affecting service delivery. SPPA will be communicating directly with stakeholders regarding the changes coming into force on 1st of April via the Scheme Advisory Board.

7. Next Steps

The Scottish Government has considered the responses to the consultation exercise and with the agreement of stakeholders intends to amend the above noted provisions to commutation from 1st April 2022. SPPA will provide communications confirming the changes are to take place. SPPA Policy officials undertaking to support the administrative function in order to support the implementation of these changes.