

Equality Impact Assessment

Title of Policy

1. The title of the policy is:

“Reviewing lump sum commutation provision in the Police Pension Scheme 1987”

Summary of aims and desired outcomes of Policy

2. The summary of the aims and desired outcome of the policy is to:

a) to equalise the terms by which officers retiring with entitlement to an ordinary pension between 25 and 30 years’ pensionable service and before their voluntary retirement age can commute pension to a lump sum; and

b) to extend parity of pension commutation terms provided for officers retiring under the regulations as applicable in Scotland with those available to officers retiring at the same age in England and Wales.

3. **Directorate: Division:** Team: DG CORPORATE: SPPA

Executive summary.

4. This assessment measures the impact of policy proposals to amend the provisions for commutation of pension in the Police Pensions Regulations 1987. The assessment finds no difference in treatment to any officers with protected characteristics, and finds that options for those with the right to claim an Ordinary pension are equalised.

Background

5. This issue relates to the Police Pension Scheme 1987 (the 1987 scheme) as set out in the Police Pensions Regulations 1987, as they have effect in Scotland. The scheme was closed to new members from April 2006, and in 2015 was closed to most members, with the introduction of new career average revalued earnings (CARE) schemes under the Public Service Pensions Act 2013.

6. The 1987 scheme provides officers with entitlement to retire on an ordinary pension where they are aged 50 or over and have 25 or more years’ service, or where they have 30 years’ service at any age. An ordinary pension is a final salary pension, based on 1/60th of pay for the first 20 years’ of service and 2/60ths of salary between 20 and 30 years’ service. This equates to a full pension of 2/3rds of an officers final salary.

7. In addition to the pension, at retirement officers can opt to convert, or “commute” an amount of pension to a pension commencement lump sum (PCLS). Currently under regulation B7, members retiring with entitlement to an ordinary pension and who have reached their voluntary retirement age or have accrued at least 30 years’ service may commute up to one quarter of their pension for a lump

sum. In all other circumstances, the amount that a member may commute is limited under rule B7 (4)(b) and may not exceed 2.25 times the amount of pension. An officer's Voluntary Retirement Age is set by regulation A4, and is 60 for superintendents and inspectors, and 55 for sergeants and constables. Other ranks are not set a voluntary retirement age, and it is effectively age 65 for the purpose of the commutation limits.

8. This provision dates back to revoked Inland Revenue legislation.

9. Lump sum payments are actuarially neutral, meaning the retirement lump sum is the equivalent value of the amount of pension being commuted, based on the age the officer is at the point of retirement. Up until 2012, factors for lump sums in the Scottish 1987 scheme were calculated using data solely from England and Wales, as no specific data from Scotland was collected. However, more detailed and robust data on Scotland was available from 2012.

10. Due to increased mortality rates in Scotland amongst normal aged pensioners, Scottish factors were lower, which would consequently lead to lower lump sums. Scottish Ministers decided in 2014 to implement an underpin ensuring that the higher of either the England and Wales or Scottish factors are applied to the pension. This underpin was due to end on 31 March 2022.

11. The policy proposes that amendments are made to the existing provision for commutation in the 1987 scheme to:

- Remove the limit on commutation of pension for members who are below voluntary retirement age and have less than 30 years' service but are entitled to an ordinary pension (aged 50 with 25 years' service)
- Remove the end date for the underpin to commutation factors in England and Wales

The scope of the EQIA

12. To be eligible to benefit from the removal of the commutation cap and the underpin an individual will need to have pensionable service in the 1987 scheme and only those benefits accrued in that scheme are covered by these regulation changes. Separate lump sum provisions apply in both the New Police Pension Scheme 2006 (the 2006 scheme), which has an automatic lump sum of four times the pension, and the Scottish Police Pension Scheme 2015 (the 2015 scheme), which has a commutation factor of 12.

Full time active police officers with membership of the 1987 scheme as at 1 April 2022

Age Range	Male	Female	Total
50+	1,329	348	1,677
45-49	1,333	536	1,869
40-44	1,061	388	1,449
35-39	254	94	348

Under 35	8	8	16
Total	3,985	1,374	5,339

13. On 1 April 2022 there were 5,339 active full time police officers who had previous¹ service in the 1987 scheme. Approximately a third are female, which is slightly lower than the percentage of females serving full time in the Police Scotland (42%). This is, however, consistent with a higher percentage of females being recruited in recent years.

14. The majority of full time officers who will have access to the changes to the commutation provisions and extension of the underpin changes are 40 or over (93.6%). The main reason for this is the 1987 scheme closed to all new police recruits from 5 April 2006. Those who joined the police on or after 6 April 2006 were offered membership of the 2006 scheme which has automatic lump sum provision.

Part time active police officers with membership of PPS 1987 as at 1 April 2022

Age Range	Male	Female	Total
50+	7	34	41
45-49	18	137	155
40-44	10	158	168
35-39	5	41	46
Under 35	0	0	0
Total	40	370	410

15. On 1 April 2022 there were 410 active part time police officers who had previous service in the 1987 scheme, of which 90.2% were females. The proportion of females with part time service in the 1987 scheme is slightly higher than those who are currently part time overall in Police Scotland (88.8%).

Full time active police officers ranks with 1987 scheme membership as at 1 April 2022

Rank	Male	Female	Total
Constable	2,124	724	2,848 (34.1%)
Sergeant	1,056	356	1,412 (33.7%)
Inspector	531	183	714 (34.5%)
Chief Inspector	160	65	225 (40.1%)
Superintendent	82	34	116 (41.5%)
Chief Superintendent	25	12	37 (48%)
Assistant Chief Constable and above	7	0	7 (0%)
Total	3,985	1,374	5,339 (34.5%)

¹ Previous since all active police office officers transferred to the 2015 CARE Scheme on 1 April 2022.

16. When considering the split between males and females at each rank, the percentage of active full time females with membership in the 1987 PPS rises from 34.1% at Constable gradually rising to 48% at Chief Superintendent.

Part time active police officers ranks with membership of PPS 1987 as at 1 April 2022

Rank	Male	Female	Total
Constable	25	275	(9.1%) 300
Sergeant	11	78	(14.1%) 89
Inspector	2	17	(11.8%) 19
Chief Inspector	2	0	2
Total	40	370	410

17. 408 out of the 410 part time workers are in the lowest three ranks, Constable to Sergeant. There are currently no part time police officers at a rank higher than Chief Inspector.

18. The demographic of the cohort affected by these amendments reflect the profile of the police force, with the primary factor being the length of officers' service. Those that are immediately impacted by the change will have over 25 years' service and be over the age of 50 and below their voluntary retirement age, set by regulation A4.

Key Findings

Removal of commutation limits

19. The Scottish Government has considered if this policy introduces any age discrimination in the context of police officers with the same length of service (over 25 years) being treated differently. The Scottish Government considers that the policy does not introduce any age discrimination as the minimum age for an ordinary pension for officers who are not able to reckon maximum service has been age 50 since 1961, and which is also set by overarching pensions legislation.

20. Instead, this policy equalises the financial options of people who have attained the right to a pension; there is no difference in the treatment of officers below age 50 who have not attained that right.

21. The Scottish Government also considers that this policy change does not include any sex discrimination. Whilst there are a higher proportion of females working part time, the commutation cap removal is available to both full and part time workers. Similarly the Scottish Government considers there is no difference in treatment for other protected characteristics.

Commutation underpin

22. The extension of this policy continues a link to the actuarial factors applicable in England and Wales, allowing retiring officers to commute pension on those terms where it is favourable to do so.

23. This benefit is a universal provision, meaning there is no difference in treatment between any scheme members. The actuarial neutrality of the commutation factors is a longstanding provision and they are calculated based on assumptions deriving from a member's age at the point of retirement, meaning the lump sum amount reflects the actuarial equivalent of the pension being commuted.