

Scottish Police Pension Scheme Advisory Board

MINUTES

Date: 10 June 2024

Location: MS Teams

Chair: Iain Coltman (IC) (SPPA)

Attendees : Stewart Carle (SC) (Association Scottish Police Superintendents)
Alasdair Corfield (AC) (Police Scotland)
John MacLean (JM) (Scottish Police Authority)
Lorna Cunningham (LC) on behalf of David Kennedy (Scottish Police Federation)

Advisers: Robert Fornear (RF) (GAD)
Anne-Marie Pettie (AMP) (GAD)

Officials: Alan Wilkinson (AW) (SPPA)
Finn Mackenzie (FM) (SPPA)
Elle O'Kane (EO) (SPPA)
Peter Jamieson (PJ) (Police Division)

Observers: Sharon Dalli (SD) (Police Scotland)
Clair Alcock (CA) (NPCC)

Apologies : David Kennedy

Secretariat : Jan Scott (SPPA)

1. Welcome and apologies

1.1 The Chair opened the meeting and welcomed everyone.

2. Conflicts of Interest

2.1 No new conflicts of interest declared.

3. Previous Minutes

3.1 The minutes from the meeting of 19 March 2024 were agreed (Paper 1).

4. Action Points

4.1 Outstanding actions were reviewed (Paper 2) and the following noted:

- **Action 94** - SPPA to seek appointment of an Independent Chair through Public Appointments Process. **Action carried forward.**
- **Action 95** –SPPA Governance Team currently undertake Annual Effectiveness Review for Pension Boards and will look to extend this and adapt for SABs. **IC updated that SPPA**

have a new Chief Executive. Effectiveness survey to be published over the summer. Action carried forward.

- **Action 97** – linked with AP 100.– **Action closed.**
- **Action 99** – SPPA to seek update from the Home Office regarding outcome of current Employment Tribunal (Ker)– Tribunal concluded but SPPA yet to see the paper detailing the outcome. **AW -still await notification from Home Office. Action carried forward.**
- **Action 100** – SPPA to seek board members' views on changes to the provision for eligibility for ill health retirement, including retrospection once the outcome of the current Employment Tribunal is known. SAB to consider unlinking previously deferred members who haven't been able to take ill health benefits. SPPA will take forward regulation changes on a four-nation approach. **Action is included in the Regulations Update Paper which will become a regular SAB agenda item. Action Closed.**
- **Action 102** – SPPA to provide a response to the Remedy Consultation and copy distributed to SAB Members once published – **FM provided update and apology. Consultation response expected to be final by end of June. Action carried forward.**
- **Action 107** - Produce a paper that will support the details of the principles of contingent decisions applications and the decision-making process for circulation to SAB and the Joint Working Group. **FM update paper being prepared. Action carried forward.**
- **Action 108** – SPPA & PS consider inclusion of stats for officers leaving service in the participation rates paper. Covered in agenda item 6. Action carried forward.
- **Action 109** - SPPA and GAD to prepare illustrative examples of contribution tiers that meet target member contribution yield, and development principals that underpin any new design. Covered in under agenda item 7. **Action closed.**
- **Action 110** - Table of proposed legislation to be maintained and reviewed at each SAB. Covered under agenda item 8. **Action closed.**

5. Remedy Update

5.1 The Chair invited FM who provided an update on Remedy (Papers 3a & 3b).

5.2 FM updated on the two papers circulated Friday 7 June. Paper 3A - tax treatment on interest. Since the previous meeting, HMRC have had a change in position, HMRC newsletter 156 provides detail. When interest is paid for arrears of pension and lump sum top-ups this will be considered an authorised payment. Pension schemes will therefore not need to treat as an unauthorised payment. The proposed waiver of the Scheme Sanction Charge for these payments will no longer go ahead due to the change of position. This change of position has the effect of increasing the value of the interest for recipients as there will no longer need to be deduction for the unauthorised payment and will simplify the administrative process. SPPA are almost at finalised stage for administration and hope to soon be in a position to proceed.

5.3 Additionally, FM advised of an emerging issue concerning changes to unauthorised payments as a result of an immediate choice. It appears that current legislation does not allow for compensation to be paid by pension schemes. HMRC/HMT are considering this issue with NPCC colleagues with a view to early resolution.

5.4 AC asked for clarification about the treatment of interest on authorised payments.

5.5 FM advised the interest on an unauthorised payment is an unauthorised payment. FM also confirmed that interest paid from the pension scheme to a member for pension and lump sum arrears is calculated at a rate of 8%. FM agreed to attempt to put this in a format which can be better understood (scenarios and illustrations).

5.6 SC suggested a flowchart to show the impact on individuals would be helpful

5.7 FM said the intention was to provide illustrative examples where a choice is to be made in cases of payment of arrears of pension and treatment of interest.

5.8 FM explained some other public service pension schemes already have interest rules but for the Police pension scheme this is new. For most members it is hoped that payments will be lower than the tax threshold. This may mean that for some members; self-assessment of interest savings accrual to HMRC may be inevitable. FM will update information when available.

5.9 Paper 3B - draft of 2015 Remedy cost reimbursement rules. FM summarised each section of the draft rules and invited comments on the draft from board members no later than 24 June 2024.

5.10 JM asked what is based on legislation and by SPPA.

5.11 FM explained most is directed by PSPJOA 2022, HM Treasury Directions and scheme rules Reference is also made to the Scottish Public Finance Manual; FM agreed to check the basis of Section 8 Part 3 on time limits and update the SAB with the rationale for the time limit applied.

Action: IC -SPPA will produce scenarios and implications around tax treatment of authorised and unauthorised payments for remedy. FM will also provide illustrations.

Action: FM to clarify which parts of the Cost Reimbursement rules are set outside of legislation

6. Participation Rates

6.1 The Chair invited EO to update and highlight trends in the data (Paper 4). EO explained the paper has been updated for quarter 4, this was consistent with the past 3 quarters. For April 2024 there was 91.5% participation rate with 15,083 scheme members. The highest reason for opt outs was personal circumstances. A sample of data showed, of the officers who have opted out since 1 January 2023, only 7 officers have since left the service. ? SPPA are still working with PS on Action Point 108 to provide meaningful data for opt outs.

6.2 AC asked in relation to the 1,400 officers who are not members of the scheme, what were the reasons as it would be helpful to adjust their communications.

6.3 AW advised we have only recently started to gather data and gaining accurate detail is proving to be a challenge as the onus is on individual to include a reason.

6.4 JM said overall participation since auto enrolment in May 2023 has decreased consistently with still over 90% participation, and asked if there was benchmarking to broader UK policing.

6.5 CA advised there is currently no tracking of participation rates in place. The Home Office did previously collate this data.

6.6 IC said Treasury have written to all public services on this subject to investigate what benchmarking is currently in place amongst the other comparable schemes.

6.7 LC suggested it may be useful to look at the Scottish participation rates pre-Remedy. Rates have been comparable since Remedy with the exit survey done when individuals resign from Police Scotland.

6.8 IC said rates have not been lower than 90% since Remedy.

6.9 AC asked for clarity on the 'missing information' option for opt out reasons. EO clarified this in AOB 9.2. EO confirmed the missing information for opt outs is when the individual (member) does not provide information on the form.

7. Member Contributions Yield

7.1 The Chair invited RF to present (Paper 5).

7.2 RF explained the theories behind member contribution rates for flat and tiered with indicative examples of both for Scotland.

7.3 RF explained the E&W tiered structure had issues due to salary increases which has meant there are no members in Band 1. He also showed examples of a tiered structure and showed member contributions tool to demonstrate the differences using current Police Officer salaries.

7.4 AW reminded the SAB that they might want to take into consideration the fact that those most likely to opt out were in their first 5 years of Police employment.

7.5 JM asked how much of an outlier is continuing with flat rate compared to other schemes and asked what the rationale was for the tiered rates.

7.6 RF then ran through a series of examples of tiered structure. Other ideas discussed include a new style of banded structure. RF shared examples using contribution as proportion of salary in each band compared with annualised pay example. When changed to actual pay this dropped by 0.2% and moves some into lower band.

7.7 In discussing next steps, IC said this will be subject to ongoing consultation, but in order to correct the rates for 2025/26 it would be preferable to reach a final position by the end of 2024. I noted Northern Ireland had recently settled on a two-tier structure, and reference to this will be included in an options paper.

Action: SPPA/AW to provide a paper (include point re NI from 7.13) for the SAB to consider and comment upon.

8. Regulation Amendments

8.1 The Chair invited AW to discuss the recent and planned amendments (Paper 6).

8.2 AW updated on Regulation amendments which will be considered later this year.

8.3 Point 2 Ill Health – Northern Ireland have introduced a prospective amendment, to move all those paying the reduced contribution rate onto the normal rate. SPPA are also considering prospective amendments later this year, with the retrospective element being done on a 4-nation basis.

8.4 Point 3 Special Constables raised at Scottish Police Consultation Forum. JM updated on the Ill Health Retirement & Injury on Duty (IOD) issue which is still being discussed. There is a question outstanding about the correct illustrative salary being applied which JM requires auditable agreement. Home Office put out a consultation around the 12-month rule with no comments. JM said the review of IOD not recurring as this is paused. In 2017 staff side issues were agreed. There is the question for an officer injured who does not leave the service, do they get compensated, this was noted in England SAB. A consultation was held in Northern Ireland. There is no agreement yet.

9. AOB

9.1 SD raised for awareness; Where a Police Officer retires at age 57 and wanted to delay taking their 2015 pension the 2015 CARE benefits become deferred, meaning actuarial reduced from SPA (not NPA). Some PSPS allow benefits to be delayed without the reduction. IC and AW to discuss.

10. Date of Next Meeting

10.1 The Chair proposed that the next meeting, on 9 September 2024, be an in person/hybrid meeting in Edinburgh, confirmation to follow.

Summary of New Actions

Action No	Para No	Action	Owner
111	5.8	IC -SPPA will produce scenarios and implications around tax treatment of authorised and unauthorised payments for remedy. FM will also provide illustrations.	FM/SP PA
112	5.9	FM to update SAB on questions posed by JM – what is based on legislation and by SPPA.	FM/SPPA
113	7.8	SPPA/AW to provide a paper (include point re NI from 7.13) for the SAB to consider and comment upon.	AW/SPPA RF/GAD

Summary of Action Points to be Carried Forward

Action No	Action	Owner
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94	SPPA to seek appointment of an Independent Chair through Public Appointments Process.	IC/SPPA
95	SPPA to publish effectiveness survey of the Scottish Police SAB over the summer.	SPPA
99	SPPA await notification from the Home Office regarding outcome of current Employment Tribunal (Ker)	AW/SPPA
102	SPPA to provide a response to the Remedy Consultation and copy distributed to SAB Members once published	FM/SPPA
107	Produce a paper that will support the details of the principles of contingent decisions applications and the decision-making process for circulation to SAB and the Joint Working Group. FM update paper being prepared.	FM/SPPA
108	SPPA & PS consider inclusion of stats for officers leaving service in the participation rates paper.	SPPA/PS