

Scottish Police Pension Scheme Advisory Board

MINUTES

Date: 09 September 2024

Location: In Person / Hybrid Meeting - St Andrew's House Edinburgh

Chair: Iain Coltman (IC) (SPPA)

Attendees : Alasdair Corfield (AC) (Police Scotland)
David Kennedy (Scottish Police Federation) (from agenda item 5)
John MacLean (JM) (Scottish Police Authority)
Stewart Carle (SC) (Association Scottish Police Superintendents)

Advisers: Greg Donaldson (GD) (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)
Claire Neale (NPCC)
Kevin Courtney (NPCC)

Apologies : N/A

Secretariat : Lesley Hood (SPPA) by Recording

1. Welcome and Apologies

The Chair welcomed everyone to the meeting.

2. Conflicts of Interest

No new conflicts of interest were declared.

3. Previous Minutes

The minutes from the meeting of the 10 June were agreed (Paper 1).

4. Action Points

4.1 A summary of new Police SAB actions, from previous meeting, were reviewed (Paper 2) and the following noted:

- **Action 111** – SPPA to produce scenarios/implications around treatment of authorised/unauthorised payments – **EO advised this would be covered in 2015 Remedy paper. Action closed.**
- **Action 112** – SPPA to provide clarity on which parts of cost reimbursement rules are set outside of legislation – **EO advised, FM would cover this verbally. Action closed.**
- **Action 113** – SPPA to provide a paper on Member Contribution Yield – **EO advised paper has been produced/ circulated and would be covered in paper 3. Action closed.**

4.2 Action Points carried over from previous meeting:

- **Action 94** – SPPA to update on appointment of an independent chair - **IC explained that this action was still ongoing. Action to be carried forward.**
- **Action 95** – SPPA to consider review of SAB effectiveness - **IC explained that this action was still ongoing. Action to be carried forward.**
- **Action 99** – An update from HO on outcome of KER employment tribunal – **EO advised awaiting notification from HO. Action Carried forward.**
- **Action 102** – SPPA to provide a response to the Remedy Consultation – **Response to be issued in due course. Action to be carried forward.**

5. Member Contribution Yield – (Paper 3)

5.1 The Chair invited EO to present Paper 3.

5.2 EO explained the purpose of the paper is to support SAB members in agreeing a decision, by outlining principles to consider on how the yield should be met.

5.3 EO briefly discussed the background to the contribution yield. Explaining the 2020 Police Pension Scheme Valuation concluded the current flat rate of 13.46% was set to under deliver the target of 13.7% by 0.24%.

5.4 EO then ran through the principles outlined in paragraph 6 of the paper, inviting SAB members to consider and comment on the suggested principles, that we should take forward in deciding how to meet the yield.

5.5 EO advised SAB members that SPPA aim for the new structure to take effect from 1 April 2025. In order to allow sufficient time for SPPA to make the required regulatory changes, an option must be agreed by October 2024.

5.6 EO then ran through each option for change in Annex A of the paper. Options included retaining the single flat rate or considering various tiered rate structures.

5.7 EO concluded by explaining Annex B of the paper, to show the impact on net pay for officers of all ranks, based on a flat rate increase.

5.8 The Chair invited comments on the paper.

5.9 JM indicated there was insufficient information to answer this question, unless further details are available. JM said it was unfortunate the Police Federation were not present to indicate their position on this.

5.10 JM expressed interest in Probationers having a lower percentage rate and not necessarily officers with zero to five years' service. He acknowledged previous SAB discussions on the principle that a single rate in a CARE scheme is more appropriate than in a final salary scheme. If a change in rates is to be considered an option, it should be based on evidence from scheme participation rates and potentially zero to two years' service, either based on Probationary service or years of service.

5.11 The Chair reiterated that the member contribution yield is set in the scheme design the framework agreement, which requires it to be met. If this can't be met then the cost has to be addressed elsewhere.

5.12 SD commented on previous discussions around the setting of the Employer Contribution rate, which took into account the member yield shortfall in the short term, but the principle of that should not be the case on an on-going basis.

5.13 SC updated, based on CARE Scheme and uncertainty on future HMG policy around pension tax relief, ASPS's view is to support a flat rate contribution structure. The Chair enquired if there has been opportunity to discuss this with Federation colleagues.

5.14 SC restated his understanding that staff side preference was for a flat rate rather than a tiered structure. However, if a paper was produced to indicate impact for all members should Probationers be given a reduced rate, this could be considered to encourage participation in the scheme.

5.15 SC informed Board Members that he has received communication from DK indicating he is currently in a meeting.

5.16 AC informed the employer would not support moving to a tiered system as the principle remain the same as when the single rate was initially agreed. There may be potential to explore the Probationary element as anticipate Staff Associations would accept this was too much of an impact on other areas. In addition, AC questioned the impact on budgets and pension costs.

5.17 AW noted SC comments on the potential for Pension Tax Relief reforms. AW noted that the Hutton Report for pension reform recommends the use of a Tiered approach and agreed that following any reforms this rate structure may require consideration.

5.18 PJ commented that, Scottish Government budget for pensions does not have capacity for anything additional. Therefore, Ministers' position is that the member contribution target yield of 13.7% should be met, regardless of the uncertainty of any future pension taxation.

5.19 The Chair welcomed DK to the meeting, providing an overview of earlier discussions on the Contribution Yield Paper. The general consensus in principle and subject to view from Federation colleagues is to maintain a single contribution rate. The Chair enquired if there has been an opportunity to consider the public on that. DK confirmed agreement, noting the Joint Central Committee had requested this.

5.20 Following agreement, the Chair confirmed we will consult on option 1 – a single flat rate of 13.7% as detailed in Paper 3. The Board acknowledged the participation rates of lower paid officers or probation officers, and officials will give further consideration to options to encourage scheme membership in the longer term.

6. Remedy Update (Paper 4)

6.1 The Chair invited FM to provide an update on Remedy, Procurement & Tax Support Services, HMRC Digital Services and amendments through unauthorised payment charges.

6.2 FM updated on the action regarding illustrations around the impact of Pension Tax on Remedy calculations and Immediate Choice. We are unable to provide current illustrations as we await confirmation of methodology and further information from HMRC. Proposed illustrations will be provided to the Board following confirmation.

6.3 FM touched on Reimbursement covered in Scheme Rules and Legislation. FM confirmed details are covered within Scheme Directions under compensation rules, providing Scheme Managers with flexibility to set out conditions when an application is received.

6.4 With regards to compensation, FM highlighted other Public Sector Scheme arrangements were not considered. However, the time limit of one year from issue of an RSS, is consistent with other Public Sector Pension Schemes and covered within Treasury Directions. If required, FM can set out in a more formal paper.

6.5 FM confirmed Procurement is underway, due to end on the 17 September 2024. The paper set out, for reference of the Board, procurement requirements including service description and deliverables. This will provide a support service for individuals impacted by Pensions Tax, who require correction of their Annual Allowance position from roll back to Legacy Schemes.

6.6 Pension Saving Statements require to be issued by 6th October 2024. This will have a knock-on effect for requirement of affected members.

6.7 FM stated that the HMRC Digital Service which as previously advised through the joint working Group and Boards had been shuttered due to issues around functionality was relaunched on 6 September 2024. Although the service has re-

opened, the noted improvements to the service require further consideration by SPPA to ensure the proposed tax support services which are under procurement by SPPA take into account any improvements to the digital service.

6.8 FM highlighted that an HMRC Triage Service is in development, due end of September 2024.

6.9 FM provided an update on offsetting unauthorised payment charge amendments. Thanks were provided to NPCC colleagues leading on the solution for this with HMRC. A solution has been agreed, changes due to be made to Treasury Directions and possibly Tax regulations to allow for offsetting and difference in the unauthorised payment charge. A note of comfort has been issued by Ministers allowing use of resolution in advance of legislation coming into force. Currently awaiting finalised guidance before systems and processes can be updated to manage this calculation.

6.10 The Chair invited questions. JM highlighted commitments in England & Wales in relation to Specialist Tax Support and wanted to understand the difference between the two. In reply, FM explained that he was aware that NPCC colleagues were providing support modules for use by those impacted by Pensions Tax. In Scotland, webinar services have been specified. In addition, a secondary request in procurement has been made for knowledge transfer to assist SPPA administration.

6.11 CN confirmed the release of Tax Modules by England & Wales is available to view on the NPCC website. CN advised NPCC is looking to procure a form of compensation service to help members navigate Digital Services and understand the outcome for any pension tax. The requirements for procurement have yet to be finalised, although discussions have taken place across the sector with various stakeholders. Due to the nature of 43 different Scheme Managers, procurement is complex. KC highlighted the difficulty of designing a wraparound service in relation to Pensions Tax without knowing the functionality and inputs from HMRC.

6.12 The Chair thanked Board Members for their comments.

6.13 JM raised concerns about any gaps in support in relation to more challenging tax scenarios for individuals, which are not covered within the generic guidance. FM confirmed this will form part of the design established with the successful bidder, with the aim to support members and reduce the level of compensation claims received by the Scheme Manager. A good support service would potentially reduce compensation claims (for financial advice services) from impacted members.

6.14 JM enquired if the awarding date will be the 17th September. FM confirmed intention to award by the end of the month, if possible, this will depend on availability for assessment. A briefing will then be circulated.

6.15 The Board discussed recent correspondence from NPCC Pension Portfolio Lead, Chief Constable Jeremy Vaughan, addressed to Deputy Directors at the Home Office and HMRC, outlining his concerns about implementation delays experienced by Public Sector Pension Schemes as a result of delays to statutory guidance and

legislation - in particular interest applied to contributions adjustments for impacted police officers. A discussion was held regarding the content of the letter.

6.16 AC recognised the requirement to comply with the Treasury Directions set by the UK Government, highlighting potential difficulty for some members. The Chair confirmed there is an element of discretion afforded to scheme managers around the application and timing of Interest and that and that different approaches are being considered. FM explained that the Treasury Directions stipulate that there must be a presumption in favour of collecting the payment unless it is not economically viable to do so.

6.17 JM noted the concerns from stakeholders around interest payments and asked whether the Scheme Manager in Scotland sees themselves as being able to write letters such as the letter from NPCC, or if this is for appropriate for employer and staff associations to consider. The Chair confirmed the scheme manager can consider this.

6.18 JM enquired, in terms of recognising different governance arrangements, should Scotland be writing a similar letter to UK Government Departments. The Chair suggested that if the Board would like to compose a letter in support of the points raised by NPCC he would support this in his capacity as Chair of the SAB.

6.19 The Chair asked SC and DK if they had any views on the content of Chief Constable Vaughan's letter. If so, would they wish these to be reflected in correspondence exchanges to the relevant UK Departments. DK agreed, highlighting importance of the content would be beneficial and would demonstrate transparency. SC agreed from an ASPS perspective.

6.20 practicality was agreed that board members should submit their response to the points raised in the NPCC letter no later than seven days from the date of this meeting.

Action Point : Board Members to submit key points to be addressed in the letter by Monday 16 September 2024.

6.21 DK highlighted a slight conflict of interest around Police Federation backed employment tribunal claims which are currently sisted. DK explained that the interest on contributions adjustments may be one that is considered in any settlement of injury to feelings found by the tribunal. The Chair acknowledged this and suggested that this could be considered.

7. Participation Rates - (Paper 5)

7.1 The Chair invited EO to present Paper 5 - detailing Participation Rates from Q2 2022/23 to Q1 2024/25.

7.2 SD asked if statistical information for Officers who left service within a year of Opting Out was included in the paper. EO confirmed this information was not provided in the paper.

Action Point : EO to include statistical information for Officers who left service within a year of Opting Out and cascade to Board Members.

7.3 AC said this information would be helpful to ascertain the reasons for members Opting Out. AW updated that no correlation is evident where members had Opted Out then at a later date left Service.

7.4 DK provided observation of potential future issues. Consideration of members will be required who are continuing in the Pension Scheme at a young age and service. Potentially we may see more Police Officers joining for a short period of time around 5 years then leaving. This could pose concern as less individuals may wish to join the Pension Scheme.

Action Point : SPPA will look at statistical information for members joining the Pension Scheme at a young age and service and Police Officers joining for a short period of time around 5 years then leaving.

8. Regulation Amendments - (Paper 6).

8.1 The Chair invited AW to provide an overview on amendments under consideration in the Police Pension Scheme Regulations.

8.2 With regards to Ill Health retirement eligibility changes, AW confirmed that legal instructions have been sent to SG Legal Directorate. This will be split in two. Prospective amendments will remove the requirement for a medical assessment for new entrants and where a member rejoins after having opted out. Members who are paying reduced contribution rates will be required to pay the normal rate. SPPA aim for these to come into force on the 1 April 2025. For the retrospective element the intention may be to offer members the opportunity to make payments to make previous service count for the purposes of ill-health pension calculations, however initial policy development is being undertaken on a UK-wide basis. The first scheduled meeting will take place later today – 9 September.

8.3 AW updated; Injury on Duty for Special Constables provision is currently on hold. Awaiting the Scottish Police Consultation Forum to provide advice.

8.4 JM informed this is a complex issue with discussions underway.

8.5 The Chair invited questions – none raised.

9. AOB

No items raised.

10. Date of Next Meeting

10.1 The next meeting is scheduled for Monday 9 December 2024.

Summary of New Actions

Action No	Para No	Action	Owner
114	6.20	Board Members to submit thoughts on key points to be addressed in the letter for Deputy Directors at the Home Office and HMRC within 7 days of SAB Meeting dated 9 th September 2024.	Board Members
115	7.2	EO to include statistical information for Officers who left service within a year of Opting Out and cascade to Board Members.	EO/SPPA
116	7.4	SPPA will look at statistical information for members joining the Pension Scheme at a young age and service and for Police Officers joining for a short period of time around 5 years then leaving	EO/AW/SPPA

Summary of Action Points to be Carried Forward

Action No	Action	Owner
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