SPPA
Scottish Public Pensions Agency
Buidheann Peinnseanan Poblach na h-Alba

Police Pension Scheme (Scotland): Miscellaneous amendments

Scottish Government Consultation 2025

About This Consultation

Overview

The Police Pension Scheme (Scotland) continues to be an integral part of the remuneration package, and offers significant value in retirement to people who have chosen to dedicate part, or all, of their careers to police service in Scotland. As a defined benefit pension scheme it offers the security of a guaranteed income in every year of retirement for all its members.

The Scottish Public Pensions Agency (SPPA) in its advisory capacity continually reviews the pension scheme rules to ensure best value and fairness to maintain the pension scheme as a valuable part of the overall remuneration package that helps to attract and retain police officers in this career. The policy changes proposed in this consultation document are split into three sections:

Retrospective Changes to Ill Health Eligibility

This section is to provide members who had previously deemed ineligible for ill-health retirement provisions a time limited opportunity to buy back pensionable service they were previously deemed ineligible for.

Changes will come into force in March 2026.

Changes to the scheme revaluation date

This section outlines a proposed change to the scheme revaluation date to align with the tax year. Currently, active members' benefits are revalued on an annual basis on 1 April, by reference to the Consumer Price Index (CPI) plus 1.25% (or CPI for deferred members). This change can help ease the impact of pension taxation on scheme members.

Amendments of the Remediable Service Regulations

Minor typographical amendments to the Police Pensions Remediable Service (Scotland) Regulations 2023.

Duration of Consultation

This consultation will run from 8 December 2025 to 11 January 2026.

How to respond

Please use the consultation response form which can be downloaded from the SPPA website and once completed, send to SPPAPolicyConsultationResponses@gov.scot before midnight on the closing date.

Alternatively, responses can be posted to:

Police Pension Scheme Consultation
SPPA
Tweedside Park
Tweedbank
Galashiels
TD1 3TE

Further information

If you are unable to access an electronic version of the document, please write to the above address and a paper copy will be provided.

Data Protection Statement

The Scottish Public Pensions Agency (SPPA) is an executive Agency of the Scottish Government and forms part of the legal entity of the Scottish Ministers (Framework Document).

This framework of statutory powers and responsibilities, as agreed with the Scottish Ministers, enables SPPA to undertake the role of data controller for the processing of personal data which is provided as part of your response to the consultation. Any response you send us will be seen in full by SPPA staff dealing with the issues which this consultation is about or planning future consultations.

The process allows informed decisions to be made about how SPPA exercises its public function.

Where SPPA undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g., a research organisation or a consultancy company). Any such work will only be undertaken under contract. SPPA use Scottish Government standard terms and conditions for such contracts which set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the SPPA intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response.

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- to (in certain circumstances) data portability
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For further details about the information the SPPA holds and its use, or if you want to exercise your rights under the GDPR, please refer to our Privacy Policy in the first instance or contact:

Agency Data Protection Officer
Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE

Tel: 01896 892 469

Website: https://pensions.gov.scot/

The contact details for the Information

Commissioner’s Office are:
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Tel: 01625 545 745 or
0303 123 1113

Website: https://ico.org.

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1. Retrospective Changes to Ill Health Eligibility

Background

1.1. Part 4 of *The Police Pension Scheme (Scotland) Regulations 2015* (the 2015 scheme) sets out the rules governing eligibility for payment of ill-health benefits. *The Police Pension Scheme (Scotland) Amendment Regulations 2025* came into force on 1 April 2025. These prospective amendment regulations removed provision for the scheme manager to exclude certain active members from ill health benefits if they have a pre-existing condition which means that the likely cost of providing the officer with those benefits is deemed “disproportionally high”. This was following Home Office guidance issued to scheme managers as a result of a legal challenge to the equivalent provision in England and Wales.

1.2. Officers who had previously been deemed ineligible for ill-health benefits paid a lower level of contributions as a result of their ineligibility. Following the introduction of the prospective amendments, all officers are deemed eligible for full ill-health benefits and pay the full member contribution rate from 1 April 2025.

Changes to ill health regulations from 1 April 2026

1.3. This consultation proposes that affected officers should be given a retrospective option to establish full entitlement to ill-health benefits by paying the balance of contributions due to cover the pension accrued from commencement of active scheme membership up to 1 April 2025. Officers will be provided with an options letter, detailing:

- the amount of contributions paid for the period which they had previously been deemed ineligible for ill-health benefits,
- the amount of contributions which will be owed to the scheme if the officer makes an election for the relevant period, and
- confirmation that the officer has a period of six months to decide whether or not to make an election

1.4. Following receipt of an election, it is proposed that the shortfall in contributions can be repaid either by lump sum, or by an agreed period of instalments, but that the outstanding amount must be repaid in full no later than five years from the date of the options letter.

1.5. To ensure clarity and equality of treatment, it is proposed that the responsibility will be on the officer to respond to the options letter, and that the absence of any response within the election period will be treated as a decision not to make an election. Additionally, that the decision made in the election period, is irrevocable.

1.6. The option will provide for the officer to pay up an amount representing the 2.5% shortfall of contributions resulting from the contribution rate being reduced from 13.46% to 10.96% over the period of pensionable service. There will be no impact on employer contributions in respect of any option taken.

1.7. The proposed amendment of *The Police Pension Scheme (Scotland) Regulations 2015* is set out in Regulation 2(3) of the draft Scottish Statutory Instrument.

Q1. Do you agree that the period of six months is a reasonable timescale for affected officers to make an election?

Q2. Do you agree that the period of five years is a reasonable timescale for the shortfall in contributions to be repaid in full?

2. Change to scheme revaluation date

Background

2.1. The amount of pension a member of the 2015 scheme earns each year is determined by what is known as the accrual or 'build-up-rate'. The build-up-rate in the 2015 scheme is 1/56.1, so members accrue 1/56.1 of their pensionable earnings each scheme year, which runs from 1 April to 31 March. For active members of the 2015 scheme the pension they earn is increased yearly by the percentage rate, known as 'in-service revaluation'. This occurs annually until the officer retires or ends active membership of the 2015 scheme before retirement.

2.2. The responsibility for the revaluation of pensions is reserved to the UK Government. The percentage rate of in-service revaluation is determined by a yearly Public Service Pensions Revaluation Order (Treasury Order) plus an additional 1.25%. Treasury Orders are the mechanism which sets the Consumer Price Index (CPI) value to be applied as part of the in-service revaluation, so the formula for the revaluation (R in the formula) can be presented as $R=CPI+1.25\%$. The pension built up in the scheme year is added to the aggregate of the 2015 scheme pension built up in previous years and increased by the in-service revaluation. If the officer leaves active membership through retirement or otherwise before 31 March in each scheme year they become entitled to a proportion of the full in-service valuation. The proportion is dependent on how far through the scheme year the member left active membership of the scheme.

2.3. If an officer leaves the 2015 Scheme to retire, the in-service revaluation stops and they receive a proportion of the in-service revaluation after 31 March, and whilst the pension is in payment it increases yearly by the pensions increase rate, determined by the yearly Treasury Order. The pensions increase is used to maintain the value of public service pensions against rises in the cost of living. If the CPI is a negative amount, the pensions increase is zero.

2.4. Members who leave the 2015 Scheme but who have not yet retired receive a proportion of the in-service revaluation after 31 March and, following this, have their deferred 2015 Scheme pension increased yearly by pensions increase.

The annual allowance

2.5. The annual allowance (AA) is the maximum amount of pension savings an individual can make in any one tax year, from 6 April to 5 April, which benefits from tax relief. The standard AA limit is currently £40,000. However, the limit can be tapered down to a lower 'tapered' AA for very high earners. The growth in pension savings during a tax year is referred to as the pension input amount (PIA).

2.6. The PIA is based on how much the value of the individual's accrued pension has gone up from the 'opening value' immediately before the start of the tax year to the 'closing value' at the end of the tax year. If an individual's PIA is more than their AA, the individual may be liable to pay tax on the amount that is over the AA.

2.7. The intention is that the PIA should only consider growth in pension savings above inflation and so the opening value is uplifted by the CPI, from the previous September, in the calculation of the PIA.

The CPI mismatch

2.8. The 2015 Scheme in-service revaluation and the calculation of the PIA both use CPI. However, there is a disparity between the CPI used for the in-service revaluation of the 2015 Scheme pension and the CPI used to increase the opening value, as part of the calculation to determine the PIA.

2.9. The Treasury Order has applied from 1 April each year since the introduction of the 2015 Scheme. This means that the 2015 Scheme earned pension up to 31 March was revalued on 1 April. In contrast, the opening value of 2015 Scheme pension on 5 April is increased by an earlier September's CPI percentage rate.

Proposed correction

2.10. Pension taxation is reserved to the UK Government. Whilst one way to remove this issue in full would be to make appropriate changes to the Finance Act 2004, the UK Government has proposed a solution seeking to mitigate the impact by making changes to the *Treasury Order*. This proposal would move the date on which CARE benefits are annually revalued, to align the CPI rates used for in-service revaluation, with CPI rates used in the PIA calculation.

2.11. This consultation is proposing a change in revaluation date is applied to the police pension scheme. This would move the applicable date that is used for the yearly in-service revaluation in the 2015 Scheme from 1 April to 6 April each year. This would be effective from 6 April 2026. Moving the date by five days means that the same CPI percentage rate is used, meaning that the PIA calculation will only consider growth in pension savings above inflation.

2.12. These proposals cover the Scottish 2015 scheme only. It is for the Home Office (HO), the UK Government department responsible for police pensions in England and Wales, and the Department of Justice, Northern Ireland to consider the matter for those jurisdictions. However we understand this is under consideration by both departments.

2.13. The proposed amendment of the Police Pension Scheme (Scotland) Regulations 2015 is set out in **Regulation 2(1)** and **Regulation 2(2)** of the draft Scottish Statutory Instrument.

Examples

2.14. The following examples illustrate the potential impact of this proposal on annual allowance calculations.

2.15. The table below sets out the Consumer Prices Index (CPI) figures for September in each relevant year, which are used for the pension input amount calculations in the examples below.

Table 1 – CPI rates September 2021 and September 2022

Date	CPI
September 2021	3.1%[1]
September 2022	10.1%[2]

2.16. Examples 1 and 2 set out the hypothetical annual allowance tax liability for a member with a salary of £100,000 and a CARE pot of £25,000 (£23,958 before revaluation) as at 1 April 2022. Example 1 uses the current calculation methodology and example 2 shows the pension input using the proposed amendment to the revaluation date to 6 April.

[1] The Public Service Pensions Revaluation Order 2022: https://www.legislation.gov.uk/uksi/2022/215/made

[2] The Public Service Pensions Revaluation Order 2023: https://www.legislation.gov.uk/uksi/2023/252/made

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Example 1 – Revaluation date 1 April

Table 1

Item	Value / Calculation
Salary	£100,000
Pension at start of year	£25,000
CPI used for opening value	3.10%
CPI used for closing value	10.10%
Closing value breakdown	
→ Opening value	£25,000
→ Salary accrual	£100,000 x 1/56.1 = £1,783
→ Revaluation of pot (CPI + 1.25%)	(£25,000 + £1,783) x 11.35% = £3,040
→ Total closing value	£25,000 + £1,783 + £3,040 = £29,823
Adjusted opening value	£25,000 + £775 (£25,000 x 3.10%) = £25,775
Pension input amount	(Closing value – Adjusted opening value) × 16
	(£29,823 - £25,775) x 16 = £64,768
Annual allowance threshold for the 2022/23 tax year	£40,000
Excess subject to tax	£24,768

Example 2 – Revaluation date 6 April

Table 2

Item	Value / Calculation
Salary	£100,000
Pension at start of year	£23,958
CPI used for opening value	3.10%
CPI used for closing value	3.10%
Closing value breakdown	
→ Opening value	£23,958
→ Salary accrual	£100,000 x 1/56.1 = £1,783
→ Revaluation of pot (CPI + 1.25%)	£23,958 x 4.35% = £1,042
→ Total closing value	£23,958 + £1,783 + £1,042 = £26,783
Adjusted opening value	£23,958 + £743 (£23,958 x 3.10%) = £24,701
Pension input amount	(Closing value − Adjusted opening value) × 16
	(£26,783 - £24,701) x 16 = £33,312
Annual allowance threshold for the 2022/23 tax year	£40,000
Excess subject to tax	£0

2.17. In summary, where the pension growth is calculated under the current rules this results in a annual allowance excess of £24,768.00. In the second example, illustrating the proposed change to the revaluation date, the excess is zero.

Example 3 - Simplified example 1 and 2

2.18. This simplified example considers the same member in a side by side.

Table 1

	1 April revaluation date	6 April revaluation date
Salary	£100,000	£100,000
Pension at start of year	£25,000	£23,958
CPI used for opening value	3.10%	3.10%
CPI used for closing value	10.10%	3.10%
Pension growth	£4,048	£2,082
Pension input amount	£64,768	£33,312
Annual allowance threshold for the 2022/23 tax year	£40,000	£40,000
Excess subject to tax	£24,768	£0

Q3. Do you agree that the scheme revaluation date should be changed to 6 April in order to align with the tax year?

3. Amendments to the Police Pensions Remediable Service (Scotland) Regulations 2023

3.1. Minor amendments to the *Police Pensions Remediable Service (Scotland) Regulations 2023* are required to correct typographical errors which occurred during the drafting of the original Instrument. These errors have not affected the implementation of the Regulations and do not change the material operation of the remedy.

3.2. The proposed amendment of the *Police Pensions (Remediable Service) (Scotland) Regulations 2023* is set out in Regulation 3 of the draft Scottish Statutory Instrument.

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4. The Public Sector Equality Duty

4.1. The Public Sector Equality Duty ('PSED') was created by the *Equality Act 2010* and is supported by the specific duties contained in the *Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012*, as amended.

4.2. The PSED requires the Scottish Government to assess the impact of applying a proposed new, or revised, policy or practice. Scottish Ministers must have 'due regard' to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people with different protected characteristics when carrying out their activities.

4.3. There are nine protected characteristics identified in the *Equality Act 2010*: (1) sex, (2) age, (3) disability, (4) race, (5) religion or belief, (6) gender reassignment, (7) pregnancy and maternity, (8) sexual orientation, (9) marital or civil partnership status.

4.4. The equality duty is an ongoing duty, and we will consider this assessment until the final regulation amendments are laid.

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