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

POLICE PENSION SCHEME

REPORT ON CONSULTATION ON PROPOSALS FOR POLICE PENSIONS (SCOTLAND) (AMENDMENT) REGULATIONS 2024

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 the Police Pension Scheme (Scotland) 2015 Regulations. The draft statutory instrument sought to amend the definition of the amount of pensionable earnings in Regulations 24 and 158, so that earnings in respect of on-call allowances are included in that amount. They also amend the percentage rate of the employer contributions payable under regulation 164.

1.2 Changes will come into force on 26 April 2024 with retrospective effect.

2. On-Call Allowances

2.1 Under the Police Pension Scheme (Scotland) Regulation 2015 pensionable earnings are defined as: "The rate of pay to which the member is entitled in that pay period". This relates to pensionable earnings in the context of members benefits (regulation 24) and contributions (regulation 158). An agreement to include on-call allowances as pensionable earnings was confirmed by Police Negotiating Board (Scotland) on 15 August 2022: Police Negotiating Board Pay Agreement 2022-03. The amendments reflect this agreement and clarify the definition of pensionable earnings.

2.2 Many 2015 scheme members have pensionable service in an earlier final salary pension scheme, either the 1987 or 2006 scheme. These schemes were closed to all officers with effect from 31 March 2022. However, previous members of those schemes are covered by certain transitional arrangements, including the protection of a final salary link to their service in the legacy schemes. The changes to the definition of pensionable pay in the 2015 scheme mean that on-call allowances will now be included as part of the final pay used in the calculation of earlier scheme benefits.

Change to the Employer Contribution Rate

2.3 A scheme valuation assesses what each pension scheme needs now in order to meet future liabilities. The Government Actuary in the Scottish Police Pension Scheme 2020 Valuation confirmed that there would be a new rate of 38.7% of pensionable pay, comprising a regular rate of 37.9%, with the employer paying an additional 0.8% of pensionable pay in respect of ill-health retirements (in the form of a payment of two times a retiring member's pensionable pay). This is an increase of 8.5% from the current rate in force since 1 April 2019 as required by the 2016 valuation.

2.4 The primary reason for employer contributions increasing is the UK Government's decision to reduce the SCAPE discount rate used in the valuation process. The SCAPE rate is set by HM Treasury and is the notional investment return on contribution income received. (SCAPE stands for superannuation contributions adjusted for past experience). The higher the discount rate, the quicker the notional assets grow, so the less is needed now. The lower the rate, the higher the level needed now to meet those future liabilities and that feeds through to employer costs. Hence, a reduction in the discount rate feeds through to higher employer contributions.

2.5 HM Treasury ministers announced in March 2023 an intention to implement on 1 April 2024 the new employer rates for public service pension schemes arising from the 2020 round of valuations.

2.6 The new regular rate of 37.9% will be effective from 1 April 2024.

3. Consultation

3.1 A technical consultation, which was distributed to members of the Scheme Advisory Board which includes employee and employer representatives, of changes to the scheme regulations, ran from 27 January 2024 to 12 February 2024.

3.2 This report summarises the 2 responses received to the consultation.

4. Consultation process

4.1 The Scottish Government's consultation document was issued by email to stakeholders on 29 January 2024 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 the two proposals for inclusion in the scheme draft regulations. The main comments are summarised in part 6.

Respondents can be broken down as follows:

Respondents	**Permission to publish response given**
Staff side representatives (1)	Not specified
Scottish Police Federation	
Employer side (1)	
Scottish Police Authority	

6. Key Messages

Scottish Police Federation

- The Scottish Police Federation (SPF) response was brief, and was in agreement that the draft amendments delivered the intention.

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

Scottish Police Authority

- The Scottish Police Authority in response to the proposal to include on-call allowances in the definition of pensionable earnings were supportive of the change to amend Regulation 158. However, they also sought clarity that Regulation 24 should also be amended to reflect the changes to Reg 158.
- In response to the proposal to increase the Employer Contribution Rate sought:
    - reassurance that the UK Government commitment to the Scottish Government via the Barnett formula extends for the full valuation period ensuring no budget pressures extend to the Grant-in-Aid or existing police pension grants.
    - confirmation that the 0.2% member contribution yield adjustment will be subject to separate consultation with the SAB.
    - clarity on the change between the provisional and final valuation results in the IHR adjustment from 0.9% to 0.8%.

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The Scottish Government is grateful for the comments from the Scottish Police Authority.

- The Scottish Government agrees that Reg 24 will also need to be amended to reflect the changes to Reg 158.
- The Scottish Ministers will make decisions on funding allocations once Barnett consequential amounts are confirmed.
- The 0.2% member contribution yield adjustment will be subject to a separate consultation with the SAB.

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, including the amendment to Regulation 24, which will come into force from 26 April 2024. The inclusion of on-call allowances as part of pensionable earnings will be backdated to 1 January 2023. The increase in employer contributions to 37.9% will be backdated to 1 April 2024.