POLICY NOTE

THE POLICE PENSION SCHEME (SCOTLAND) REGULATIONS 2015

SSI 2015/142

The above instrument was made in exercise of the powers conferred by section 1(1) and (2)(g) of, and paragraph 7(b) of Schedule 2 to, the Public Service Pensions Act 2013 ("the 2013 Act"). The instrument is subject to negative procedure.

Policy Objectives

The purpose of this instrument is to provide, in implementation of the 2013 Act, for a reformed pension scheme for the Police Service of Scotland. This instrument and The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 complete the statutory arrangements for the reformed scheme and provide the necessary transitional arrangements for the current scheme. Occupational pensions policy is reserved to the UK Government. The reforms initially recommended by the Independent Public Service Pensions Commission which was led by Lord Hutton of Furness are now set out in the 2013 Act. The 2013 Act requires Scottish Ministers to introduce a reformed police pension scheme in Scotland from 1 April 2015. This instrument reflects that requirement and introduces a reform scheme which includes a pension based on the member's average career earnings, a normal pension age of age 60 and a deferred pension age equal to the state pension age.

In addition to those changes, Part 3 introduces Scheme Governance with the introduction of a scheme pension board and a scheme advisory board for the Scottish Police Pension Scheme. Part 4 determines scheme membership and Part 5 sets out the operation of a career average scheme. These Parts provide that each member will build up a pension each year calculated at 1/56.1th of the member's pensionable earnings. The pension is held in a pension account and annual indexation is applied through to the member's retirement. Indexation is applied at different rates depending on the member's status in the scheme. An active member receives an annual indexation rate of 1.25 percentage points above the rate of the Consumer Price Index ("CPI") published by Her Majesty's Treasury. A deferred member (someone who was an active member but has left the scheme without applying for benefits) receives an annual indexation equal to the rate of CPI. Part 7 provides details on retirement benefits, including ill health retirement, Part 8 provides for benefits for pension credit members arising from a pension sharing order following the termination of a marriage or civil partnership, Part 9 covers the benefits payable in the case of the death of a member, Part 10 sets out the contributions payable by both scheme members and employers, Part 11 covers transfers into, and out of, the scheme and Part 12 puts in place the measures to control the future costs of the scheme.

Schedules 1 and 2 cover matters surrounding medical decisions and Schedule 3 allows members to purchase Added Pension to increase their benefits from the scheme. Under the terms of the 2013 Act, Schedule 4 outlines transitional arrangements and also protections for members of the existing 1987 and 2006 schemes. In addition to providing full protection to those members who were within 10 years of their scheme's normal pension age as at 1 April 2012, the Regulations also provide full protection for those officers who were within 10 years of being able to claim a full unreduced pension on completion of 30 years' service at that date. Partial protection on a tapered basis is also provided for current scheme members who on 1 April 2012 were between 14 and 10 years from either the scheme's normal pension age or being able to receive a full unreduced pension on completion of 30 years' service. At the end of the tapered protection period the member will automatically move to the 2015 CARE scheme with service accrued in the existing up to that point protected and linked to the individual's final salary at retirement.

Consultation
To comply with the requirements of section 21 of the 2013 Act, a consultation was undertaken from 11 November 2014 and closed on 6 January 2015. Those consulted included the Chief Constable, police officers, the Scottish Police Federation and relevant Scottish and UK Government Departments.

In line with scheme stakeholders the Scottish Ministers were keen to ensure parity for police officers with the scheme provisions made for police officers in the rest of the United Kingdom. Scottish Government officials were party to policy developments and technical issues at the Police Pensions Technical Working Group on a UK wide basis.

The Scottish Police Federation raised concerns about the increase in Normal Pension Age (NPA) for officers from its current age of 55 to age 60 for the 2015 scheme. To mitigate those concerns discussions were undertaken with stakeholders in Scotland regarding the actuarial reductions applied for early retirement of active members from age 55. The result was to provide more generous actuarial reductions for the 2015 scheme but the cost of this adjustment was off-set by a change in the scheme accrual rate from the original rate of 1/55.3 of pensionable earnings included in the Framework Document to 1/56.1.

The Scottish Police Federation also raised concerns about the proposal to keep tiered contribution rates which it did not consider necessary for a CARE scheme. The regulations reflect a single contribution rate for all 2015 members of 13.46% of pensionable earnings which would be reviewed with each scheme valuation.

A copy of the consultation document and a summary of responses are available on the Scottish Public Pension Agency's website www.sppa.gov.uk.

Impact Assessments
The equality impact assessment has been completed and will be made available in due course. No impact is expected.

Financial Effects
In line with the reform of public sector pensions, these changes will support the introduction of a reform scheme from April 2015 that is designed to ensure long term sustainability and affordability.

Business and Regulatory Impact Assessment
This policy introduces reform to the pension scheme for police officers in Scotland, following recommendations by the Independent Public Service Pensions Commission. This policy does not impose any additional costs or reduce existing costs for business, third or public sector organisations and on that basis no Business and Regulatory Impact Assessment is required for these Regulations.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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