POLICY NOTE

THE POLICE PENSION SCHEME (SCOTLAND) AMENDMENT REGULATIONS 2024

SSI 2024/80

The above instrument was made in exercise of the powers conferred by section 1(1) and (2)(g) and section 3(3)(b) and paragraph 7(b) of Schedule 2 of, the Public Service Pensions Act 2013 ("the 2013 Act"). The instrument is subject to negative procedure.

These Regulations amend the Police Pension Scheme (Scotland) Regulations 2015.

Firstly, they amend the definition of the amount of pensionable earnings in regulations 24 and 158, so that earnings in respect of on-call allowance are included in that amount.

Secondly, they amend the percentage rate of employer contributions payable under regulation 164.

Policy Objectives

Under the Police Pension Scheme (Scotland) Regulations 2015 (regulations 24 and 158), pensionable earnings are defined as being the rate of pay to which a member is entitled in that pay period. The agreement to include on-call allowances as pensionable pay was confirmed by Police Negotiating Board (Scotland) Police Negotiating Board Pay Agreement 2022-03 on 15 August 2022. These amendments reflect this agreement and clarify the definition of pensionable earnings.

Many 2015 scheme members also 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. These changes to the definition of pensionable earnings 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

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.

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.

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.

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

Consultation

A technical consultation was undertaken from 29 January 2024 to 12 February 2024. The consultation was issued to members of the Scheme Advisory Board which includes representatives of police officers and employers. A summary of consultation responses can be found on the Scottish Public Pensions Agency Website.

Impact Assessments

No business and regulatory impact assessment has been produced for this instrument as no impact on business, charities or voluntary bodies is foreseen.

Financial Effects

The Scottish Police Pension Scheme is backed by the Scottish Government. In the Chief Secretary to the Treasury's statement announcing the change in the discount rate, the UK Government committed to provide funding for increases in employer contribution rates resulting from the 2020 valuations as a consequence of changes to the SCAPE discount rate.

For the Scottish Police Pension Scheme valuation the full 8.5% increase is a consequence of these SCAPE discount rate changes. The funding commitment is for employers whose employment costs are centrally funded through departmental expenditure. HMT has confirmed that, for devolved administrations, the Barnett formula will apply. The Scottish Ministers will make decisions on funding allocations once Barnett consequential amounts are confirmed. The funding commitment is for employers whose employment costs are centrally funded through departmental expenditure.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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