POLICY NOTE

THE POLICE PENSIONS (MISCELLANEOUS AMENDMENTS) (SCOTLAND) REGULATIONS 2019

SSI 2019/68

The above instrument was made in exercise of the powers conferred by section 1(1) of the Police Pensions Act 1976, and section 1(1) and (2)(d) and paragraph 4 (b) of schedule 2 of the Public Service Pensions Act 2013. The instrument is subject to negative procedure.

Employer contributions are set by regular valuations of the relevant pension scheme. The latest valuation of the police pensions schemes, applying HM Treasury Directions, provides for an increase in the current employer contribution rate from 23.9% to 30.2%% applicable from 1 April 2019. This instrument provides for this change and also makes various adjustments to the suite of regulations covering police pensions and injury awards.

Policy Objectives

The purpose of this instrument is to update and amend:

- the Police Pensions Regulations 1987 and the Police Pensions (Additional Voluntary Contributions) Regulations 1991 (to the extent both have effect in Scotland),
- the Police Pensions (Scotland) Regulations 2007,
- the Police (Injury Benefit) (Scotland) Regulations 2007, and
- the Police Pension Scheme (Scotland) Regulations 2015.

Following the completion of the scheme valuation (see the box above), the instrument introduces a revised employer contribution rate from 1 April 2019 and extends existing member contribution rates to 31 March 2020.

A new regulation is inserted into the Police Pension Scheme (Scotland) Regulations 2015 to ensure that no assignation or charge can be placed on any pension benefit payable under the scheme, consistent with the 1987 and 2007 regulations.

Changes have been introduced to the pension schemes to allow officers with Annual Allowance tax charges to request the scheme manager pays the charge on their behalf, with an appropriate debit being applied to the pension when it comes into payment.

Amendments to the Injury Benefit regulations reflect the introduction of the 2015 Scheme and ensure the continued interaction of the injury benefit and pension scheme provisions.

The amendments to the Police Pensions (Additional Voluntary Contributions) Regulations are minor for adminstration purposes.

Consultation

To comply with the requirements of the Police Pensions Act 1976 and the Public Service Pensions Act 2013, a draft of the instrument was issued for consultation with the Police

Negotiating Board and persons likely to be affected by changes to the regulations, between 18 December 2018 and 28 January 2019. A copy of the consultation document is available on the Scottish Public Pensions Agency's website www.sppa.gov.uk.

The Scottish Police Pension Scheme Advisory Board provides advice to Scottish Ministers on the desirability of changes to the scheme, and was consulted by Scottish Ministers on the approach to be taken to rectify the employer cost cap breach in the 2016 scheme valuation. Following changes to HM Treasury Directions in February 2019, the cost cap part of that scheme valuation has been put on hold, subject to the outcome of litigation concerning the age-based transitional protections provided to members when were introduced in 2015. Details of this deferment were set out in a written statement issued by the Chief Secretary to the Treasury on 30 January 2019.

However, the overall increase to employer contributions determined by the scheme valuation is being implemented by amendments made in this instrument. The increase in employer contributions is due principally to a change in the Superannuation Contributions Adjusted for Past Experience ("SCAPE") discount rate used in unfunded public service pension scheme valuations. The UK Government confirmed in Budget 2018 a reduction to the SCAPE rate of CPI + 2.8% to CPI +2.4% for use by the scheme actuary in the 2016 valuations ("CPI" means consumer prices index). The valuation assesses what level of contribution income the scheme needs now in order to meet future liabilities. Where the SCAPE rate has been reduced, a higher the level of funding is needed now to meet those future liabilities and that results in an increase to employer contributions.

This approach to employer contribtutions has been taken across the public sector pension schemes covered by the Public Service Pensions Act 2013. In announcing the change to the SCAPE rate in Budget 2018 HM Treasury confirmed it would provide funding towards the additional costs for 2019/20. The extent of that funding remains under discussion and is expected to be finalised in the UK Government's Spring Statement 2019.

Impact Assessments

This instrument does not impose any additional costs or reduce existing costs for business or the Third Sector organisations. The impact of the change to the employer contribution rate will not be known until the level of HM Treasury funding is clear. At that point, SPPA will consider if a Business and Regulatory Impact Assessment is necessary.

Financial Effects

This instrument implements an increase in scheme employer contributions from the current rate of 23.9% to 30.2%, which will apply from 1 April 2019. The estimated cost of that increase is £40m for 2019/20 and it is expected HM Treasury will confirm the level of additional funding it will provide towards those costs in the Spring Statement 2019.

Scottish Public Pensions Agency
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