

Police Pension Scheme Stakeholders

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Your ref:
Our ref:

31 March 2015

Dear Colleagues

Draft regulations that provide for a protection on the lump sum factors provided for the Police Pension scheme (PPS)

In the PPS lump sums are calculated based on factors provided by the scheme actuary the Government Actuary Department (GAD). The Public Service Pensions Act 2013 requires that schemes undertake a regular valuation and the latest valuation of the Police schemes in Scotland is based on data as at 31 March 2012. As part of that valuation process GAD also undertakes a review of actuarial factors used by the schemes. This consultation relates only to lump sums provided in the PPS and not those payable under the 2006 or 2015 schemes.

Regulation B7 of the Police Pension Regulations 1987 requires that lump sums must be the actuarial equivalence of the pension given up and this is provided by GAD factors. Previous commutation factors have been based solely on data from the scheme in England and Wales as suitable Scottish-specific data had not been available. However, more detailed and robust Scottish data was available for the 2012 valuation. That data shows heavier rates of mortality for normal health pensioners in the scheme in Scotland compared to the rates in England and Wales.

As a consequence, higher mortality rates will deliver lower factors and therefore lower lump sums for police officers in the PPS in Scotland when compared to England and Wales.

Scottish Ministers have considered the impact of recent reforms in the round and the principle of protection. They have decided that a form of protection should be provided to those members who are closest to retirement. That protection will provide that the higher of either the English or Scottish factors is applied to commuted pension for retirements up to and including 31 March 2022. For retirements from and including 1 April 2022 any commuted lump sum will be based on Scottish commutation factors only regardless of how they compare to those in

England and Wales. This protection will continue to meet the requirements of the scheme regulations to provide a lump sum which is the actuarial equivalent of the pension given up. The factors will remain subject to regular review by GAD.

The next valuation of the scheme will be undertaken based on scheme data as at 31 March 2016 and the factors will be subject to regular review by GAD.

The attached draft amendments set out how this protection will be applied to regulation B7 of the 1987 Regulations. The latest GAD factors were issued on 21 May 2014 and therefore the draft regulations provide for the protection to apply from that date. It is important that the protection is in place and effective before 21 May 2015 (i.e. the anniversary of the rates and protection being introduced). Therefore the consultation must be limited to allow the regulations to be finalised and laid in time to meet that requirement.

Comments are invited on the draft regulations but in particular:

Question

Does the amendment to regulation B7 adequately provide the intended protection on lump sums for retirements up to and including 31 March 2022?

You can respond to this consultation on line via the following link:

<https://www.surveymonkey.com/r/Lumpsumconsultationpolice>

Alternatively you may complete the Consultation Response Form attached at Annex A which can be submitted electronically to

policepensionsreform@scotland.gsi.gov.uk or by post to the following address:

Police Pensions Consultation
SPPA Policy
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

A printable Consultation Response Form is available via the following link:

http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=937&Itemid=257

The consultation will close on 15 April 2015 and we ask that anyone wishing to respond does so by then.

A copy of the consultation documentation is also available on the Agency's website at:

http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=937&Itemid=257

We intend to publish a summary of consultation responses as soon as possible after the consultation closes. We would like to be able to include any response you make in that summary. However, if you ask us not to publish your response to this consultation, we will regard it as confidential.

Respondents should also be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and will have to respond appropriately to any relevant request made to the SPPA under that Act for information concerning this consultation exercise.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Chad Dawtry', with a large, stylized flourish at the end.

Chad Dawtry
Director of Policy

ANNEX A

CONSULTATION RESPONSE FORM - POLICE PENSION SCHEME. CONSULTATION ON DRAFT REGULATIONS –The Police Pensions (Amendment) (Scotland) Regulations 2015.

1. Name/Organisation

Organisation Name

Title

Surname

Forename

2. Postal Address

Postcode

Phone

Email

3. Permissions - I am responding as... (please complete either sections (a), (b) and (d) or sections (c) and (d):

Individual

or

Group/Organisation

- (a)** Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please state yes or no: _____

- (b)** Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please state yes to one of the following:

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

- (c)** The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please state yes or no:

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?
Please state yes or no:

ABOUT YOU

I am responding ...

- as a member of the 1987 scheme (old scheme)
 - as a member of the 2006 scheme (new scheme)
 - as a member of the 2015 scheme (CARE scheme)
 - on behalf of an Employer Organisation
 - on behalf of a Trade Union/Staff Association
 - other (please specify)
-

What is your gender?

- I am female
- I am male

I am employed as...

- a police officer
 - I'm retired
 - other (please specify)
-

What is your working pattern?

- I work part-time
- I work full-time
- Not applicable

CONSULTATION QUESTION

Question Does the amendment to regulation B7 adequately provide the intended protection on lump sums for retirements up to and including 31 March 2022?

Comments:

Please e-mail your response to: policepensionsreform@scotland.gsi.gov.uk
Or post your response to:

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

The closing date for this consultation is 15 April 2015.