

Criminal Justice Committee
Wednesday 24 April 2024
15th Meeting, 2024 (Session 6)

Note by the Clerk on Police Pension Scheme (Scotland) Amendment Regulations 2024 (SSI 2024/80)

Overview

1. At this meeting, the Committee will consider the following Scottish Statutory Instrument (SSI), which is subject to annulment by resolution of the Parliament until 8 May 2024. The Committee is invited to consider the instrument and decide what, if any, recommendations to make.
2. More information about the instrument is summarised below:

Title of instrument: [The Police Pension Scheme \(Scotland\) Amendment Regulations 2024](#) (SSI/2024/280)

Laid under: 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](#)

Laid on: 14 March 2024

Procedure: Negative

Deadline for committee consideration: 6 May 2024

Deadline for Chamber consideration: 8 May 2024 (Statutory 40-day deadline for any decision whether to annul the instrument)

Commencement: 10 May 2024

Procedure

3. Under the negative procedure, an instrument is laid after it is made, and is subject to annulment by resolution of the Parliament for a period of 40 days beginning on the day it is laid.
4. Once laid, the instrument is referred to:
 - the Delegated Powers and Law Reform (DPLR) Committee, for scrutiny on various technical grounds, and
 - a lead committee, whose remit includes the subject-matter of the instrument, for scrutiny on policy grounds.
5. Any MSP may propose, by motion, that the lead committee recommend annulment of the instrument. If such a motion is lodged, it must be debated at a meeting of the Committee, and the Committee must then report to the Parliament (by the advisory deadline referred to above).

6. If there is no motion recommending annulment, the lead committee is not required to report on the instrument.

Delegated Powers and Law Reform Committee consideration

7. The DPLR Committee considered the instrument on 26 March 2024 and reported on it in its [23rd Report, 2024 \(Session 6\)](#). The DPLR Committee made no recommendations in relation to the instrument.

Purpose of the instrument

8. These Regulations amend the Police Pension Scheme (Scotland) Regulations 2015.
9. 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.
10. Secondly, they amend the percentage rate of employer contributions payable under regulation 164.
11. The Policy Note accompanying the instrument is included in Annexe A. It includes a summary of consultation undertaken on the instrument, impact assessments carried out, and the anticipated financial effects.

Committee consideration

12. So far, no motion recommending annulment has been lodged.
13. Members are invited to consider the instrument and decide whether there are any points they wish to raise. If there are, options include:
 - seeking further information from the Scottish Government (and/or other stakeholders) through correspondence, and/or
 - inviting the Minister (and/or other stakeholders) to attend the next meeting to give evidence on the instrument.

It would then be for the Committee, at the next meeting, to consider the additional information gathered and decide whether to make recommendations in relation to the instrument.

14. If members have no points to raise, the Committee should note the instrument (that is, agree that it has no recommendations to make).
15. However, should a motion recommending annulment be lodged later in the 40-day period, it may be necessary for the Committee to consider the instrument again.

**Clerks to the Committee
April 2024**

Annexe A: Scottish Government Policy Note

Policy objectives

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.

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 Assessment

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 Considerations

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
March 2024