



# Scottish Police Federation

5 Woodside Place Glasgow G3 7QF

## JCC Circular 3 of 2015

Ref: CS/LS

27 January 2015

Dear Colleague

### **Pensions - Early Retirement Factors (ERFs) – Consultation**

I refer to the above and attach herewith the consultation paperwork for your perusal.

Please submit any comments you may have to [Lesley.stevenson@spf.org.uk](mailto:Lesley.stevenson@spf.org.uk) by **Monday 2 February 2015**.

Yours sincerely

**Calum Steele**  
**General Secretary**

Police Pension Scheme Stakeholders

7 Tweedside Park  
Tweedbank  
GALASHIELS  
TD1 3TE

[www.sppa.gov.uk](http://www.sppa.gov.uk)

Tel: 01896 893000  
Fax: 01896 893214

Your ref:  
Our ref:

January 2015

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Dear Colleagues

## **Proposals for implementation of the Scottish Police Pension Scheme with effect from 1 April 2015**

On 11 November 2014 SPPA consulted on scheme regulations covering the draft Scottish Police Pension Scheme Regulations 2015. That consultation closed on 6 January 2015 and comments are now being considered so that the regulations can be finalised.

The consultation letter also confirmed that member contributions going forward from 1 April 2015 were under discussion and would be included in the regulations. In addition further discussions have also taken place regarding the Early Retirement Factors (ERFs) applied for retirements from age 55 in the 2015 scheme. This letter provides a short consultation on member contribution rates going forward from 1 April 2015 and in addition a change to how the ERFs are calculated in the 2015 scheme. Details of both are set out below.

### **1. Member contribution rates from 1 April 2015**

The Framework Document setting out the terms of the new scheme and a series of Frequently Asked Questions (FAQs) are available on the SPPA's website [**put in link**]. Within the Framework Document is a requirement to set contribution rates that will annually deliver an average member contribution of 13.7%. In setting rates to meet that figure contributions from the Police Pension Scheme (PPS) and New Police Pensions Scheme (NPPS) are included.

Following discussion with the scheme stakeholder group the staff side position on the 2015 scheme member contribution rates is that a flat rate rather than tiered rate should be applied. Additionally in applying that rate the rates currently applicable for

the PPS and NPPS will continue to apply from 1 April 2015. The rates will cover the period 1 April 2015 to 31 March 2019 with rates after that date being considered once the valuation of the scheme as at 31 March 2016 has concluded.

**Table 1 Proposed member contribution rates from 1 April 2015-31 March 2019**

Wholetime pensionable pay	PPS (1987)	NPPS (2006)	2015
Tier 1- £27000 and under	14.25%	11%	13.46%
Tier 2 -£27,001-£60,000	14.25%	12.05%	
Tier 3 - Over £60,000	15.05%	12.75%	

### Question 1

**Comments are invited on the proposed contribution rates as set out in table 1 for the period 1 April 2015 to 31 March 2019.**

### 2. Early Retirement Factors (ERFs) in the 2015 scheme

The Framework Document sets out that the 2015 scheme's normal pension age will be 60. It also provides for flexible retirement from age of 55, with scheme benefits taken before age 60 being actuarially reduced to reflect the pension's early payment. That reduction is permanent to the pension going forward.

Discussions have taken place with the main stakeholder group regarding how the factors used to determine the actuarial reduction are calculated. If the member at early retirement is treated as an active member up to age 60 rather than as a deferred member, the resulting impact is that the level of reduction applied from age 55 is reduced. For illustration that would mean a reduction of around 15% being applied for an early retirement at age 55 compared to around 22%.

The negotiations on the 2015 scheme design worked within a cost ceiling and as part of those negotiations any cost of an improvement to any element of the scheme design had to be offset by a reduction in another element(s). In order to deliver improved ERFs a reduction is therefore required to the scheme accrual rate which results in the rate changing from 1/55.3, as set out in the Framework document, to 1/56.1. The accrual rate is the rate at which rights in the scheme build up for each year of pensionable service.

The scheme accrual rate applies to all members of the scheme regardless of when they retire. The change to the ERFs would provide an improvement for those scheme members retiring at age 55 through to age 58 with no change for those retiring at age 59. However as a result of a corresponding reduction in the accrual rate to 1/56.1 there would be a reduction for members who retire at age 60, retire on ill-health grounds or leave the service before age 55 with a deferred pension, when compared to an accrual rate of 1/55.3. The staff side have considered the options available and its position is that the more beneficial ERFs should be applied to the 2015 scheme with the resulting adjustment in the accrual rate to 1/56.1.

## **Question 2**

**Comments are invited on the proposed change to the Early Retirement Factors and the consequential reduction in the scheme's accrual rate.**

Both the member contribution rate and any change to the ERFs have to be included in the scheme regulations which must be finalised to take effect from 1 April 2015. To reflect this and that discussions on both issues have already taken place with the main stakeholder group comments are invited for the period 23 January 2015 to 4 February 2015.

You can respond to this consultation on line via the following link: [insert link to survey monkey]. Alternatively you may complete the Consultation Response Form attached at Annex A which can be submitted electronically to [policepensionsreform@scotland.gsi.gov.uk](mailto:policepensionsreform@scotland.gsi.gov.uk) or by post to the following address:

Police Pensions Consultation (2015 Reform)  
SPPA Policy  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

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

**The consultation will close on 4 February 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:  
[insert link]

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', written in a cursive style.

Chad Dawtry  
Director of Policy

## ANNEX A

### CONSULTATION RESPONSE FORM - SCOTTISH POLICE PENSION SCHEME 2015. CONSULTATION ON DRAFT REGULATIONS –The Scottish Police Pension Scheme Regulations 2015.

#### 1. Name/Organisation

Organisation Name

Title

Surname

Forename

#### 2. Postal Address

<input type="text"/>		
<b>Postcode</b>	<b>Phone</b>	<input type="text"/>
<b>Email</b>		

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                      .....

**(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: .....*

*or*

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

*or*

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

**(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)  
on behalf of an Employer Organisation  
on behalf of a Trade Union/Staff Association  
other (please specify)

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What is your gender?

I am female  
I am male

I am employed as...

a police officer

I'm retired

other (please specify)

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What is your working pattern?

I work part-time

I work full- time

Not applicable

## CONSULTATION QUESTIONS

Question 1: Comments are invited on the proposed consultation rates as set out in table 1 for the period 1 April 2015 to 31 March 2019.

Comments:

Question 2: Comments are invited on the proposed change to the Early Retirement Factors and the consequential reduction in the scheme's accrual rate.

Comments:

Please e-mail your response to: [policepensionsreform@scotland.gsi.gov.uk](mailto:policepensionsreform@scotland.gsi.gov.uk)  
Or post your response to:

Scottish Police Pension Scheme (2015) Consultation  
Policy Branch  
SPPA  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

The closing date for this consultation is 4 February 2015.