

## POLICY NOTE

### THE POLICE PENSIONS (REMEDIABLE SERVICE) (SCOTLAND) REGULATIONS 2023

SSI 2023/239

The above instrument was made in exercise of the powers conferred by sections 1(1), 1(2)(g), (together with paragraph 7(a) of schedule 2) and 3(1), (2)(a) (together with paragraph 13 of schedule 3) and (c) and (3)(b) of the Public Service Pensions Act 2013 (“the 2013 Act”) and sections 5(1) and (5), 6(1), 7(3), 8(1) and (3), 10(1), 11(1) and (5), 12(1) and (3), 18, 19(1), (4) and (5), 20(1), (4) and (5), 21, 22(1), (2) and (6), 24(1), 25(1) and (4), 26(1) and (2), 29(1), (7) and (8) and 31(2) and (3) of the Public Service Pensions and Judicial Offices Act 2022 (“PSPJOA 2022”) and all other powers enabling them to do so. The instrument is subject to negative procedure.

**This Instrument implements the remedy to the reforms to the Scottish police pension schemes under the Public Service Pensions and Judicial Offices Act (“the PSPJOA Act”) in respect of pensions for police officers in Scotland. The PSPJOA Act requires schemes to make provision in regulations to deliver aspects of the remedy to address the impact of the rollback to the legacy scheme and to allow members to make a choice about their pension benefits for the period between 1 April 2015 and 31 March 2022.**

#### Policy Objectives

Occupational pensions policy is reserved to the UK Government, with HM Treasury the department responsible for public service pension policy. The 2013 Act introduced reforms to public service pension schemes including those in devolved nations. The aim of the reforms was to implement the recommendations of the Independent Public Service Pensions Commission: Final Report, to make public service pensions, which due to increased workforce longevity had increasingly been paid for by taxpayers, more affordable and sustainable. New pension schemes were introduced from 1 April 2015, characterised through a higher normal pension age (NPA) for all scheme members, calculating benefits on a career average revalued earnings (CARE) basis rather than through final salary, and the introduction of a cost control mechanism.

Transitional protection provided for some scheme members, dependent on proximity to their NPA on 31 March 2012, to be either “fully protected” or “taper protected”. Members in these categories were allowed to remain in their legacy scheme permanently, or for a set period before transitioning to the reformed CARE scheme before 31 March 2022.

In 2018, following a successful challenge by members of the judicial and firefighters’ pension schemes, the transitional protections were found to be discriminatory against younger members by the Court of Appeal, as protection was only offered to older scheme members. The UK government accepted this ruling had implications for all public service schemes that contained similar transitional protection arrangements and introduced legislation through the 2022 Act to remedy the discrimination caused by these transitional protections.

Through implementation of the PSPJOA 2022, the purpose of this instrument is to complete the statutory arrangements of the 2015 Remedy as set out in the Act. References are made within the instrument to The Public Service Pensions (Exercise of Powers, Compensation and information) Directions 2022 (PSP Directions 2022). The remedy period is 1 April 2015 to 31 March 2022.

Part 1 details the introductory provisions, including citation, coming into force date and interpretation.

Part 2 makes provision requiring the scheme manager to provide Remediable Service Statements (RSS) to eligible active, deferred and pensioner members, or the beneficiaries of deceased members. The information contained on the RSS will allow for a member to make an informed choice of which retirement benefits they wish to receive for their remediable service. The timing and frequency of an RSS will depend on whether the member is due to make an immediate or deferred choice. Immediate choice is appropriate to those who are in receipt of pension benefits before the commencement date (1 October 2023) and deferred choice is appropriate to those who retire on or after the commencement date.

Part 3, allows, in Chapter 1, for members who opted out of the pension scheme to make an election for that service to be reinstated. The regulations detail how a member should apply and submit evidence to support the application within specified timescales. Where an application is accepted, the regulations set out that an RSS will be issued to the member setting out details of any contributions owed to the scheme to reinstate the service and how they must pay the contributions due (as detailed in Part 8 of these regulations).

Chapter 2 of Part 3 makes provision for eligible members to be given an immediate choice for reformed scheme or legacy scheme benefits. Where a member has died, the immediate choice will be made by an eligible decision maker (further detailed in the schedule to the regulations and paragraph 22 of this policy note) In all cases an immediate choice decision is irrevocable.

The regulations provide for these members to make an immediate choice election for new scheme benefits, or not to make an election and choose legacy scheme benefits for the remedy period. Details of the timing and effect of the decision is also set out in this chapter. There is also provision within this chapter for the scheme manager to deem that an election has been made before the end of the election period in circumstances where the member or eligible decision maker has not communicated a decision and where an election would result in a higher value of benefits being paid to the recipient(s).

Chapter 3 covers the deferred choice decision for reformed scheme or legacy scheme benefits. A deferred choice will be given to eligible active or deferred members at retirement and the choice may be revoked up to ten working days before the day on which the first payment is due to be made.

Where a deferred choice member dies before making an election or before the benefits begin to be paid to the member an RSS will be issued to an eligible decision maker to make a deferred choice. Where no choice has been made within the election period, the regulations allow the scheme manager to deem that an election has been made in cases where the value of the reformed scheme benefits are greater than the value of the legacy scheme.

Where a deferred choice member retires before the scheme is able to provide an RSS, the regulations allow for the scheme manager to pay the member legacy scheme benefits in relation to their remediable service in the first instance. The member will then be provided with an RSS as soon as is reasonably practicable where they will have a period of 12 months to make a choice.

Part 4 makes provision for divorce and dissolution arrangements for both pension sharing agreements and orders in place before or on or after the commencement date. The provisions set out that the calculation, or recalculation of a pension debit and the corresponding pension credit must take account of the effect of the remedy.

Part 5 makes provision for those who have elected to pay voluntary contributions to secure additional pension benefits in the reformed scheme during the remedy period. The scheme manager must inform the member of their rights to either receive immediate compensation for the contributions paid or to defer compensation until a choice of benefits is made. The provisions in this part also enable a member to retrospectively elect to purchase additional pension under the legacy scheme.

Part 6 makes provision for transfers in and out of the police pension schemes in Scotland that include remediable service on both a cash equivalent basis or a Club basis (transfers between equivalent public service pension schemes). These provisions detail the requirements for the calculation or re-calculation of transfer values and the making and accepting of payments in relation to the transfer value of remediable pension rights. This Part also includes provision to vary the period where a member can apply to transfer pension rights into the scheme to ensure impacted members do not miss out on the opportunity to transfer due to the timing of the implementation of the remedy.

Where a member has transferred remediable pension right out of either the legacy or the reformed scheme, the scheme manager must provide a transfer RSS detailing the value of the transferred out rights in the alternative scheme

Part 7 makes provision for special cases, including, ill-health retirement, child pension payments, and payment of annual allowance tax charges. Chapter 1 covers ill-health retirement and provides that members who have applied for ill-health retirement in relation to their remediable service should have their applications reassessed against the alternative ill-health retirement criteria that applied at the point of the original application.

Provision is made in Chapter 2 for the protection of the amount of pension payable to an eligible child of a deceased member. Where the eligible child does not live in the same household as the eligible decision maker and the eligible decision maker chooses a benefit design that would result in a reduction of the amount of child pension, the pension will not be reduced and no overpayment of benefits incurred.

Provision is made in Chapter 2 for the joint liability amount of annual allowance tax charges to be paid by the scheme administrator if the time limit has passed.

Part 8, liabilities and payment, makes provision about amounts owed or owing to a person or the pension scheme as a result of the provisions in the PSPJOA 2022 or in these regulations. These provisions include the calculation of interest, indirect compensation (where benefits are increased rather than members receiving direct compensation), the netting off of relevant

amounts owed to and by a person, and the reduction and waiver of liabilities owed by a member to the scheme. In particular, the regulations introduce the requirement for the scheme manager to reduce some relevant amounts by tax relief amounts, and the discretion the scheme manager has to reduce or waive relevant amounts owed by a person in certain circumstances. This part also contains provision to allow deferral of payment of relevant amounts owed to a member until a choice is made about the member's remediable service.

The Schedule sets out a framework to determine the eligible decision-maker in circumstances where a member has died before making their choice decision. The Schedule defines the circumstances where the eligible decision-maker may be a sole beneficiary such as the surviving adult, who may be the spouse, civil partner or other qualifying surviving partner. In other circumstances there may be multiple beneficiaries therefore the schedule provides a route for the scheme manager to identify who the eligible decision-maker should be. This schedule also confirms that where no eligible decision-maker can be identified then the scheme manager is the decision-maker.

### **Consultation**

In accordance with the requirements of section 21 of the 2013 Act, a public consultation was undertaken from 4 May 2023 and closed on 13 July 2023. Thirteen responses, from organisations representing members and employers in the police sector were received.

Prior to the public consultation a period of informal consultation was carried out with members of the Scottish Police Pension Scheme Advisory Board (SAB). The SAB is made up of member and employer representatives and provides advice to Scottish Ministers on the desirability of changes to the Police Pension Scheme in Scotland.

A majority of the thirteen responses to the public consultation agreed that the draft regulations achieved the policy objectives and requirements set by the PSPJOA 2022. A summary of the consultation responses will be made available on the website of the Scottish Public Pensions Agency (SPPA) [www.sppa.gov.uk](http://www.sppa.gov.uk) in due course.

### **Impact Assessments**

An equality impact assessment has been carried out for this instrument and can be found on the SPPA's website<sup>1</sup>, in addition to the assessment carried out by the UK government for the Public Service Pensions and Judicial Offices Bill<sup>2</sup>. The assessment found that offering all eligible members a choice of benefits and removing the transitional protections rectifies the age discrimination that was found by the Court of Appeal. Furthermore, the assessment found that the policy of giving all eligible members a choice of benefits for the remediable period equalised treatment for all members for that period and thus removes any indirect sex discrimination previously found in the transitional protections element of the pension reforms. The assessment found that in relation to the other protected characteristics of disability, religion or belief, sexual orientation, gender reassignment, race/ethnicity, pregnancy and maternity, and marriage and civil partnership, there were no findings that showed members to be adversely or otherwise impacted by the remedy.

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<sup>1</sup> <https://pensions.gov.scot/police/scheme-governance-and-legislation/consultations>

<sup>2</sup> <https://bills.parliament.uk/publications/42336/documents/588>

A Fairer Scotland Duty Assessment was not carried out. The policy set out in this SSI is technical in nature and implements reserved UK legal changes. Accordingly, the Fairer Scotland Duty Assessment is not considered to be applicable here.

## **Financial Effects**

Like most public service pension schemes, the Scottish police schemes are unfunded, meaning there is no assets invested to meet future liabilities payments. Pension costs are managed through the Scottish Resource budget under the Justice and Veterans portfolio.

In its initial consultation on public service pensions remedy , the UK Government estimated that removing the unlawful discrimination would cost on average around £2.5 billion for each year of the remedy period in additional future pension payments to those eligible members. This equates to £17 billion across all of the relevant public service schemes. The additional costs for the Scottish police schemes, estimated at £0.38 billion<sup>3</sup>, will, in the same way as the other schemes, be factored into future employer contribution rates to apply from 1 April 2024.

A full Impact Assessment<sup>4</sup> was provided for the PSPJOA 2022 which includes detail of the £17 billion estimated cost. These regulations translate the policy requirements of the PSPJOA 2022 in the context of the Scottish firefighters' pension schemes. As such this policy does not impose any additional costs or reduce existing costs for business, third or public sector organisations and on that basis no Business and Regulatory Impact Assessment is required for these Regulations.

Scottish Public Pensions Agency  
An Agency of the Scottish Government

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<sup>3</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1068567/Police\\_Scotland\\_2016\\_Unpause\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1068567/Police_Scotland_2016_Unpause_Report.pdf)

<sup>4</sup> [https://www.legislation.gov.uk/ukpga/2022/7/pdfs/ukpgaod\\_20220007\\_en.pdf](https://www.legislation.gov.uk/ukpga/2022/7/pdfs/ukpgaod_20220007_en.pdf)