

THE SCOTTISH PARLIAMENTARY PENSIONS

BILL: STAGE 1 DEBATE

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This Briefing has been prepared for the Stage 1 debate on the Scottish Parliamentary Pensions Bill. It considers the background to the drafting of the Bill itself and the setting up of the Scottish Parliamentary Pension Scheme Committee. The briefing outlines the procedure applicable to the establishment of ad hoc bill committees. The progress of the Bill has been tracked in table form, broken down by the pension subject. The briefing then looks at the recommendations of the Scottish Parliamentary Pension Scheme Committee and the provisions of the Bill (as introduced).

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INTRODUCTION

This Briefing updates [SB 08-35 Debate on a Proposal for a Bill by the Scottish Parliamentary Pension Scheme Committee](#) which was compiled for the purpose of the debate on the draft Scottish Parliamentary Pensions Bill. SB 08-35 set out in table form the work of the Committee established to consult on and draft the Bill. This Briefing updates that table and provides further information on the two Bill Committees and their work. It has been written for the purpose of the Stage 1 debate and the debate on the Bill's Financial Resolution. This Briefing does not, however, attempt to cover all aspects of the Parliamentary pension scheme. More information is provided in the Committee Report (Scottish Parliamentary Pension Scheme Committee 2008).

The debate on 12 November 2008 will be on the following motions:

S3M-2594 Alasdair Morgan on behalf of the Scottish Parliamentary Pension Scheme Committee: Scottish Parliamentary Pensions Bill – That the Parliament agrees to the general principles of the Scottish Parliamentary Pensions Bill.

S3M-2837 John Swinney: Scottish Parliamentary Pensions Bill: Financial Resolution – That the Parliament, for the purposes of any Act of the Scottish Parliament resulting from the Scottish Parliamentary Pensions Bill, agrees to any expenditure charged on the Scottish Consolidated Fund in consequence of the Act.

The [Scottish Parliamentary Pensions Bill](#) is a committee bill introduced by Alasdair Morgan MSP on 22 September 2008 in his capacity as convener of the [Scottish Parliamentary Pension Scheme Committee](#).

THE SCOTTISH PARLIAMENTARY PENSION SCHEME COMMITTEE

COMMITTEE BILLS

Committee bills are consulted upon and drafted under Standing Orders Rule 9.15. Under those rules, a subject committee may make a proposal for a bill in relation to matters within that committee's remit. However, the Scottish Parliamentary Pensions Bill was consulted upon and drafted by an *ad hoc* committee set up for that express purpose. This was possible by virtue of Standing Orders Rule 9.15.4 which allows any member to submit to the Parliamentary Bureau a draft proposal for a bill. To this end, the [Scottish Parliamentary Pension Scheme Committee](#) was established to consult and make recommendations on a draft bill, in conjunction with the Parliament's Non Executive Bills Unit (NEBU)

The Parliament has published [Guidance on Committee Bills](#), which points out at para 3.23:

“Because there is no Stage 1 report on a Committee bill (see below), it is important that a committee developing a proposal for such a bill takes similar evidence to the evidence it would expect to take at Stage 1 of a bill, and otherwise consults adequately on the proposal, before finalising its report.”

The [consultation](#) (Scottish Parliamentary Pension Scheme Committee 2007a) formed part of the subject matter of [SB 08-35 Debate on a Proposal for a Bill by the Scottish Parliamentary Pension Scheme Committee](#) 2007) on the Scottish Parliamentary Pensions Bill formed part of the subject matter of [SB 08-35 Debate on a Proposal for a Bill by the Scottish Parliamentary Pension Scheme Committee](#). The Stage 1 procedure followed by Committee bills differs from other bills insofar as the bill will not be referred to a lead committee for a report on its general principles, as the Committee drafting the bill will also

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write a report which will contain this information. Similarly, the Finance Committee will, however, consider and report on the Financial Memorandum, unless it was the Finance Committee that proposed the bill. The subordinate legislation Committee will also consider and report on the provisions of the bill at Stage 1. After the Stage 1 debate, the bill will follow the same procedure as other bills in the Scottish Parliament, except that the Committee will have a different membership (see below).

THE WORK OF THE SCOTTISH PARLIAMENTARY PENSION SCHEME COMMITTEE

The drafting of a Scottish Parliamentary Pensions Bill was required because the Scottish Parliamentary Corporate Body is responsible for the management and administration of the MSP and officeholder pension scheme. This is by virtue of [The Scotland Act 1998 \(Transitory and Transitional Provisions\) \(Scotland Parliamentary Pension Scheme\) Order 1999 SI 1999/1082](#) and the [The Scotland Act 1998 \(Transitory and Transitional Provisions\) \(Grants to Members and Officeholders\) Order 1999.SI 1999/1081](#). These instruments are transitory and transitional, placing an obligation on the Scottish Parliament to bring a bill and new pensions scheme for members of the Scottish Parliament.

Establishment of the Committee

The Scottish Parliamentary Corporate Body (SPCB) agreed on 13 June 2007 that it was necessary to amend the scheme rules. The Parliamentary Bureau proposed that a bill committee be established to develop proposals for a committee bill for consideration by the Parliament. The Parliamentary Bureau recommendation and the Committee remit were [agreed by the Parliament on 27 June 2007](#) (Scottish Parliament 2007a) and revised on 28 November 2007. Committee Membership was to comprise Alasdair Morgan, Peter Peacock, David McLetchie and Hugh O'Donnell.

Committee Remit

The remit of the Committee was:

“...to inquire into and report with recommendations for a Committee Bill on a replacement for the Scottish Parliamentary Pension Scheme rules and the Grants to Members and Officeholders Order until the Parliament has completed its consideration of the Committee's report and any ensuing Bill.”

The Committee published a [Consultation](#) and took evidence on the issues and provisions of the current, and possible replacement, pension schemes.

Committee Report

Following the consultation and evidence sessions, the Committee then published its [1st Report 2008, Scottish Parliamentary Pension Scheme](#). It also published [Draft Bill provisions](#). These were debated and agreed by a committee of the whole parliament on [26 June 2008](#) (Scottish Parliament 2007b) on the following motion:

S3M-2068 Alasdair Morgan on behalf of the Scottish Parliamentary Pension Scheme Committee: Proposal for a Committee Bill – That the Parliament agrees to the proposal for a Committee Bill under Rule 9.15 contained in the Scottish Parliamentary Pension Scheme Committee's 1st Report, 2008 *Scottish Parliamentary Pension Scheme* (SP Paper 103).

The motion was agreed without division (Scottish Parliament 2007b Col 10293). Following that debate the draft bill was revised to become the [Scottish Parliamentary Pensions Bill](#)

[\[as introduced\]](#) Session 3 (2008) with [Explanatory Notes](#) (and other accompanying documents) (2008).

This Bill will be debated on 12 November 2008. If the Parliament agrees to the general principles of the Bill at Stage 1, the Bill will progress to Stage 2 in accordance with Rule 9.7 of Standing Orders. However, because the provisions of the Bill fall only within the remit of the Scottish Parliamentary Pension Scheme Committee and, under Rule 9.13.A.2(c) which provides that members of the original Committee cannot sit on any committee to which the draft proposal is referred, the Bureau is required to establish another *ad hoc* committee for Stage 2.

“Where, in relation to a Committee Bill, the member (if any) who submitted the draft proposal for the Bill or any member who participated as a member of the committee which developed the proposal for the Bill, is a member of (or committee substitute for) any committee involved in scrutiny of the Bill at Stage 1 or any committee (other than a Committee of the Whole Parliament) taking all or part of Stage 2 of the Bill, he or she shall not participate in that capacity in any consideration of the Bill by that committee.”

It is intended that the Bill should complete its passage through the Scottish Parliament such that it is in force for Session 4 of the Parliament (2011 – 2015).

The following table sets out the subject matter of the Bill, broken down by mandatory and discretionary changes to the existing scheme rules. It considers the recommendations of the Committee’s Report, the provisions in the Draft Bill and any changes as set out in the Bill as introduced.

PROVISIONS OF THE SCOTTISH PARLIAMENTARY PENSIONS BILL

MANDATORY CHANGES

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		Bill (as introduced) and Explanatory Notes
		Committee Report	Draft Bill	
Trustees	Under Part B of the SPPS regulations, the SPCB is responsible for the management and administration of the SPPS Fund.	<p>52. The Committee examined in evidence whether trustees should be appointed to manage and administer the scheme fund in place of the SPCB. <i>The Committee recommends that trustees should be appointed to manage and administer the pension scheme.</i></p> <p>Note: The Bill indicates that there are to be at least 3 but no more than 6 Fund trustees.</p>	<p>Schedule 1 <i>(introduced by section 1(1))</i></p> <p>Part B Scottish Parliamentary Pension Scheme</p> <p>Part B Fund Trustees</p>	Rules 4 and 8-11 of Schedule 1 (Part B) provide for the appointment, conditions, remuneration, resignation and removal of Fund trustees.
Minimum pension age is increased to 55	In some circumstances a Member can currently retire from age 50 where they are no longer an MSP or office holder and have 15 years qualifying service. Under the 2004 Act, the normal minimum retirement age increased to 55. A payment of pension cannot be made before the Member reaches the normal minimum retirement age		<p>Schedule 1</p> <p>Part H: Early retirement</p> <p>Rule 46:</p>	Part H of the Schedule sets out who is eligible for early retirement and the reduction (under Rule 46(4)) in the annual scheme pension that applies when retiring early. The rule applies to those aged between 55 and 65 and replaces the rules contained at Part H and Schedule 4 of the 1999 pensions order. This change followed the Finance Act 2004 which set out that the minimum pension age under which a member of a tax-registered occupational pension scheme can retire early and access their benefits would be increased to 55 from 6 April 2010.

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		<u>Bill (as introduced) and Explanatory Notes</u>
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Treatment of Members over age 75	<p>From 6 April 2006 the Finance Act 2004 prevents scheme members on reaching age 75 from:</p> <ul style="list-style-type: none"> • taking a tax-free lump sum with their pension • receiving tax relief on contributions and • payment of a tax free lump sum after death in service. <p>Consequences of this provision to the existing scheme are:</p> <ul style="list-style-type: none"> • Restricted benefits that are available to those reaching 75 • restricted entitlement to a pension to those who are no longer Members of Parliament • Commutation into lump sum. • Gratuity on death in service. • Whether AVCs are to be available to those aged 75 and over. 	<p><u>76.</u> Given the tax changes in the Finance Act <i>the Committee recommends that participating membership of the pension scheme no longer be available to those age 75 and over.</i> As an additional consequence no death in service benefit will be available from the scheme to those over 75.</p> <p>In addition to membership as an MSP, those holding certain offices are also eligible to join the pension scheme in their capacity as officeholders.</p> <p><i>The Committee recommends that the non-salaried posts be removed from the pension rules.</i></p>	<p>Schedule 1</p> <p>Part G: Retirement Lump Sums</p> <p>Rule 42: Right to commute pension into a lump sum</p> <p>Rule 44: Special rule for commutation by individual approaching the age of 75</p>	<p>On reaching age 75, individuals no longer qualify for tax relief in relation to pension scheme membership available under the Finance Act 2004. On reaching age 75, serving office-holders can no longer be “participating members” and cease to make contributions; their pension rights are frozen.</p> <p>Part G of Schedule 1, Rule 44, makes special provision for serving MSPs and office-holders approaching age 75 to receive a retirement lump sum, by commuting part of their pension into a tax-free lump sum. The application must be made before the Member’s 75th birthday (so that there will not be an unauthorised payments charge under s208 of the Finance Act 2004 (rule 100) and the payment meets the tests for a “pension commencement lump sum”.</p> <p>Serving MSPs and office-holders aged 75 and over are not eligible to be a participating member and accumulate more service in the pension scheme.</p>
Transfer of pension rights must be made to or from a registered scheme	<p>Under the Registered Pension Schemes (Transfer of Sums and Assets) Regulations 2006, the rules require to provide that transfers in and out of the SPPS can only come only from a pension scheme registered with Her Majesty’s Revenue and Customs</p>	<p><u>208.</u> Both MSPs and officeholders who are not MSPs should be allowed to transfer in a sum from another pension scheme. (This previously applied to MSPs only.)</p>	<p>Schedule 1</p> <p>Part N: Transfers</p> <p>Chapter 1 Transfers Out</p> <p>Rules 74-80</p> <p>Chapter 2 Transfers In</p> <p>Rules 81-83</p>	<p>Sections 164 & 169 of the Finance Act 2004 (c.12) allow a registered pension scheme to make recognised transfer payments only to another registered scheme, while Chapters 4 and 5 of Part IV of the Pension Schemes Act 1993 (c.48) allows transfers to be made.</p> <p>Rule 74 makes a statement of entitlement, while Rules 75-80 (transfers in) and 81-83 (transfers out) give effect to these statutory provisions.</p>

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Provision for pension-sharing on divorce	The Welfare Reform and Pensions Act 1999 gave powers to courts to split pension benefits on divorce or annulment proceedings. These powers were extended in the Civil Partnership Act 2004 in relation to the dissolution of civil partnerships. The rights allow an ex-spouse or civil partner to have their own benefits in the scheme, independent of the member's or office holder's rights or their spouse or civil partner. The SPPS would have to comply with any pension sharing order.	186. As the SPPS is a funded occupational pension scheme, it can choose to offer either an external transfer or membership of the scheme to the recipient of the pension credit. <i>The Committee recommends that the scheme allows for recipients of a pension credit to be given the choice of an external transfer or membership of the scheme.</i>	Schedule 1 Part P: Pension Sharing Rule 91: Pension credit members	Pension sharing was introduced by the Welfare Reform and Pensions Act 1999 (c.30) to facilitate a clean-break divorce by allowing the division of the capital value of a pension; this was made available on the dissolution or annulment of a civil partnership by the Civil Partnership Act 2004 (c.33). Part P of Schedule 1 makes rules complementary to the above overriding legislation. Rules 91-93 facilitate the transfer of the notional capital value into separate scheme rights for the scheme member's ex-spouse or civil partner. There are also some modifications of the pension rights of the MSP or office-holder scheme member (rule 92).

DISCRETIONARY CHANGES

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		Bill (as introduced) and Explanatory Notes
		Committee Report	Draft Bill	
Accrual rate	The SPPS has one accrual rate of 1/50 th .	36. The Committee recommended that <i>members have a choice of pension accrual of either 1/50th or 1/40th. Members may also change their minds about their accrual rate following re-election or appointment.</i> 94. The Government Actuary Department advised [the Committee] that the additional cost involved would be equivalent to a contribution of 5% salary and clarified that this was a higher rate than the equivalent cost at the UK Parliament. The Committee also recommended that <i>the additional cost of 1/40th accrual be fully met by an increase in the contribution rate applying to those members choosing to opt for 1/40th.</i>	Schedule 1 Part F Pensions Rule 38: Amount of MSP pension Rule 39: Amount of office-holder pension	According to para 590 of the Explanatory Notes, "The Bill provides two options for accrual of pension: either 1/40 th or 1/50 th (the present rate) of final salary for each year of reckonable service. The cost of each to the scheme member is set by the Bill (Schedule 1, Part D) and reflected in the member contributions of either 11% or 6% of salary. The [Government Actuary Department] advised that the increase in the accrual rate to 1/40 th would be fully funded by an increase of 5% in contributions. For members transferring to 1/40 th accrual the full additional cost to the Fund will be met by an increase in their contributions from 6% to 11% of salary."

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Lump sum commutation of pension	When a member dies in service it is presently possible to include an option for the spouse/partner to commute part of the pension payable for a lump sum. Any such sum would be payable in addition to the death in service lump sum due.	103 . The Committee recommends that the maximum commutation limit for the scheme should be 25% of pension as permitted by the Finance Act 2004.	Schedule 1 Part G Retirement Lump Sums Rule 42: right to commute pension into a lump sum	Under the Finance Act 2004 (c.33) a person who is a member of a tax-registered scheme may exchange (commute) part of their pension entitlement for a tax-free lump sum called a “pension commencement lump sum”. For those who qualify (under early retirement provisions in Part F or III Health under Part I [see below]) this can be done by giving notice to the Fund Trustees
Early retirement	Under current rules (in Schedule 4 to the Transitional Order), a former MSP, aged between 50-65, with 15 years of service can apply for an immediate pension where the SPCB is satisfied that they do not intend to stand for re-election. The amount of that pension is abated in accordance with the table in Schedule 4 .	112 . Given the possible discrimination inherent in existing rules, [and] the reform of similar rules in the UK Parliament and the National Assembly for Wales, <i>the Committee recommends that the current calculation table should not be included in the proposed bill.</i> 115 . The Committee considered the current 15 year qualification period unnecessarily prohibitive and <i>recommended that the qualifying period of 15 years for early retirement should be removed and early retirement should be made available for all ex-members aged 55 and over.</i> 127 . The minimum retirement age has been raised from 50 to 55 in line with UK pension law. <i>The Committee agreed that there should be an actuarially neutral reduction of 4% of pension for each year below age 65.</i> For example if a person retires at age 60, their pension would be reduced by 20% (5 years x 4%). The 4% figure was provided in evidence by GAD as being one that was cost neutral to the scheme. 133 . Current Members who wish to take early retirement will be able to choose the better of the new or old rules until the end of this session. The Committee recommended that future rule amendments be made by resolution of the Parliament.	Schedule 1 Part H Early Retirement Rule 46 Early retirement Schedule 3 Para 11	Following the enactment of the Finance Act 2004 (c.33), the minimum retirement age is increased to 55. This is replicated in Schedule 1, Part H, Rule 46, of the Bill for those aged between 55 and 65. Rule 46(4) determines the annual scheme pension payable to a person making an application for early retirement. The percentage reduction is as recommended by the Committee: the appropriate percentage is 4% for each year that the individual is retiring before reaching age 65. For example the reduction for a person retiring early at age 60 would be 20% (5 x 4%). See also Schedule 3 Para 11

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Ill-health pension	The current rules provide for the pension that would be payable at age 65 to be payable before normal retirement age if an MSP member is unable to adequately perform their duties because of illness.	142 . The Committee recommended <i>that the scheme adopts a two tier approach to ill-health pensions for serving members and officeholders, as detailed, and that periodic reviews should follow all ill-health pension awards</i> . As regards payment, this will operate as the existing scheme does. However, the Committee also proposed a <i>facility for periodic review of ill-health pensions and that provision be made to allow those serving members and officeholders with a terminal illness who are not expected to survive for a year to be able to commute their pension entitlement for a lump sum. Survivor pensions will continue to be available following the death of such members</i>	Schedule 1 Part I Ill Health Rule 47: Serious ill-health pension	Part I of Schedule 1 sets out the rules which apply when a scheme member resigns or stops being an MSP or, when not an MSP, a holder of pensionable office, as a result of a health condition. A distinction is made between “serious” (Rule 47) and “ordinary” (Rule 48) ill-health, with the former attracting an enhanced pension provision (Rule 50) as the “condition must be expected to be permanent and to prevent the individual from doing any gainful work now and in the future” as evidenced by a doctor. The amounts applicable to “ordinary” entitlement are set out in Rule 51. Rule 49 applies to a deferred pensioner’s ill-health pension with the amounts set out under Rule 52.
Unmarried partners	No current provision	The Committee heard in evidence that Westminster, Wales and a number of public sector schemes recognise unmarried partners in the same way as they recognise spouses and civil partners for receipt of survivor pensions. 168 . <i>The Committee recommends that provision for unmarried partners’ pensions should be made in the new scheme, provided that the relationship is advised six months in advance to the trustees and has been in existence for 2 years.</i>	Part J Surviving Partners and Children Chapter 2 Partner’s Pension etc.	Under Rule 57 a qualifying partner may be the deceased’s spouse, civil partner or a person who qualifies under rule 57(2) as an “unmarried partner”. The deceased must have notified the Fund trustees in writing of their unmarried partner at least six months immediately before their death. The trustees must also be satisfied of certain conditions on the basis of evidence they have received that, for example, the couple lived together for at least 2 years before the death of the deceased and that the relationship was an exclusive one.

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		<u>Bill (as introduced) and Explanatory Notes</u>
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Loss of surviving spouse pension on remarriage or co-habitation	Article K1 of the present scheme provides that a surviving spouse or civil partner loses their pension on remarriage or cohabitation. Linked to this is a provision that gives the SPCB discretion where there are no children of the marriage and the marriage took place within 6 months of the member's death and at the date of marriage the death was to be foreseen.	158 . The Committee recommended that <i>spouses' and civil partners' pensions should continue for life</i> , i.e. that the provision that pensions should cease on remarriage should be removed (as it has been at Westminster). 168 . The Committee recommends that provision for unmarried partners' pensions should be made in the new scheme.	Schedule 1 Part J Surviving Partners and Children Chapter 1: Scheme pension entitlement	The rules covering these pensions comply with the rules in section 167 and Part 2 of Schedule 28 of the Finance Act 2004 (c.33) which set out the rules relating to payment of pension death benefits by a registered pension scheme. Part J, Rule 56 allows for the calculation of pension entitlement of surviving partners and children. For example, survivors of a Scheme member who died aged 65 or over will have their annual entitlement based on the prospective annual scheme pension that would have been payable had the deceased retired on the day of their death (i.e. as calculated under Rule 50). Different provisions apply to those who died aged under 65. A different rule applies to those who died while being a deferred pensioner (Rule 56(3)). Rule 57 provides a definition of Partner.
Death in service	Under the SPPS rules, where a member dies while still in service a gratuity is payable of an amount equal to three times salary. The overall maximum is limited to three times the permitted maximum as set by the previous revenue rules until 2011.	196 . The Committee considered that the benefit should be brought into line with that of the [Parliamentary Contributory Pension Scheme] and that for the National Assembly for Wales Members' Pension Scheme and <i>recommends that the death in service lump sum benefit be altered to four times salary</i> .	Schedule 1 Part K Lump Sum Death Benefits Section 65: Death in service lump sum	Rule 65 provides for the payment of a lump sum to the nominee or personal representative, of a scheme member who died while a serving MSP. Trustees must be satisfied the payment would be a "defined benefits lump sum death benefit" for the purposes of the Finance Act 2004 (c.33), i.e. the participating member is under 75 years, the benefit arrangement is specified in the scheme rules and payment is made within two years of the Fund trustees being aware of the date of death. In addition, the death benefit must not be in respect of a trivial commutation, or relate to pension protection or winding up benefits. Rule 66 sets out the process for nominating the beneficiary under Rule 65.

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		Bill (as introduced) and Explanatory Notes
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Added years	<p>173. There are two options within the SPPS rules to enhance pension benefits. Members can contribute additional voluntary contributions or purchase added years of service, but they cannot buy added years after age 65.</p> <p>The current contribution limit for AVCs is set at 15% of a member's salary (See Schedule 5 of existing provisions)</p>	<p>180. Given that there is no cost to the fund arising as a result of the purchase of added years and the majority who responded to the question were in favour of removing the age restriction, <i>the Committee recommends that the scheme continues to allow members to purchase added years and that there be no age restriction beyond conformity with revenue limits of age 75.</i></p> <p>183. <i>The Committee recommends a relaxation of the current maximum member's contribution by increasing the limit to 20% of salary (mirroring the situation at the UK Parliament and the National Assembly for Wales).</i></p>	<p>Schedule 1 Part O Added Years</p> <p>Section 84: Added years</p> <p>Section 89 20% maximum</p>	<p>Part O of Schedule 1 sets out rules for how participating members can enhance their pension benefits by buying extra years of service to add to their actual length of reckonable service. This can be done only based on their service and salary as an MSP. It can also be done by instalment and is subject to certain conditions rules (Rule 85), or by lump sum (Rule 88, subject to the limitations in Rule 89).</p>
Grants	<p>The Resettlement grant is a percentage of the member's yearly salary immediately prior to the dissolution after which the member is not re-elected. The percentage increases with age after 50 and length of service more than 10 years (from 50% to 100%). There are equalities issues in the grants order insofar as any member leaving under the age of 50 or over the age of 70 receives 50% of salary regardless of length of service, but for those aged 50-64 the percentage of salary payable increases according to age and length of service, but decreases for members leaving at age 65-70.</p>	<p>241. The Committee recommended that the minimum amount of resettlement grant payable is retained at six months salary up to the current maximum of 12 months, depending on service. For each year of service a month's salary is paid with a minimum payment of six months. The effect is to remove age-related criteria and allow the maximum to be reached after 12 years instead of the current 15 years.</p>	<p>Schedule 2 (introduced by s 2) Grants Payable on Leaving Office Para. 1. MSP resettlement grant</p>	<p>Para 1 of Schedule 2 requires that a grant is payable by the SPCB to an individual who has been but is no longer an MSP. To qualify, an individual must have been an MSP when the Parliament was dissolved and not be returned as an MSP at the general election which followed that dissolution.</p>

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		<u>Bill (as introduced) and Explanatory Notes</u>
		<u>Committee Report</u>	<u>Draft Bill</u>	
Grants	A severance grant is payable to an office holder who ceases to hold office before reaching the age of 65. The grant is not payable where the person becomes an office holder again within three weeks, or six weeks when the person ceases to hold office on dissolution of the Parliament. The amount is equal to one quarter of the relevant annual office holder salary.	<u>246</u> . The committee recommended <i>extending the three week requirement to 3 months, to prevent any payments to officeholders who are moving to hold another office or are re-appointed after an election.</i> <u>248</u> . The Committee also <i>recommended that the FM/PO should now receive a severance grant on leaving office that is similar to that provided by the MSPs' resettlement grant</i> i.e. a minimum of six months' salary up to a maximum payment of 12 months salary, depending on service.	Schedule 2 (introduced by section 2) Grants Payable on Leaving Office Para. 4. Office-holder resettlement grant	Under Para 4 of Schedule 2 An office-holder' resettlement grant is payable to office-holders when they stop being an office-holder. The grant is similar to the MSP resettlement grant and is designed to help bridge the gap while the office-holder adjusts to a lower income or re-establishes commercial or voluntary interests which may have had to be relinquished to avoid any conflict of interest whilst in office.
	The level of the Ill-health retirement grant is equal to the level of resettlement grant which would have been available had the member not been re-elected rather than resigning on health grounds.	<u>244</u> . The Committee <i>recommended that in future the qualification for the grant be linked to the grounds for an award of an ill-health retirement pension.</i> The amount payable as a grant would continue to be equivalent to the resettlement grant and the SPCB would retain discretion over the award and hence be able to assess and make awards to MSPs who may not be members of the pension scheme and therefore do not qualify for an ill-health pension.	Schedule 2 (introduced by section 2) Grants Payable on Leaving Office Para. 2: MSP ill-health retirement grant Para. 3: Amount of MSP grants	Para 2 of Schedule 2 provides for the payment of an MSP ill-health retirement grant, for where the MSP resigns during a parliamentary session in direct consequence of a health condition which prevented them from carrying out their duties as an MSP. It is only payable only where the MSP resigns during the parliamentary session; if an MSP stands down after an election for ill-health reasons they will be entitled to an MSP resettlement grant. An MSP may not receive both a resettlement grant and an ill-health retirement grant.

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		Bill (as introduced) and Explanatory Notes
		Committee Report	Draft Bill	
Additional Voluntary Contributions (AVCs)	Committee Report Para 4.23: There is the facility to purchase added years of service within the SPPS rules. Under the rules the limit on contributions is restricted to 15% salary including the 6% contributions to the scheme. The new tax rules limit contributions to 100% salary (less any scheme contributions). (See Schedule 6 of existing provisions)	223 . The Committee has considered the operation of the current arrangements in the light of the new tax and pension regime and considers that the AVC facility within the SPPS is unnecessary. <i>The Committee recommends that no new contracts for AVCs are made on behalf of scheme members.</i> The SPCB (or trustees) should continue to administer the small number of existing AVC contracts to ensure that no 'transfer penalty' is attached to the scheme member.	Schedule 3 Para 18(1)	Under Para 18 of Schedule 3 provides for a continuation of the existing scheme with new rules and new trustees responsible for administration, subject to modifications set out in that paragraph.
Office Holders	Office holders are members of the SPPS, both in their capacity as MSP and as office holder in receipt of extra salary (Cabinet Secretaries, Ministers, Lord Advocate and Solicitor General, and Deputy Presiding Officers). Pension rights of office holders are in addition to and separate from the pensions rights simultaneously accruing in the SPPS with contributions made at the same rate of 6%.	The Committee has agreed that officeholders who are not MSPs should be given the same general rights under the scheme as MSPs.	No specific provision	No special provision for Office Holders has been set out in the Bill.

Topic / Issue	Current Pension System Rules	Committee Suggestion for New Rules		Bill (as introduced) and Explanatory Notes
		Committee Report	Draft Bill	
Presiding Officer / First Minister pension	The current pension arrangements for the Presiding office / First Minister (PO/FM) are a pension of 50% of salary immediately on leaving office. Westminster is currently <i>considering</i> ending similar arrangements for the Prime Minister and Lord Chancellor (although not the Speaker). Wales and Northern Ireland do not have separate schemes but rather their equivalents PO/FM are treated as an officeholder within the members' scheme.	89. <i>The Committee recommends that the existing arrangements for the First Minister and Presiding Officer should be closed to any new incumbents and that the First Minister and Presiding Officer pension provisions should be the same as for all other officeholders under the new scheme rules.</i>	Schedule 3 Para 20 Schedule 1 Rule 22 Schedule 4 Para 4	Under Schedule 3 Para 20(1) the rules in the 1999 pensions order covering First Ministers and Presiding Officers will continue in respect of any individual who holds or has held those offices on the new rules day, i.e. those already entitled to or receiving that pension, as will the rules that apply to the spouse, children, etc. of those individuals. No provision is made for future holders of those positions, but Section 3 allows modification of the First Minister and Presiding Officer pension scheme by resolution of the Parliament.

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