SCOTTISH INDEPENDENCE AND RETIREMENT PENSION PROVISION

When it comes to pensions, Scottish Independence could have a major impact on UK businesses in particular as outlined in the ICAS report Scotland’s Pensions Future.

The European question

Private sector pension schemes operating between an Independent Scotland and the remainder of the UK would be classed 'cross-border' under EU law.

- Strict EU solvency rules would apply requiring:
  - Cross-border pension schemes to be fully funded at all times
  - Undertaking to be rectified immediately rather than through a staged recovery plan
  - Annual instead of triennial actuarial valuations

These potentially causing major cost and cash flow issues for businesses on both sides of the border.

The State Pension: who pays?

Which government would be responsible for the State Pension entitlements of Scots built up before Independence?

UK Pension Bill (2010-2011)

- £74bn state pensions
- £8bn pension credits
= £82bn

40% of UK social benefit payments
13% of all UK expenditure

Scotland’s opening balance sheet

Any negotiations leading to independence would involve identifying what share of UK assets and liabilities - including public sector pension liabilities - would feature on the opening balance sheet of an Independent Scotland.

UK liabilities at 31 March 2011

£2,421bn

Other liabilities

- £1,461bn (60%)
- £893bn (37%)
- £67bn (3%)

*Source: 2010-11 UK Whole of Government Accounts

Scottish public sector pension liabilities arising from devolved activities at 31 March 2012

£86bn

Scottish unfunded public sector pension liabilities arising from devolved activities

- £60bn (70%)

*Source: Scottish Public Pensions Agency

Scotland’s share of pension liabilities relating to UK-wide public sector pension arrangements would need to be identified.

ICAS takes a neutral stance on the issue of Scottish Independence but recognises that it has a duty to act in the public interest by contributing information and insights to the debate.