

EXPLANATORY MEMORANDUM TO
THE POLICE PENSIONS (AMENDMENT) REGULATIONS 2013

2013 No. 487

1. This explanatory memorandum has been prepared by the Home Office and is laid before Parliament by Command of Her Majesty.

2. **Purpose of the instrument**

2.1 The instrument amends existing regulations which deal with police officer pensions and retirement benefits. It changes these regulations to implement the Government's policy of increasing the contribution rate of public servants, in this case police officers. The instrument also corrects an error in a previous instrument concerning the early payment of deferred pensions.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None.

4. **Legislative Context**

4.1 There are two pension schemes for members of police forces in England and Wales. The "old" police pension scheme is governed by the Police Pensions Regulations 1987 and has been closed to new members since 2006. Officers joining the police service since that date have been eligible for membership of the "new" police pension scheme, governed by the Police Pensions Regulations 2006, and members of the old scheme were given the opportunity to transfer to the new one.

4.2 The rules and benefits of the scheme are different in a number of respects, but both are defined benefits schemes funded partly by the police officers who are members of the relevant scheme. Regulation G2 of the Police Pensions Regulations 1987 and regulation 7 of the Police Pensions Regulations 2006 provide for the rate of contributions payable by officers in each scheme.

4.3 Under regulation B5 of the Police Pensions Regulations 1987, a member of the old police pensions scheme who leaves the police with at least two years' service but who is not entitled to an immediate pension is eligible for a deferred pension payable from the age of 60. Regulation B5A, as inserted by the Police Pensions (Amendment No.3) Regulations 2012 with effect from 1 January 2013, allows a member to draw an actuarially reduced deferred pension from the age of 55 in specified circumstances.

5. Territorial Extent and Application

5.1 This instrument applies to England and Wales.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1 The Government gave a commitment to review the long-term affordability and sustainability of public service pensions. The Independent Public Service Pensions Commission, chaired by Lord Hutton, concluded in its report that reform is needed. The Government accepted Lord Hutton's recommendations as a basis for consultation with public sector workers and trade unions on long-term reform of pension arrangements.

7.2 Ahead of longer term reform, the Commission made clear the rationale for increasing pension scheme member contributions to ensure a fairer distribution of costs between taxpayers and members. The Government announced plans to make £2.8bn savings per year by 2014-15 through increasing public service employee pension contributions over three years from 2012-13.

7.3 The Police Pensions (Amendment) Regulations 2012 implemented the first phase of this increase in relation to police pensions in England and Wales. With effect from 1 April 2012, it substituted a new regulation G2 of the Police Pensions Regulations 1987 and regulation 7 of the Police Pensions Regulations 2006 with provision for increased rates of contribution for members of the relevant police pension scheme. The increases were structured so that:

- low earners are protected;
- higher earners pay more; and
- any increase in the rate of opt-out from pension schemes is minimised.

7.4 Regulations 2 and 3 of this instrument implement the next phase of the policy by amending regulation G2 and regulation 7 to increase the contribution rates further.

7.5 Regulation 4 of this instrument amends regulation B5A of the Police Pension Regulations 1987 to ensure that the right to elect for early payment of an actuarially reduced pension is restricted to members leaving the police as part of a voluntary redundancy scheme, as was the original policy intention. By virtue of regulation 5 of this instrument, any election for early payment which has already been made, but which could not be made under regulation B5A as amended by this instrument, will have no effect unless the member makes a further election to the effect that he or she does not wish the

amendment to apply in his or her case. This ensures compliance with provisions in the Police Pensions Act 1976 which prohibit the worsening of police pension terms in certain circumstances. It is not anticipated that any such election for early payment will actually have been made in the short period since regulation B5A came into force.

7.6 Although this instrument corrects a defect in the Police Pensions (Amendment No.3) Regulations 2012, the Home Office has decided, after consultation with the SI Registrar, that the procedure for free issue should not be applied. The correction has been combined with provision in relation to pension contribution increases which needed to be made in any event. It is considered likely that purchasers of the defective instrument would have wished to purchase this instrument in any event, because of the significance of those provisions. Accordingly, the correction is unlikely to have resulted in them incurring additional cost.

- Consolidation

7.7 The Home Office has begun work on regulations to consolidate the changes made to the Police Pensions Regulations 1987. The changes made by this instrument could not be delayed – they will be incorporated in the consolidating regulations.

8. Consultation outcome

8.1 The Home Office consulted with the Police Negotiating Board and took into account the comments made. Technical comments made by the Police Federation of England and Wales were reflected in the final instrument.

9. Guidance

9.1 A Home Office Circular will be issued explaining the changes made by this instrument. It will be available on the Home Office website.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 No impact is anticipated on the public sector either. The pension contributions made by police forces are not being increased. In relation to the change concerning early access to deferred pension, the instrument restricts the opportunities for access rather than extending it, and in any event early access is subject to actuarial reduction and is intended to be cost-neutral.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 Police pensions policy is kept under review by the Home Office and the Police Negotiating Board. If necessary changes are identified, the relevant regulations will be amended accordingly.

13. Contact

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Stephen.Finer@homeoffice.gsi.gov.uk can answer any queries regarding the instrument.