

**POLICE PENSION SCHEMES  
08/2015**

**WHO SHOULD READ:** The Chief Constable of Police Scotland, administration staff  
**ACTION:** Information on the Police AVC scheme  
**SUBJECT:** Changes to the Police AVC scheme following Pension Schemes Act 2015

**The purpose of this circular is to:**

- Advise that changes will be made to the Police Pensions (Additional Voluntary Contributions) Scheme 1991 to allow officers who opted to make contributions to that scheme up to 1 October 2010 more flexible access to the funds
- These changes will be made with retrospective effect

**Background**

The police pension scheme provided for additional savings to be made by making Additional Voluntary Contributions (AVCs) through Standard Life (some officers may still have arrangements through the scheme's original provider Equitable Life). Access to the AVC scheme was closed to new members from 1 October 2010 so the number of officers who hold AVCs is limited. The scheme allowed officers to regularly save into a money purchase arrangement and to take up additional life cover. Details of the AVC scheme are set out in the Police Pensions (Additional Voluntary Contributions) Scheme 1991 as amended.

The UK Government announced at Budget 2014 proposals to allow people age 55 and above more flexible access from April 2015 to their money purchase pension savings during retirement, subject to their marginal rate of income tax. The consultation document *Freedom and Choice in Pensions* set out these proposals and the reforms were implemented by the Taxation of Pensions Act 2014 and the Pension Schemes Act 2015.

**Action**

In line with other devolved public sector schemes that also provide AVCs, amendments will be made to the 1991 regulations to allow members of the Police AVC scheme to make use of these flexibilities. These changes will have effect from 6 April 2015.

With immediate effect, officers with a protected pension age retiring before age 55 or any officer aged 55 or over with uncrystallised benefits in the AVC scheme can take advantage of the new flexibilities that extend to Money Purchase schemes. They will have the option through the scheme administrator to apply the investments in their AVC fund to arrange with an insurer:

- (a) payment of a lifetime annuity;
- (b) payment of a lifetime annuity and pension commencement lump sum;
- (c) a lump sum commutation payment that represents the capital value of the benefits in

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- option (a) or (b) and complies with regulation 12 of the Registered Pension Schemes (Authorised Payments) Regulations 2009;
- (d) designation of flexi-access draw-down fund for the purposes of taking income draw-down payments or payment of a short-term annuity; or
  - (e) payment of one or more uncrystallised fund lump sums.

An update to this circular will be issued when the amending regulations have been finalised and laid before the Scottish Parliament. SPPA will contact members of the AVC scheme directly to inform them of these new options and therefore this circular is provided for general information only.

**For the avoidance of doubt these changes only refer to officers who hold AVC savings. The flexibilities do not apply to the main pension scheme benefits.**

**Members considering taking advantage of the new options are recommended to seek appropriate advice. Pension Wise is a free service whose advisors may aid individuals' understanding of the new options.**

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2 September 2015

**Contact information**

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