

**POLICE PENSION SCHEME
1/2012**

WHO SHOULD READ: Chief Constables, Clerks to the Joint Boards, Chief Executive of Dumfries and Galloway and Fife Councils

ACTION: For information and action. Please draw this to the attention of pensions managers and superannuation sections and scheme members.

SUBJECT: Increase in employee contributions

The purpose of this circular is to:

- Inform Scottish Government's decision to increase police pension contributions payable by police officers, with effect from 1 April 2012. This concerns contributions made under the Police Pension Regulations 1987 (PPS) and the New Police Pension Regulations (Scotland) 2007 (NPPS).

Earlier consultations confirmed the Scottish Government's intention to introduce increases in employee contribution rates to the PPS and NPPS via new, tiered member contribution rates with effect from 1 April 2012. Details of those consultations can be viewed via the following link [Consultations 2011](#) or on the Police Pensions page of the SPPA website under 2011 consultations.

The first consultation provided an explanation of the policy background to the new contribution rates and the recent consultation on draft regulations provided detail on the rates which will take effect from 1 April 2012. It also alerted employers to the need to prepare systems and processes so that the new rates are fully operational from that date.

This circular further confirms member contribution rates applicable from 1 April 2012 as set out in Annex A. The rates are calculated on the member's full-time equivalent pay.

To help scheme members understand what this will mean for them pension contribution calculators for each scheme are available on the SPPA website via the following link [Police Calculators](#) or on the Police Pension page of the website under calculators. These will show members how their monthly contributions to the PPS or NPPS will be affected after tax.

The relevant regulations in the PPS and NPPS will be amended in order that the changes take effect from **1 April 2012**. This will include the tiered increases being applied to any member who is paying a lower contribution rate as a result of being ineligible for ill health retirement benefits. Also included is a consequential amendment to the Police Pensions (Purchase of Increased Benefits) Regulations 1987 to amend the current 15 per cent contribution limit to reflect the higher contribution rates.

Please bring the information contained in this circular to the attention of the relevant staff to ensure that the necessary arrangements are in place for the correct contributions to be



deducted from members as appropriate and in line with the revised contribution rates when the regulations come into force on 1 April 2012. Please note that the employer contribution rate is unchanged.

In accordance with the Occupational Pension Scheme (Disclosure of Information) Regulations 1996, please ensure that all members who are affected by this change are notified individually in writing.

You may wish to use wording as follows in your notification:

'This is to inform you of an increase in the contribution rate to your pension which is effective from 1 April 2012. The increase will depend on which scheme you are in, and on your basic annual salary, and will be as set out in the attached table at Annex A'.

Employee contribution increases for 2013/14 and 2014/15 are still to be decided and will be subject to further consultation in the coming months.

Please note that the employer contribution rate is **not** affected by these changes.

Annex B provides a Q&A brief on how the tiers should be set.

**JENNY COLTMAN
POLICY MANAGER
29 FEBRUARY 2012**

Contact Information:

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Annex A: increase in police officer contributions

			2011/12	2012/13	
Increase in officer contributions (compared to 2011/12)			Tier 1 - 1987 scheme	n/a	n/a
			Tier 1 - 2006 scheme	0	0.6
			Tier 2 - 1987 scheme	0	1.25
			Tier 2 - 2006 scheme	0	1
			Tier 3 - 1987 scheme	0	1.5
			Tier 3 - 2006 scheme	0	1.25
Total officer contributions - tier 1	1987 scheme	%	n/a	n/a	
	2006 scheme	%	9.5	10.1	
Total officer contributions - tier 2	1987 scheme	%	11	12.25	
	2006 scheme	%	9.5	10.5	
Total officer contributions - tier 3	1987 scheme	%	11	12.5	
	2006 scheme	%	9.5	10.75	

Tier 1 is those on a basic annual salary of under £27,000.

Tier 2 is those on a basic annual salary of more than £27,000 but less than £60,000.

Tier 3 is those on a basic annual salary of £60,000 and over.

ANNEX B

Q & A ON POLICE PENSIONS INCREASE IN CONTRIBUTIONS EFFECTIVE FROM 01/04/12

1. How do we determine the rate of pay for each officer in order to decide which tier they are to fall into?

The tier into which an officer will fall depends on basic annual salary (not pensionable pay) as at 01/04/12. So this will not include any bonus, weighting or other payment. For part time workers, the full time equivalent salary should be used.

2. How do we deal with changes mid-way through a financial year?

Whenever a change to an officer's basic annual salary would take it to a different tier, the change to contribution rate should be implemented accordingly.

3. Should temporary promoted salaries be included in the uplift arrangements?

Yes, a temporary promotion should be treated as though it were permanent for this purpose.

4. How does the increase affect officers who pay reduced rate contributions because they do not qualify for ill-health benefits?

Officers who pay reduced rate contributions because they would be ineligible for a pension award under G7 or G8 of the 1987 regs or reg 8 of the 2006 regs will pay contributions reduced by 3.5 percentage points ie:

	Scheme	Normal rate wef 01/04/12 %	Reduced rate wef 01/04/12 %
Tier 1	2006	10.1	6.6
Tier 2	1987	12.25	8.75
	2006	10.5	7
Tier 3	1987	12.5	9
	2006	10.75	7.25

Purchase of increased benefits – 1987 scheme only

5. What is the effect of these changes on the 15% contribution limit?

The 15% contribution limit in PPS will change, such that it is 4% above the basic contribution rate for an individual officer (eg 16.5% for a Tier 3 officer during 2012-13)

6. So any existing additional contracts, for purchase of service, will continue as the member will not breach the new limit?

Yes

7. And we can provide new quotations for purchase of service assuming the new limit is in force?

Yes

8. Is it correct that an officer will not be given an additional option to stop an existing purchase contract and be credited for the service purchased to the date the contract ends, and that added years contracts can only be suspended if the officer is in financial difficulties?

Yes, there is no change in respect of that.