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Dear Sir or Madam

POLICE PENSIONS CIRCULAR No 2005/6

NEW POLICE PENSION SCHEME – AN UPDATE

This circular should be brought to the immediate attention of force personnel, HR staff and the administrators of the Police Pension Scheme (PPS) for information.

The New Police Pension Scheme (NPPS) formal consultation ended in March 2003. Since that date work has been undertaken at various levels to develop and prepare for the introduction of the NPPS from 6 April 2006. The PNB Police Pension Review Working Party and associated Technical Working Party (TWG) have helped to develop and continue to develop the NPPS together with all the issues associated with introducing a new scheme. In addition to this there has also been a requirement to consider the implications on the current scheme resulting from the tax simplification changes being introduced from 6 April 2006.

Although a considerable amount of work has already been completed there are still a number of critical issues that continue to be worked on. The purpose of this circular is to inform police authorities and interested parties of the current position and what further work is planned. Police authorities may already be aware of some of the items outlined in this letter through contact with the Home Office who continue to lead on both the development of the new scheme and associated work.

NPPS draft Regulations

A Scottish version of the draft Regulations was issued for general consultation in July with a closing date of 14th October. The draft mirrors that issued by the Home Office but includes references specific to Scotland and the consultation letter outlined the differences between the two drafts. A copy of the Scottish draft and the consultation letter can be found on the SPPA website www.sppa.gov.uk Responses to both this consultation and the Home Office's are now being considered with a view that a revised final set of regulations will be completed towards the end of the year.

Transitional Regulations

An updated blueprint for transitional arrangements between the current and new schemes has been prepared by the Home Office and issued to the PNB Pension Working Party for consideration. The Blueprint, which will form the drafting instructions for the Home Office Regulations, includes an options exercise for officers in the current scheme wishing to transfer into the NPPS and includes the terms such transfers can be made under and any timelimits applicable to such an exercise. It is hoped that a Scottish draft Transitional Regulations will be ready by the end of the year and that guidance will be available during February 2006.

In relation to officers considering transferring into the NPPS it has still to be decided what information will need to be provided. Critical to the success of the options exercise is how information on the NPPS will be communicated to current officers. Although it is anticipated that a large proportion of the current scheme members will not wish to transfer, there are a number of NPPS benefits that may prove persuasive in deciding on a transfer being made e.g. survivor benefits for partners. Hence a decision needs to be made, as part of the overall communications strategy, on what information is to be given to serving officers.

Consideration is being given to either the issue of a statement outlining entitlement in the NPPS to all officers or issuing a general statement of the NPPS benefits to each officer; which would then trigger a request for an individual NPPS statement for those officers who are interested in considering a transfer. Any option will rely on the data used in each statement being as up to date as possible and the system used by the pension administration team being capable of undertaking this exercise. The majority of authorities use Heywood for their police pension administration and they have indicated that issuing such statements would be possible. There are clearly pros and cons for both options and further discussion at TWG is planned.

Draft Guidance

The Home Office has produced draft guidance on the following;

- Guidance to police authorities on preparation for the NPPS and A-Day
- The draft NPPS Members' Guide
- Draft Frequently Asked Questions on the NPPS
- A draft 'At a Glance' Guide to the NPPS
- A summary of differences between the existing scheme and the NPPS

As the note on the various documents says, the Members' Guide and the other three NPPS documents are draft versions. Some detailed aspects of the new scheme and of the new Police Pensions Regulations are still to be settled, although the main aspects of the new scheme have been agreed. The drafts are being issued now to help pensions administrators prepare for the introduction of the new scheme and to see what information will be available for members. The drafts should be regarded as provisional and should **not** be issued to officers at this stage. The Home Office plan that a final version of the Members' Guide and the other short documents should be ready for issue in December 2005 and as these guidelines will form the basis of a Scottish version it is intended to issue final copies as close to the Home Office timetable as possible.

Some aspects of the guidance to police authorities on preparation for the NPPS and A-Day are also still to be settled, such as the precise nature and timing of the options exercise giving existing members the opportunity to express wish to transfer to the new scheme.

Separate guidance on high earners and unmarried partners are being prepared by the Home Office and will be available shortly. As with the above guidance a Scottish version will need to be considered at that time.

As mentioned above these guidelines are still in a draft format and any comments you may wish to make would be most welcome. Due to the very tight timescales it would be helpful to have any comments or suggestions on the draft guidance no later than **18 November**.

Injury Benefits Review

The review of police injury awards is part of a wider programme of public service injury awards. In addition to the review, HM Revenue and Customs (HMRC) requires that from April 2006 benefits attributable for injury and death will need to be separate from pension scheme Regulations. Hence it will be necessary to remove the current injury awards from the Police Pension Regulations before April 2006 and put them on a separate statutory basis.

Currently a draft consultation has been produced by the Home Office in relation to the review of injury benefits. An embargoed copy of this draft was issued to members of the TWG for consideration and further discussion is planned. The current timetable anticipates that a public consultation paper will be issued early in 2006 with an end date expected around April 2006. Consideration would then need to be given to the consultation responses with a view to having the new system in place by about September 2006.

As the new review will not be completed by 6 April 2006 the HMRC requirement remains and injury awards will have to be separated from the pension scheme by April. It is intended that the current injury benefit regulations will be removed from the PPS and incorporated into the current Police Injury Benefit Regulations. The Home Office have produced an initial draft of the regulations which when finalised will be issued for consultation. A similar consultation exercise will follow shortly afterwards for Scotland.

Civil Partners

The Civil Partnership Act 2004 comes into force on the 5 December 2005 and will allow same sex couples to register their partnership from 21 December 2005. This creates an obligation on the PPS to provide survivor benefits to same-sex partners of scheme members who have registered a civil partnership. In addition the Government has decided that survivor benefits for civil partners must be provided on the basis of service from April 1988.

The Home Office is in the process of drafting the changes necessary to the PPS to take account of civil partners and a Scottish version will be issued as soon as possible. Amendments to the PPS provisions for survivor benefits have historically applied to spouses, widows and dependant children from marriage. The amendments required, therefore, are generally to ensure that civil partners and their dependants qualify for survivor benefits under the PPS on the same basis. Consideration always needs to be given to the period April 1988 (the date determined by the Government see above) to 16 May 1990 in terms of allowing a further buy back option for women currently in service (previous buy back options for widowers benefits covered pre 17 May 1990 service).

Contacts

This circular is intended to provide a general update on the current positions of the subjects listed above and at the same time provide draft guidance to support administrators in preparing for the introduction of the NPPS and A- Day changes. If you have any queries regarding the content of this circular then please do not hesitate to contact either myself (01896 893223 or by e-mail james.preston@scotland.gsi.gov.uk) or Dorothy Hamilton (01896 893224 or by e-mail at dorothy.hamilton@scotland.gsi.gov.uk).

Yours sincerely

A handwritten signature in blue ink that reads "J. Preston." The signature is written in a cursive, slightly slanted style.

Jim Preston