

The Chief Executives, Fife Council and Dumfries & Galloway Council
Chief Constables
Clerks to the Joint Boards

7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

<http://www.sppa.gsi.gov.uk>

Tel: 01896 89223

Fax: 01896 893214

James.preston@scotland.gsi.gov.uk

Our ref: POL/19/03/00

3 April 2007

Dear Colleague

POLICE PENSIONS CIRCULAR No 2007/3 THE POLICE PENSIONS REGULATIONS (SCOTLAND) 2007

This circular should be brought to the immediate attention of force personnel officers, payroll officers, Human Resource Managers and the Pension Managers and administrators of the PPS.

1. This Circular provides information on the Police Pensions Regulations (Scotland) 2007 (SSI 2007 No. 201), which provides the statutory basis for the new pension scheme for the police service in Scotland which came into effect on 6 April 2006. Five copies of the SSI are being sent to each force. Electronic copies are available via the following link [SSI 2007 No 201](#).

Introduction

2. The pension scheme provided by these regulations is known as the "New Police Pension Scheme (Scotland) 2006", abbreviated to NPPS, and is registered under that name with HM Revenue and Customs. Although it is referred to as a pension scheme it is technically an arrangement under the Police Pensions Act 1976. One consequence of this is that the phrase "New Police Pension Scheme 2006" is not used anywhere in the regulations. The regulations have retrospective effect from 6 April 2006 and apply to all new entrants to the service from that date, to all those who re-join the service on or after that date (apart from the few exceptions explained in paragraph 12) and all other officers who join the new scheme.

3. The pension scheme provided by the Police Pensions Regulations 1987 is referred to this circular as PPS. The 1987 Regulations continue to have effect for all officers who ceased to serve before 6 April 2006 and for all officers who joined the service before that date and who are still in service on or after that date provided they do not join NPPS. The two schemes will run in parallel so long as there are active or retired members of PPS. In addition there is a further (smaller) group of officers to whom both sets of regulations apply, namely officers with service before 6 April 2006 who opt out



of PPS and into NPPS or who re-join the service on or after that date and are placed in NPPS but who do not elect to consolidate their PPS pension rights with their NPPS rights.

Action Required

4. Forces and police authorities should ensure that all relevant managers, administrators and other staff have access to the new regulations and each force should also notify its officers that they can now have access to the new regulations via the link mentioned in paragraph 1 above. Apart from that this Circular does not require any specific immediate action, since NPPS has already been introduced and this Agency has been in communication directly with police pension administrators about the implementation of the new scheme and the undertaking of the options exercise which ran between 1 November 2006 and 31 January 2007. Details of the outcome of the options exercise have already been requested from pension administrators and it is intended that the Home Office will provide a UK wide report which will include details of the number of officers involved and the choices made.

Background to the new scheme

5. The fact that the 1987 scheme might no longer meet the needs of a modern police service, and the rising cost of police pensions, were key drivers in recent years for conducting a review of police pensions. Against this background the Government confirmed its commitment, in both the Police Reform White Paper of December 2001 and the National Policing Plan of November 2002, to considering options for modernising police pensions to make them more flexible and affordable for future entrants. This view was supported by Scottish Ministers and the UK wide link to police pensions established with the PPS continues with the NPPS. The Police Pensions Regulations (Scotland) 2007 are the outcome of this process.

6. Following agreement in the Police Negotiating Board, NPPS was introduced on 6 April 2006 and new entrants to the service from that date have joined the new scheme. For a number of reasons the regulations were not made at the time but have now been made with retrospective effect. Retrospective effect is allowed by the Police Pensions Act 1976 under which the NPPS Regulations have been made.

Main features of the new scheme

7. The following is a very broad summary of the main features of the new scheme, which are set out more fully in the published Members' Guide to the new scheme.

* Officers contribute 9.5% of pay unless ineligible for an ill-health pension, in which case they only pay 6%.

* The pension payable is based on 1/70 of each year of pensionable service up to a maximum of 35 years. The maximum pension hence cannot exceed half an officer's final pensionable pay. However, in addition, an officer can now receive a lump sum of four times the initial annual pension.

* If an officer has completed at least two years' qualifying service but leaves the scheme before retirement, a deferred pension will be paid at age 65.

* The lump sum death grant is three times the officer's pensionable pay expressed as an annual rate. It can now be paid to a spouse, civil partner, unmarried partner, a person otherwise nominated or the estate.

* The spouse, civil partner or unmarried partner will also receive a pension of half the officer's pension entitlement, payable for life.



* Children of officers are eligible to receive pensions if they are the officer's natural, step- or adopted children or dependent on the officer and under the age of 19. This includes children born or adopted after retirement and over the age of 16. If the child is in full-time education or disabled, a pension can be paid until the age of 23. Children dependent upon an officer at the time of his or her death because of permanent disablement may be entitled to a pension payable for life.

* The ill-health pension under the new regulations also depends on the level of disability. An unenhanced pension is payable to an officer who is permanently disabled for police duty and an enhanced ill-health pension is payable if an officer has also become permanently disabled for any regular employment.

8. More detailed information on the new regulations is provided in the Explanatory Memorandum to the regulations and is available via the following link.

Transitional arrangements

9. The bulk of the 'transitional arrangements' are those statutory arrangements which applied during the period between 6 April 2006, when NPPS came into effect, and the end of the options exercise on 31 January 2007. A three-month transfer opportunity, with options exercise terms, is also given to officers with PPS pension rights on rejoining the service after the start of the options exercise, providing it is their first time of re-joining after that date. Finally there is a provision for all who do not take advantage of the options exercise terms and who have not acquired an entitlement to an ordinary pension to transfer at any time to NPPS by means of a transfer value.

10. These arrangements are necessarily complex due to the need to cover all the various circumstances of officers. For the vast majority, i.e. serving officers who were members of PPS on 6 April 2006, the position was quite straightforward. For information a summary of the transitional arrangements in table form is at **Annex A**. The statutory basis for the transitional arrangements and the options exercise is in regulation 6 of and Schedules 2 and 3 to the NPPS Regulations.

Who joins the new scheme?

11. PPS was closed to new entrants on 5 April 2006. From 6 April 2006 onwards all new entrants to the service join NPPS unless they decide to opt out. Officers who were already in service at that date had an opportunity to transfer to the new scheme during the 3-month 'options exercise' from 1 November 2006 to 31 January 2007.

12. The only exceptions to the general rule, that those who rejoin after 6 April 2006 join NPPS, are:

* officers who are invited by the police authority to re-join after having retired on grounds of ill-health (under regulation K1 of the Police Pensions Regulations 1987) before 6 April 2006. Reinstatement in PPS for such 'K1 re-joiners' does not depend on membership of the PPS at the time of medical retirement since they did not have an opportunity to opt back into the PPS while they were in retirement during the run-up to 6 April 2006;

* officers who are invited by the police authority to re-join after having retired on grounds of ill-health (under regulation K1 of the Police Pensions Regulations 1987) on or after 6 April 2006, provided they were members of the PPS at the time of medical retirement;

* officers who were members of PPS at the time of being dismissed or being required to resign and who are reinstated following a successful appeal against dismissal or requirement to resign (who are regarded as never having left).

13. Officers who fall into any of the three categories mentioned in paragraph 12 above join PPS on their rejoining the force or being reinstated, although they can then opt to join NPPS if they wish.



Who can transfer their PPS service to NPPS?

14. Regulation 6(8) of the NPPS Regulations outlined those serving officers who could make a transfer election under the options exercise (to join NPPS and for the service they have built up in PPS to be transferred to the new scheme). The conversion factors for transfer of service from PPS to NPPS under the options exercise terms have been produced by Government Actuary's Department and are set out in Schedule 3 to the NPPS regulations. Under the same regulation, the following officers have an opportunity to make a transfer election outside the options exercise but on options exercise terms on re-joining the service on or after 6 April 2006, providing they were entitled to reckon less than 30 years' service when they left:

- those who re-join the service for the first time on or after 6 April 2006 having left with an entitlement to an award by way of repayment of aggregate pension contributions;
- 'K1 re-joiners' who come back into the PPS - they may join NPPS and transfer their past PPS service if it is the first time they have re-joined the service after the start of the options exercise;
- other re-joiners - they become members of NPPS automatically but can elect to transfer in their PPS service and consolidate it as NPPS service if it is the first time that they have re-joined the service after the start of the options exercise.

15. Note that the 'K1 re-joiners' and those who are reinstated following dismissal or requirement to resign are the only categories of re-joiners who will be put into PPS on rejoining and who can then choose whether to rejoin PPS or join NPPS and transfer their PPS service across. Officers in these circumstances are not regarded as re-joiners as such. In all other cases re-joiners will be treated as new entrants and put into NPPS, unless they left with entitlement to a maximum PPS pension which is in payment, in which case they cannot join PPS or NPPS, or unless they decide to opt out. Past PPS service cannot be transferred into NPPS if an ordinary or deferred pension is payable on account of it, unless it is a deferred pension in early payment on grounds of permanent disablement and which has been cancelled.

Options Exercise

16. The primary aim of the options exercise has been to ensure that every eligible officer was aware that they could join NPPS and transfer their PPS service across under special terms; and that those special terms will only be available for a limited period either during the options exercise period itself or within 3 months of being notified of the options exercise terms). A secondary aim was to ensure, as far as possible, that eligible officers exercised a positive choice to stay in PPS or transfer to NPPS. These aims have been achieved by a combination of publicity aimed at a general audience and by sending an individual 'options pack' to every officer. This options pack consisted of:

- * a booklet 'Understanding your choice', which sets out the differences between the two schemes in a Question & Answer format;
- * a separate, shorter booklet 'Making your choice' guiding officers in their choice according to their individual circumstances;
- * a personal benefit statement indicating the level of benefits the officer could expect to receive under PPS and NPPS;
- * a choice form for the officer to return, indicating whether he or she wishes to remain in PPS or transfer to NPPS.

17. The underlying consideration has been that police authorities must be able to demonstrate, should they be subsequently challenged, that they took sufficient steps to ensure that all their officers knew



about the options exercise and had the opportunity to take advantage of the special terms if they wished.

18. The end of the options exercise does not mean the end of any opportunity to join NPPS and transfer PPS service across; it is simply the end of the special options exercise terms for the police service as a whole. The special terms still apply to those who re-join the service for the first time after the start of the options exercise for a three-month period after re-joining. After that, different terms apply.

After the Options Exercise

19. Under paragraph 8 of Schedule 3 to the NPPS Regulations, if officers have not made a transfer election during the options exercise period (or, in the cases of re-joiners, within 3 months of re-joining) they may do so at any time before their retirement providing they are entitled to a deferred PPS pension and providing it has not come into payment by reason of their having attained the age of 60. The effect of the latter requirement is that this is not open to officers with 25 years of service or more (i.e. any officer who is entitled to an ordinary pension including an officer with part-time service who has such an entitlement). So the following officers can join NPPS and transfer their PPS service across after the options exercise is over:

- serving officers who were members of PPS on 6 April 2006 and who have not opted out of PPS or left the service since then;
- serving officers who opted back in before the end of the options exercise period (who thereby joined NPPS but who did not make a transfer election at the time to move their service across);
- serving officers who opt back in after the end of the options exercise period;
- re-joiners, including those who left with entitlement to a PPS ill-health award which has been cancelled, and who did not make a transfer election to move their service across under options exercise terms.

Home Office Commentary on the Regulations

20. A 'commentary' on the NPPS Regulations is being compiled by the Home Office and these unofficial notes will provide informal guidance on the interpretation of the Regulations. The commentary will be issued during 2007 and it is hoped that Scottish police pension administrators will be able to gain access to this document.

Guidance on Unmarried Partners

21. In NPPS a pension can be paid for life to a police officer's partner, even if they are not married to each other or in a civil partnership with each other, in the event of the officer's death. This benefit is not payable in PPS.

22. The NPPS rules provide for an unmarried partner's pension if:

- the police officer and partner had together completed and sent to the appropriate police authority a joint declaration of partnership; and
- at the time of the officer's death, the officer and partner were living together as partners in an exclusive, committed and long-term relationship; and
- either the partner was financially dependent on the officer or both were financially interdependent; and



- the officer and partner were either free to marry each other (if they are of the opposite sex) or free to form a civil partnership with each other (if they are of the same sex).

23. Guidance on unmarried partner pensions was issued for both members and administrators in 2006. Some minor changes have been made to the guidance for administrators since it was first issued, to provide greater clarity on the circumstances in which the requirement for a couple to have been cohabiting for at least two years may be waived, to reflect the wording of regulation 40(2)(b)(ii). Copies of the revised guides are now available on the SPPA website.

Guidance on ill-health retirement

24. Guidance on the ill-health retirement procedures under NPPS is still in preparation and will be issued early in 2007. Any questions concerning ill-health retirement under the new scheme should be directed at the Agency until the guidance becomes available.

SPPA website

25. Other material relating to the new scheme and the 1987 scheme, including Members' Guides for the two schemes, is available on the SPPA website.

Yours sincerely

Dorothy Hamilton

Dorothy Hamilton
Policy Officer

