



## Police pensions – current reforms

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The Police Pension Scheme is a public service pension scheme, providing pensions based on final salary. Like most of the other main public service schemes, it operates on a pay-as-you-go basis. Until April 2015, there were two schemes: the Police Pension Scheme (PPS) 1987, which closed to new entrants from April 2006 and the New Police Pension Scheme (NPPS) 2006, for new entrants from that date.

The current Government has introduced reforms to police pensions, along with other public service schemes. As a first step, it decided to use the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI) as the measure of prices used to increase pensions in payment. It then announced an intention to increase member contribution rates by an average of 3.2% over the three years to 2014/15.

Following a review by Lord Hutton's [Independent Public Service Pensions Commission](#), the Government legislated in the [Public Service Pensions Act 2013](#) to establish a new framework for new public service pensions to be introduced from April 2015 providing pension benefits based on career average revalued earnings rather than final salary. Under the Act, new public service schemes are to be introduced from April 2015, with transitional protection for those 'closest to retirement'. The new schemes for the police, firefighters and armed forces are to have a normal pension age of 60.

The details of the proposed final agreement for reform of police pensions in England and Wales were announced in September 2012 ([HC Deb 4 September 2012 c19-22WS](#)). Regulations and detailed guidance were published in March 2015. The design of the new scheme in Scotland will mirror that in England and Wales.

This note concentrates on the reforms to the scheme introduced by the current Government. The development of the two existing schemes – the PPS and NPPS – is discussed in Library Note SN 700 [Police pension reform – background](#).

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## 1 Background

The Police Pension Scheme is an unfunded, contributory, final salary pension scheme. Administration of the police pension schemes is the responsibility of individual police authorities.<sup>1</sup> Information about police pensions is included in annual reports published by the Chartered Institute of Public Finance and Accountancy (CIPFA).<sup>2</sup> The Government Actuary's Department was asked to undertake the first formal triennial actuarial valuation of the Police Pension Schemes, looking at the position of the schemes as at March 2008.<sup>3</sup> In March 2014, the Government said a valuation of the scheme was due to be published later this year.<sup>4</sup>

The police pension schemes have around 130,000 active (contributing members) and 150,000 pensioner members. There are some 20,000 deferred members (early leavers with preserved pension rights).<sup>5</sup>

Policy on occupational pensions is reserved to the UK Parliament. However, Scottish Ministers have the power to make regulations for police pensions in Scotland.<sup>6</sup> Police

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<sup>1</sup> See, for example, [HC Deb, 1 April 2008, c768W](#) and [HC Deb, 5 November 2008, c617 W](#)

<sup>2</sup> [HC Deb, 30 Oct 2008, c1253W](#)

<sup>3</sup> GAD, *Pay-As-You-Go Public Service Pension Schemes. December 2009 Cashflow Projections. Methodology, assumptions and data*, 9 December 2009, (6 April 2010), para 4.1; Home Office circular 021/2008 [The police pension scheme](#)

<sup>4</sup> [HC Deb 12 March 2014 c31-34WS](#)

<sup>5</sup> Police estimates 2014/5 - CIPFA Stats; Home Office, [Police workforce, England and Wales, 31 March 2014](#); [HC Deb, 15 February 2011, c669W](#), Figures for deferred members are for 2008

pension policy was devolved to Northern Ireland with the transfer of policing and justice on 12 April 2010. Police pensions in Northern Ireland are the responsibility of the Department of Justice (Northern Ireland). The scheme is administered by the Northern Ireland Policing Board. Pensions policy as a whole is a devolved issue. *The Public Service Pensions Act (Northern Ireland) 2014* received Royal Assent on 11 March 2014.

## 2 The Labour Government's reforms

Before April 2006, the pension scheme for police officers was the Police Pension Scheme 1987. The last Labour Government introduced reforms to public service pensions, including for the police. The Independent Public Service Pensions Commission summarised them as follows:

The uniformed services were among the first to have their pensions reformed. Changes were mainly for new entrants\* and included a limited increase in pension ages; a reduction in accrual rates; improved management of ill health retirement and the introduction of unmarried partners' pensions. For the police and fire fighters schemes, these changes were implemented together with a reduction in member contributions (for new entrants).<sup>7</sup>

\*existing members were given an option to transfer to the new scheme

Key features of the New Police Pension Scheme to be introduced for new entrants from 6 April 2006 included:

- All new recruits to the police service from 6 April 2006 onwards will become members of the NPPS;
- Police officers contribute 9.5 per cent of their pay to the scheme (compared with 11 per cent under the current scheme);
- A maximum final pension of half final pay plus a lump sum of four times pension (compared with two-thirds final salary and option to exchange part of pension for a lump sum);
- New option to nominate an unmarried partner – including same sex partner – as pension beneficiary;
- New lifelong benefits for surviving spouses, civil partners and nominated unmarried partners;
- Even build-up of pension scheme benefits over a career, which gives late joiners a fair deal (compared with the current scheme which has two rates of pension accrual depending on length of service); and
- Option to exchange all or part of the lump sum for more annual pension.<sup>8</sup>

A description of the Police Pension Scheme 1987 (closed to new entrants on 5 April 2006) and the New Police Pension Scheme 2006 (for new entrants from 6 April 2006) is in guides produced by the Home Office: *A Member's Guide to the Police Pension Scheme 1987*; and *A Member's Guide to the New Police Pension Scheme 2006*.

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<sup>6</sup> Source: HM Treasury

• <sup>7</sup> *Independent Public Service Pensions Commission: interim report*, October 2010, para 2.2

<sup>8</sup> Home Office Press Release 029/2006 "New Pension Scheme for a Modern Police Service" (9 March 2006)

The main legislation affecting officers England and Wales is in the *Police Pensions Act 1976* and the regulations made under it, in particular: the *Police Pensions Regulations 1987* (SI 1987/257) and the *Police Pensions Regulations 2006* (SI 2006/3415). Further information can be found on policy on pension pensions before the May 2010 general election can be found on the archived [Police pensions policy and retirement policy](#) section of the Home Office website.

These reforms are discussed in more detail in Library Note SN 700 [Police pensions – background](#) (September 2014).

### 3 The current Government's reforms

#### 3.1 Switch to CPI

The current Government announced in the June 2010 Budget that it would switch to using the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the indexation of social security benefits and pensions from April 2011:

1.106 The Government will use the CPI for the price indexation of benefits and tax credits from April 2011. The CPI provides a more appropriate measure of benefit and pension recipients' inflation experiences than RPI, because it excludes the majority of housing costs faced by homeowners (low income households are subsidised separately through Housing Benefit, and the majority of pensioners own their home outright), and differences in calculation mean it may be considered a better representation of the way consumers change their consumption patterns in response to price changes. **This will also ensure consistency with the measure of inflation used by the Bank of England. This change will also apply to public service pensions through the statutory link to the indexation of the Second State Pension. The Government is also reviewing how the CPI can be used for the indexation of taxes and duties while protecting revenues.**<sup>9</sup>

This has caused some controversy because the CPI tends to give a lower rate of inflation than the RPI.<sup>10</sup>

The Police Federation of England and Wales (in conjunction with a group of public service unions) applied to the High Court for a Judicial Review of the decision to increase police pensions in line with the CPI, rather than the RPI. On 2 December 2011, the High Court dismissed three of the four grounds of challenge and rejected one by a majority of two to one. Permission was given to take the case to the Court of Appeal.<sup>11</sup> On 20 March 2012, the Court of Appeal announced its decision to uphold the High Court ruling in favour of the Government's switch from RPI to CPI for uprating public sector pensions.<sup>12</sup> For more detail, see Library Note SN 05434 [Public service pension increases \(May 2012\)](#).

#### 3.2 Increases in member contribution rates

Budget 2010 announced the establishment of the Independent Public Service Pensions Commission, to be chaired by former Labour Work and Pensions Secretary of State, Lord

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<sup>9</sup> HM Treasury, [June 2010 Budget](#), para 1.106

<sup>10</sup> James Browne and Peter Levell, [The distributional effect of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment](#), Institute for Fiscal Studies Briefing Note BN 108, 2010

<sup>11</sup> [R v Staff Side of Police Negotiating Board and Others ; \[2011\] EWHC 3175 \(Admin\)](#); NHS Employers website, [High Court rules switch to CPI lawful, 2 December 2011](#)

<sup>12</sup> [FDA & Ors, R \(on the application of\) v Secretary of State for Work and Pensions & Anor \[2012\] EWCA Civ 332 \(20 March 2012\)](#)

Hutton of Furness. This was to “undertake a fundamental, structural review of public service pension provision by Budget 2011 and consider the case for short-term savings in the Spending Review period, by September 2010.”<sup>13</sup>

In its interim report, the Commission concluded that, compared to the other options, an increase in member contribution rates was the most effective way of making short-term savings. The details would be for the Government to decide

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Ex 29 It is a matter for the Government to decide the manner and level of any increases in contributions necessary. However, the Commission feels that any increases should be managed to protect the low paid and, if possible, increases in contributions should be staged and need to be considered with a view to preventing a significant increase in opt-out rates. The Commission does not recommend introducing contribution rates for the armed forces at this time.<sup>14</sup>

In response, the Government said it intended to introduce “progressive” changes to employee contributions from April 2012:

The Government will implement progressive changes to the level of employee contributions equivalent to an average of three percentage points, to be phased in from April 2012. The armed forces will be exempt from this increase. Full details, including consideration of Lord Hutton’s recommendation to phase in the increase and provide protection for the low paid, will be announced at Budget 2011.<sup>15</sup>

The Home Office published proposals for increases to police pension contribution rates for the years 2012/13 to 2014/15 on 29 July 2011. It made the case for increasing contributions, as follows:

Expenditure on public service pensions over the last decade has increased by a third to £32 bn per year, and is expected to rise to nearly £34 billion per year by 2015-16. Pensions are costing more and, as Lord Hutton stated in his report, these costs have generally fallen to the taxpayer.

There needs to be a fairer balance between what employees pay and what other taxpayers contribute towards a public service pension. Police authorities currently contribute 24.2 per cent towards officers’ pensions, whilst officers contribute either 9.5 or 11 per cent themselves.<sup>16</sup>

On 30 January 2012, Home Secretary, Theresa May announced that member contribution rates would increase in 2012/13 in line with the proposal put to the PNB in July. The PNB would be asked to consider the proposed increases for 2013/14 and 2014/15:

Turning now to police officer pensions, the Government want to ensure that public sector workers continue to have access to pension schemes that are among the very best available. However, reform is inevitable because people are living longer. Costs have risen by one third over the last 10 years to £32 billion. That is more than we spend on police, prison and the courts. These costs have generally fallen to the taxpayer. This is unfair and unaffordable, so it is also fair that we should ask public sector workers, including police officers, to contribute a bit more towards their pension.

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<sup>13</sup> HM Treasury, *Budget 2010*, HC 61, June 2010

<sup>14</sup> [Independent Public Service Pensions Commission: Interim report](#), October 2010

<sup>15</sup> HM Treasury, *Spending Review – policy costings*, October 2010

<sup>16</sup> [Letter from Home Secretary to Police Negotiating Board, 29 July 2011](#)

That is why on 29 July 2011, I wrote to members of the Police Negotiating Board asking that they consider a proposal to increase police officer pension contribution rates. I am grateful to members of the Police Negotiating Board for considering the proposal and for the responses they provided.

Having considered the points raised alongside the recommendation from the recent Police Arbitration Tribunal, I have decided to implement the first year of increases in line with the proposal put to the Police Negotiating Board. This proposal meets the Government's objectives of protecting lower earners, asking higher earners to pay more and, by reducing the burden on those in the first two years of their career, minimising the rate of opt out.

The Government are committed to securing in full the savings announced at spending review 2010 from increases in employee pension contributions for the unfunded schemes for 2013-14 and 2014-15. I will ask the Police Negotiating Board to consider the proposed increases for these years in line with other public service schemes.

Again, I will begin the necessary action to amend the relevant regulations in order that the changes take effect in April of this year.<sup>17</sup>

The Police Federation wrote to the Home Secretary on 10 April to express concern about the increases for 2012/13 and highlighting the fact that proposed increases for firefighters had been altered following consultation:

Staff Side was extremely concerned about the proposed increases for many reasons, including:

- the fact they bore no relation to the value of providing scheme benefits;
- members of the police schemes already pay the highest contribution rates in the public sector and would therefore bear the brunt of the increases;
- the costs of police pensions are already decreasing, since the introduction of the NPPS 2006;
- the increases further compound the risk that members (particularly those young in service) will opt-out;
- within the context of the public sector pay freeze and high inflation an increase to contribution rates is effectively a wage cut;
- wanting to avoid a vicious circle of increasing contributions to cover opt-outs;
- it could affect promotion;
- the uncertainty surrounding police pay and conditions because of Tom Winsor's review; and
- the unique employment status of police officers and the fact there is no recourse to arbitration on pensions' matters.

I am aware that members of the fire fighters' pension schemes had their proposed contribution rate increases reduced – in some cases by half. The main reason given by the Department for Communities and Local Government (DCLG) was that “the altered

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<sup>17</sup> [HC Deb, 30 January 2012, c33WS](#)

levels of contributions will help reduce the risk of opt outs from the fire fighters' pension schemes.”

The fire fighters' pension schemes are similar to the police pension schemes and, like fire fighters (and the armed forces), police officers were recognised by Lord Hutton as requiring a lower normal pension age due to the unique nature of their work. Further, the DCLG said it would alter (ie, reduce) the pensions increase for fire fighters “in the light of the statutory consultation responses”. Many of these responses were identical to reasons that Staff Side provided in its consultation response.<sup>18</sup>

On 19 April, the Home Secretary responded that contribution increases was only one element of the proposed reforms:

[...] I have committed to taking a fair and even-handed approach to police officers on pension reform. I maintain that commitment. The increase in pension contributions is one element of proposed reforms and it is inevitable that there will be differences between schemes on individual elements. This is a consequence of meaningful discussions about how the reforms will be tailored to meet the varying requirements of different workforces. The Government has a clear intention to achieve the full savings from each scheme of a 3.2 percentage point average increase in contributions by 2014-15 for all relevant workforces.[...] <sup>19</sup>

In February 2014, the staff side of the Police Negotiating Board expressed concern that contribution rates were being increased again, in advance of the valuation of the scheme being published:

The PNB still does not have an up-to-date actuarial valuation of the police pension schemes and therefore any proposed contribution rate increases cannot be based on scheme costs. Instead they are an unjustifiable, arbitrary levy on our members.[...] <sup>20</sup>

It was concerned about the affordability of the contribution increases and argued for the rate of opt-outs from the scheme to be kept under review.<sup>21</sup>

Minister of State for Policing Damian Green responded that officer contribution rates could be assessed without the valuation:

These changes to contribution rates are aimed at ensuring long-term sustainability for public sector pensions. I believe the police pension scheme will continue to provide valuable benefits for members and also value for money for the taxpayer.[...] While I recognise that officers pay high pension contribution rates compared to other public service workers, it is also true that contributions are paid over a shorter period than others and that police pension schemes provide very valuable benefits. Police officers will continue to retire earlier than many public sector employees and to draw upon their police pension for a longer period.<sup>22</sup>

The member contribution rates for the years 2011/12 to 2014/15 are in the table below:<sup>23</sup>

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<sup>18</sup> Letter to Home Secretary from PFEW, 10 April 2012

<sup>19</sup> Letter to General Secretary of PFEW from Home Secretary, 19 April 2012

<sup>20</sup> Police Negotiating Board Staff Side letter to Rt Hon Damian Green, 6 February 2014

<sup>21</sup> Ibid

<sup>22</sup> Letter from Damian Green to John Randall, Independent Chair, Police Negotiating Board, 13 February 2013

<sup>23</sup> Home Office circular 004/12 and (SI 2012 No 640); Home Office circular 005/2013; Home Office circular 003/2014 (SI 2014/381)



	<b>Member contribution rates (%)</b>			
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Tier 1 - PPS 1987</b>	n/a	n/a	n/a	n/a
<b>Tier 1 - NPPS 2006</b>	9.50	10.10	10.70	11.00
<b>Tier 2 - PPS 1987</b>	11.00	12.25	13.50	14.25
<b>Tier 2 - NPPS 2006</b>	9.50	10.50	11.50	12.05
<b>Tier 3 - PPS 1987</b>	11.00	12.50	14.00	15.05
<b>Tier 3 - NPPS 2006</b>	9.50	10.75	12.00	12.75

For the 2015 scheme, there will be three tiers of contribution rates:

**Tier 1** – 12.44%

**Tier 2** – 13.44%

**Tier 3** – 13.78%

Rates are lower for members ineligible for ill-health retirement benefits.<sup>24</sup>

For more detail of contribution rates across public service schemes, see Library Standard Note SN 6317 [Public service pension contributions](#).

### **3.3 Longer-term reforms**

Two reviews set up by the Government – the Independent Public Service Pensions Commission chaired by Lord Hutton of Furness and Tom Winsor’s Independent Review of Police Officer and Staff Remuneration and Conditions – have contributed to the Government’s plans for reform of public service pensions.

The Independent Public Service Pensions Commission was asked to publish its final report in time for Budget 2011. This would look at the options for longer-term structural reform. It said in its interim report that it did not think the issues facing the current system (which it thought included rising costs of benefits due to increasing longevity) could be met through the provision of final salary defined benefits. Neither did it think it would be desirable to “move towards a funded, individual account DC model for all public service employees.”<sup>25</sup> For this reason, its final report would look at other possible models, including career average defined benefit schemes. It will also consider elements of scheme design, such as:

- ensuring normal pension ages are in line with latest developments in longevity;
- reviewing rules around changes to pension payments when they are taken before or after normal pension age to increase labour market flexibility;
- the implications of different indexation options for pension costs and incomes over time; and
- accrual rates in the different schemes.<sup>26</sup>

Lord Hutton’s final report was published on 10 March 2011. It made a total of 27 recommendations. The key recommendations included a shift to new schemes based on career average salary and an increase in the normal pension age, for members of the uniformed services (police, firefighters and armed forces), to 60:

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<sup>24</sup> (SI 2015/445), regulation 170; [The Police Pension Scheme 2014 – Members’ Guide](#), March 2015, p26

<sup>25</sup> [Independent Public Service Pensions Commission: Interim Report](#), 7 October 2010, p125-6

<sup>26</sup> *Ibid*, p127, para 9.8



The main recommendation of the report is that existing final salary public service pension schemes should be replaced by new schemes, where an employee's pension entitlement is still linked to their salary (a "defined benefit scheme") but is related to their career average earnings, with appropriate adjustments in earlier years so that benefits maintain their value.

It should be possible to introduce these new schemes before the end of this Parliament, in 2015, while allowing a longer transition, where needed, for groups such as the armed forces and police.

Other key recommendations in the report include:

- Linking Normal Pension Age (NPA) in most public service pension schemes to the State Pension Age;
- Introducing a Normal Pension Age of 60 for those members of the uniformed services – armed forces, police and firefighters – who currently have a NPA of less than 60;
- Setting a clear cost ceiling for public service pension schemes – the proportion of pensionable pay that taxpayers will contribute to employees' pensions – with automatic stabilisers to keep future costs under more effective control;
- Honouring, in full, the pension promises that have been earned by scheme members (their "accrued rights") and maintaining the final salary link for past service for current members;
- Introducing more independent oversight and much stronger governance of all public service pension schemes;
- Encouraging greater member involvement in consultations about the setting up of new schemes, and in the running of schemes; and
- Overhauling the current legal framework for public service pensions to make it simpler.<sup>27</sup>

The Government said it would give careful consideration to the report's recommendations:

The Government is also committed to continuing to engage with people working in the public sector trades unions and others in taking forward the implementation of any future reforms. The Government stands by its commitment given at Spending Review that there is no race to the bottom of pension provision, that public service pensions should remain a gold standard and that public service pensions should continue to provide some form of defined benefit.<sup>28</sup>

It said any proposed changes to the police pension schemes would be subject to the normal consultation processes with the Police Negotiating Board in line with statutory obligations.<sup>29</sup>

The Police Federation said it would be important to consider the impact of Lord Hutton's recommendations in the context of other changes before commenting on individual details:

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<sup>27</sup> [Independent Public Service Pensions Commission press release, 10 March 2011, Lord Hutton publishes his final report on public service pensions](#)

<sup>28</sup> Written Ministerial Statement, Publication of the final report of the Independent Public Service Pensions Commission, 10 March 2011

<sup>29</sup> HC Deb, 28 April 2011, c588W; HC Deb, 16 May 2011, c31W

Lord Hutton's recommendations are part of a series of changes being proposed for public service pensions. The Government, in its 2010 Comprehensive Spending Review, proposed a move from RPI to CPI for revaluing pension benefits plus an average 3% increase in member contributions to be phased in from April 2012. It is therefore important that we consider the impact that all these elements may have on police officer pensions before commenting on specific individual detail. Any changes to the Police Pension Schemes must be consulted on within the Police Negotiating Board the first meeting of which will take place this afternoon (Thursday 10th March).<sup>30</sup>

On 17 June 2011, Chief Secretary to the Treasury, Danny Alexander, provided an update on the Government's thinking on Lord Hutton's recommendations. For example, he said the Government accepted that "60 should be the benchmark Normal Pension Age for the uniformed services." Furthermore, the Government was proposing that future pension benefits would accrue on the basis of career average salary rather than final salary.<sup>31</sup>

On 2 November he announced proposals for the reform of schemes for the teachers, NHS and civil servants. On the police scheme, the Government said that cost ceilings would be set within the first few months of 2012.<sup>32</sup> A decision on the appropriate Normal Pension Age for police officers would also be postponed until 2012:

The Normal Pension Age for police officers would be decided after Tom Winsor had published the part two report of his independent review of police officer and staff remuneration and conditions early in the New Year.<sup>33</sup>

On 20 December, the Chief Secretary to the Treasury confirmed that the second round of the Winsor report would take the process forward.<sup>34</sup> This reported in March 2012 (see below).

In February 2012, the think-tank Policy Exchange published a report recommending reform of police pensions to "reduce the burden on the taxpayer". It argued that:

- police pensions should not be excluded from Hutton's recommendation to link pensions to career-average pay, and the standard police retirement age should be equalised with firefighters and raised to 60 years.
- Any increase in employee contributions should take into account the affordability for officers, particularly in the light of wider changes to their remuneration.<sup>35</sup>

### **3.4 Winsor review of remuneration and conditions**

The Government launched the review of police pay and conditions in October 2010. Led by Tom Winsor, this would "review the remuneration and conditions of service of police officers and staff, and to make recommendations that enable the police service to manage its resources to serve the public more cost effectively, taking account of the fiscal challenges."<sup>36</sup> It is to produce two reports: the first focusing on short-term improvements and the second

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<sup>30</sup> [Police Federation, 10 March 2011, 'Comment from Ian Rennie, General Secretary, Hutton pensions review'](#); See also [Police Federation, Federation News, May 2011](#)

<sup>31</sup> [Speech by Danny Alexander to IPPR, 17 June 2011](#)

<sup>32</sup> [HC Deb, 2 November 2011, c928; Public Service Pensions: good pensions that last.](#), CM 8214, 2 November 2011

<sup>33</sup> HM Treasury, [Public Service Pensions: good pensions that last](#), Cm 6214, para 3.24

<sup>34</sup> [HC Deb, 20 December 2011, c1206](#)

<sup>35</sup> [Policy Exchange, Police Officer Pensions – Affordability of Current Schemes, February 2012](#)

<sup>36</sup> Home Office press release, 1 October 2010, [Police pay and conditions review launches](#)

(due in June 2011) would consider matters of longer-term reform.<sup>37</sup> The [terms of reference](#) can be found on the Home Office website. Among other things, the review was asked to have regard to government policy on pay and pensions and any emerging recommendations from the Independent Public Service Pensions Commission led by Lord Hutton.<sup>38</sup>

The first report of this review was published on 8 March 2011. Some of its recommendations related to the mechanisms available to police forces to manage its staff. At present, they have no mechanism equivalent to compulsory redundancy for people with fewer than 30 years' service. The review recommended that the criteria for the use of powers in regulation A19 should be amended and that "police forces should be provided with the ability to offer voluntary exit terms for police officers".<sup>39</sup> Other detailed recommendations related to the circumstances in which chief police officers could draw their pensions (recommendations 55 and 56). The second report would consider how ill-health pensions could be focused more on "the degree to which an individual can work in the future."<sup>40</sup> On 30 January 2012, the Home Secretary announced that she had decided to accept the recommendations made by the police arbitration tribunal and the Police Negotiating Board on the proposals in the first report.<sup>41</sup> A Home Office Circular summarised the recommendations, which included amending the police pension regulations "to allow chief officers to make a choice in relation to the time at which their pension benefits crystallise."<sup>42</sup>

The review published its second report in March 2012. The Home Secretary said she would consider it "very carefully".<sup>43</sup>

### ***Pension age***

The second report concluded that the "normal pension age for police officers should be set at 60 in line with the implemented recommendations made by Lord Hutton of Furness", with one important caveat:

The reforms to public sector pensions which Lord Hutton has recommended have not yet been decided upon, and the Treasury is in negotiation with the public sector unions. Any alterations in the normal pension age for other uniformed services which is made after these negotiations should have effect in relation to police officers as well.<sup>44</sup>

The report also recommended changes to ill-health retirement provisions as follows:

Recommendation 44 – A future police pension scheme should retain the existing test which must be fulfilled for an officer to be considered for an ill-health retirement pension, that is that the officer should be permanently disabled for the ordinary duties of a police officer.

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<sup>37</sup> Ibid

<sup>38</sup> For further detail, see Library standard note SN/BT 5768 [Public service pension reform – 2010 onwards](#).

<sup>39</sup> [Independent review of Police Officer and Staff Remuneration and Conditions](#), Cm 8024, Part 1 Report, March 2011, pages 189-93. For further details on the civil service scheme, see SN/BT 5201 [Civil Service Compensation Scheme](#).

<sup>40</sup> Ibid, p199

<sup>41</sup> [HC Deb, 30 January 2012, c32-4WS](#)

<sup>42</sup> [Home Office circular, 006/12, 1 February 2012](#)

<sup>43</sup> [HC Deb, 15 March 2012, c38WS](#)

<sup>44</sup> [Independent Review of Police Officer and Staff Remuneration and Conditions – Final Report – Volume 1, CM 8325-I, March 2012](#), p277-8; Consultation response on this point were summarised on page 275

Recommendation 45 – A future police pension scheme should determine the size of a police officer's pension, when he is retiring on the grounds of ill-health, by considering both his length of service and his future capacity for regular employment.<sup>45</sup>

### ***Voluntary and compulsory exits***

Police officers are not employees and therefore cannot be made redundant.<sup>46</sup> However, regulation 19 of the *Police Pensions Regulations 1987* allows an officer with at least 30 years' service to be required to retire if the police authority determines this would be "in the interests of efficiency." The BBC reported on 4 November 2010 that a number of forces were considering using the rule in order to "cut costs". The Police Federation expressed concern:

Police Federation vice-chairman Simon Reed described it as a "blunt instrument", which could lead to officers experienced in such areas as child protection and serious criminals, as well as those on the street, being forced to retire. "We're ill-equipped to lose people of that magnitude," he said.<sup>47</sup>

In response to parliamentary questions, Ministers said that the implementation of regulation A19 was a matter for police authorities:

Ed Balls: To ask the Secretary of State for the Home Department whether her Department has provided guidance to police forces and police authorities on the implementation of Regulation A19 of the Police Pensions Regulations 1987. [24006]

Damian Green [*holding answer 15 November 2010*]: The Home Office has not issued any guidance or procedures specifically on the use of Regulation A19 under this Government.<sup>48</sup>

John Mann: To ask the Secretary of State for the Home Department how many police authorities have indicated to her Department that they may implement Regulation A19 of the Police Pensions Regulations 1987 in the last three months. [29474]

Nick Herbert: The Government have no role to play in any exercise of this power by police authorities, and there is no requirement on them to inform the Government whether they may use it. The Department is in regular discussion with members of police authorities on the range of issues and challenges that are facing the police.<sup>49</sup>

On 8 December 2010, Minister for Policing and Criminal Justice, Nick Herbert, drew the attention of Members to the ongoing review of police pay and conditions:

I want quickly to comment on what hon. Members have said about the use of the A19 procedure to enforce retirement for officers who have served for more than 30 years. There are only 3,000 officers to whom A19 might apply, out of a total in England and Wales of 143,000. It is not the ideal procedure, which is why we have set up a review of pay and conditions by Tom Winsor, which will report in February. It is important that we address issues such as the number of officers on restricted duties—more than 5,500—and the institutionalisation of overtime, when overtime costs are still in the

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<sup>45</sup> [Independent Review of Police Officer and Staff Remuneration and Conditions – Final Report – Volume 1, CM 8325-I, March 2012, p290](#)

<sup>46</sup> [Independent review of Police Officer and Staff Remuneration and Conditions](#), Cm 8024, Part 1 Report, March 2011, page 194

<sup>47</sup> [BBC News website, 'Police may force officers to retire to cut costs', 4 November 2010.](#)

<sup>48</sup> [HC Deb, 15 Dec 2010, c765W](#)

<sup>49</sup> [HC Deb, 13 December 2010, c547W](#); See also, [HL Deb, 26 April 2011, c91WA](#)

region of £400 million a year. These are all areas in which considerable savings could be delivered to help to protect front-line policing.<sup>50</sup>

The first report of the Winsor review recommended that the criteria for the use of the powers in regulation A19 should be amended, with service-critical skills and performance being explicit considerations.<sup>51</sup> It also recommended that:

As quickly as possible, police forces should be provided with the ability to offer voluntary exit terms to police officers, substantially on the terms contained in the Civil Service Compensation Scheme.<sup>52</sup>

A Home Office circular of April 2012 said that the process for making changes to regulations to reflect these recommendations was being taken forward.<sup>53</sup> Amendments were made regulation A19 in 2013.<sup>54</sup>

The Winsor review also said the question of “whether police forces should have the power to compel an officer to leave the force was, understandably, controversial.” The Police Federation, for example, was concerned that a power of redundancy conflicted with the office of a constable<sup>55</sup> There were different views on the question of whether it was fair to have a power of redundancy for police staff but not for police officers. The Police Federation, for example, argued that the training and development of a police officer was a long and expensive process, and that “accordingly making redundancies could have long-term adverse consequences on the effectiveness of a police force.” In contrast, it said, police staff functions “required ‘more general’ skills, which could be quickly filled from outside the police force if required.” On the other hand, trade unions representing police staff argued that there was “no good reason” for the difference in treatment and that police forces needed to be able to make “balanced decisions over the configuration of their workforces.”<sup>56</sup>

In its second and final report, published in March 2012, the review recommended introducing a power analogous to compulsory severance which should apply to all police officers from April 2013:

In Part 1, I explained that police forces need greater flexibility in managing their workforces. The future is inherently uncertain, but economic projections indicate that in the foreseeable future forces are unlikely to receive the generous budgetary increases which have been commonplace over the past decade. Indeed, there may be need for further reductions in funding in the medium-term. Approximately 80% of police forces’ budgets are spent on personnel, and more than half of that part is spent on police officers’ pay and allowances. Unlike police staff, officers cannot be made redundant or be required to resign in the interests of efficiency (unless, in the latter case, they have served for at least 30 years). The exceptions to this are Chief Constables and Deputy Chief Constables who are on fixed term appointments. A Chief Constable therefore has a limited range of instruments which he can use to change his workforce mix or structure; the instruments he does have are generally crude. Freezing recruitment, as

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<sup>50</sup> [HC Deb, 8 December 2010, c365](#)

<sup>51</sup> [Independent review of Police Officer and Staff Remuneration and Conditions](#), Cm 8024, Part 1 Report, March 2011, para 6.1.37-41

<sup>52</sup> *Ibid*, recommendation 58, page 193

<sup>53</sup> [Home Office circular 010-2012; Amendments to the determinations under the Police Regulations 2003 to implement recommendations from Part 1 of the Winsor Review](#)

<sup>54</sup> [Police Pensions \(Amendment No. 2\) Regulations 2012 \(SI 2012/2811\)](#)

<sup>55</sup> [Independent review of Police Officer and Staff Remuneration and Conditions](#), Cm 8024, Part 1 Report, March 2011, p195, para 6.1.60

<sup>56</sup> *Ibid*, p195

many forces have done, to reduce the size of police workforces, is far from satisfactory, since it will create a bubble of lack of expertise which will move through the system for many years to come.

In order to improve the instruments available to chief officers in the management of their police officer workforces, two potential workforce management tools have been considered: military-style commissions and a power analogous to compulsory severance for police officers. I have concluded that commissions would be a disproportionately onerous and therefore illegitimate means of achieving the stated objective. In contrast, compulsory severance is a widely accepted practice in the United Kingdom labour markets, and it already applies to some police officers, such as British Transport Police officers.

It is therefore not inconsistent with the office of constable. The introduction of such an instrument may properly be regarded as analogous to an extension of the existing Regulation A19 of the *Police Pensions Regulations 1987* and Regulation 20 of the *Police Pensions Regulations 2006* which permit compulsory severance for those police officers with over 30 or 35 years' service.

The principal recommendations in this Chapter include:

- introducing a power analogous to compulsory severance which should apply to all police officers from April 2013;
- enabling police forces to offer financial compensation to police officers who have had their service ended using this new power;
- basing that financial compensation on the financial compensation for redundancy in the Civil Service Redundancy Scheme 2010; and
- requiring all police forces to produce and publish an annual force management statement which inter alia sets out the resources, in terms of personnel and tangible assets, which are expected to be required to meet the projected demands for policing services in the area in question in the short-, medium- and long-terms.<sup>57</sup>

It argued that:

[...] some forces have made staff redundant in order to stay within budget. It is not fair that staff alone face redundancy. Chief constables should be given new powers akin to compulsory severance for police officers to enable them to manage their workforce effectively in times of financial pressure, and ensure the right mix of officers and staff in the workforce.<sup>58</sup>

The recommendation for a system of compulsory severance for police officers was opposed by the Police Federation:

Winsor has recommended a power to make police officers redundant. We believe that this is in direct conflict with the Office of Constable. Each sworn constable is an independent legal official. Police officers cannot be required to carry out unlawful orders or be subject to undue political or managerial pressure. If police officers are to exercise their duties free from compromise, they must be confident that their actions

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<sup>57</sup> [Independent Review of Police Officer and Staff Remuneration and Conditions – Final Report – Volume 1, CM 8325-I, March 2012, p291](#)

<sup>58</sup> [Winsor Part 2 – report at a glance – factsheet for federated ranks](#) , March 2012



will not be held against them and mark them out for selection for redundancy in the future.

Winsor has described policing as a job for life, and that this should not be the case. This totally misrepresents the situation. The power already exists within Police Regulations to dismiss officers for unsatisfactory conduct or performance. Given the restrictions they face and their unique employment status, it is wholly inappropriate that police officers should be subject to a power to make them redundant.<sup>59</sup>

It was then rejected by the Police Arbitration Tribunal in December 2013.<sup>60</sup> On 13 February 2014, Home Secretary. Theresa May, announced that she would not implement measures to introduce compulsory severance at this time.<sup>61</sup>

## **4 Taking the reforms forward**

### **4.1 England and Wales**

On 27 March 2012, the Home Secretary confirmed that she would consult on long-term reforms of police pensions with the Police Negotiating Board:

I asked Tom Winsor to consider the findings of the Independent Public Service Pensions Commission, led by Lord Hutton, concerning the normal pension age for police officers. The final report recommends a pension age of 60, in line with Lord Hutton's recommended pension age for police officers. This recommendation will be reflected in a proposal for long-term reform of police pensions on which I will now consult the Police Negotiating Board. In common with the reforms which are being developed across public service pension schemes, the Government are committed to ensuring that police pensions are affordable and sustainable for the future. Those who work in the police and across public services will continue to have access to pension schemes that are among the very best available.<sup>62</sup>

A letter to the chair of the Police Negotiating Board set out the Government's preferred design for a new scheme for police officers:

2 The preferred scheme design for the police pension scheme is as follows:

- a) A career average revalued earnings (CARE) pension scheme;
- b) An accrual rate of 1.57ths;
- c) A normal pension age of 60;
- d) Earnings revaluation of past CARE service for active members;
- e) Pensions in payment and in deferment indexed by CPI
- f) Average member contributions should be assumed to be 3.2 percentage points above their current weighted average level;
- g) No fixed lump sums, optional commutation, with a 12:1 factor for converting pension to a lump sum;

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<sup>59</sup> [Police Federation, Copy of letter sent to all MPs re Winsor Review from General Secretary & Chairman – 21 May 2012](#)

<sup>60</sup> [Decision of the Police Arbitration Tribunal, December 2013](#)

<sup>61</sup> [HC Deb 13 February 2014 c79-80WS](#)

<sup>62</sup> [HC Deb, 27 March 2012, c127-8WS](#)



- h) Ancillary benefits (ill-health, death and survivors benefits) that match provision in schemes that are currently open to new members (e.g. a lower tier ill health pensioner receives an unreduced CARE pension; a partner receives same proportion of member's pension as now, based on member's pension after any optional commutation);
- i) Members rejoining after a period of deferment of less than five years can link new service with previous service, as if they had always been an active member (so previous accruals are indexed by earnings for that period of deferment); and
- j) Members transferring between public service schemes would be treated as having continuous active service (which would include those transferring between schemes who had rejoined public service after a gap of less than five years).

3. The following elements of the scheme are for discussion during the consultation period:

- Accrual rate;
- Revaluation for active members;
- Revaluation for deferred members;
- Employee contribution rates (although the Government is committed to meeting the savings target set out at the Spending Review of £2.8 bn a year by 2014/15);
- Ancillary benefits;
- Rejoiners;
- Transferees from Club schemes;
- Early and later retirement on a cost neutral basis;
- Abatement in existing schemes (current scheme rules apply);
- State date of April 2015; and
- Transitional protection (taking full account of equalities impacts and legislation, while ensuring that costs to the taxpayer in each and every year do not exceed the Office for Budget Responsibility forecasts for public service pensions).<sup>63</sup>

In a speech to the Police Federation on 16 May, Home Secretary, she set out the Government's reasons for reform:

On pensions, as well as on pay, I have always been clear with you that we will have to take difficult decisions. People are living longer and payouts for public service pensions are costing taxpayers more and more. That would be unsustainable even without the deficit we have. So, again, we took the difficult, the unpopular, but the necessary decision to reform pensions for all public service workers.

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<sup>63</sup> [Letter from Home Secretary to John Randall, Independent Chair, Police Negotiating Board, 27 March 2012](#)

We have now put forward a package for police pensions that is considerably better than pensions in the private sector and that compares very favourably with pensions in the public service. Like workers across the public service, it does mean that we are asking you to pay more for your future pension. But you will still receive a guaranteed pension which is index-linked and inflation-protected. The pension you have built up will be protected, as I've already promised. In future, you will be able to continue to build up your benefits more quickly than most other public servants.<sup>64</sup>

She said the Government had proposed to protect the pensions of officers within ten years of pension age and was consulting on how this should work:

I've already said that we will protect the pensions of officers within ten years of pension age. I'm consulting the Federation and others in the Police Negotiating Board on how to make these changes work in the best interests of officers. Every officer aged 45 or over will see no change to their pension whatsoever. And there will be no change for any officer aged 40 or over and less than ten years from full pension who is in the old scheme. Protected officers in that scheme will also continue to receive the double accrual rate you were expecting after 20 years' service. That is better protection than has been offered for any other public servants' pension scheme - including fire-fighters.

And, recognising the unique demands you face, I fought hard to have your pension age considered separately from other public servants. So your pension age will remain significantly lower than for other public servants – 60 for police officers, as opposed to 65 rising to 68 for most other public sector workers. Police officers make an incredible contribution to our society. It is right that you should receive a competitive and attractive pension package and it is right that your pension age should be lower. But because police officers work for fewer years and have more generous pension arrangements than almost any other public servants, that means the taxpayer contributes more to your pension than most others, and it means you have to contribute more too.<sup>65</sup>

The staff side of the Police Negotiating Board argued that any new scheme should apply to new recruits only.<sup>66</sup> Nonetheless, it took part in the discussions with the aim of influencing the Government in relation to the following priorities:

To avoid the position (included in the Home Secretary's preferred scheme) where any member who did not serve until 60 would not receive his or her pension until State Pension age. It is currently intended that State Pension age will increase to 67 and subsequently to 68;

To reduce member contributions from the proposed average rate of 13.7%; and

To achieve the best possible transitional arrangements outside the cost of the new scheme.<sup>67</sup>

### ***Announcement of details***

On 4 September 2012, the Home Secretary announced the Government's final position on the main elements of police pension reform:

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<sup>64</sup> [Home Secretary, Speech to the Police Federation, 16 May 2012](#)

<sup>65</sup> [Ibid](#)

<sup>66</sup> [Letter from Police Negotiating Board staff side to Home Secretary, 22 June 2012](#)

<sup>67</sup> [Police Federation News – 4 September 2012](#)

## Police Pension Scheme

The Secretary of State for the Home Department (Mrs Theresa May): On 27 March 2012, I issued a written statement to the House concerning remuneration and conditions of service in the police. Within that statement I explained that I would put forward a proposal on long-term reform of police pensions to the Police Negotiating Board, which I did on the same day. In common with changes which have been developed across public service pension schemes, my proposal reflected the principles for reform established last year by the report of the Independent Public Service Pensions Commission, led by Lord Hutton.

My officials have been engaged in detailed and constructive discussions with representatives of the Police Negotiating Board since 27 March, and I have received a number of written representations from the organisations represented. Having considered the outcome of those discussions, and the representations made during this period of consultation, I am announcing today my decision for the reform design framework for police pensions. This framework sets out the Government's final position on the main elements of police pension reform and will form the basis for discussions on points of further detail in moving to implement these changes.

The main parameters of the new scheme design are set out below:

- a. a pension scheme design based on career average revalued earnings;
- b. a provisional accrual rate of 1/55.3 of pensionable earnings each year, subject to agreement on the outstanding issues;
- c. there will be no cap on how much pension can be accrued;
- d. a revaluation rate of active members' benefits in line with the consumer prices index (CPI) + 1.25%;
- e. pensions in payment and deferred benefits to increase in line with CPI;
- f. average member contributions of 13.7% from April 2015. As announced by the Chief Secretary to the Treasury on 20 December 2011, the Government will review the impact of the 2012-13 contribution changes, including the effect of membership opt-outs, before taking final decisions on how future increases will be delivered in 2013-14 and 2014-15, and in the new scheme. Interested parties will have a full opportunity to provide evidence and their views to the Government as part of the review;
- g. flexible retirement from the scheme's minimum pension age of 55, built around the scheme's normal pension age of 60—for all active members aged 55 or more at retirement, 2015 scheme benefits taken before normal pension age will be actuarially reduced with reference to the 2015 scheme's normal pension age, rather than the deferred pension age (i.e. state pension age). Those members' benefits will continue to be paid after age 60 at that actuarially reduced level. All other members will have their 2015 scheme benefits actuarially reduced on a cost neutral basis from the scheme's deferred pension age;
- h. the normal pension age of 60 will be subject to regular review, which will also consider the linked early retirement facility described at (g). These reviews will consider the increasing state pension age and any changes to it, alongside evidence from interested parties, including staff associations and employers. It will consider if the normal pension age of 60 remains relevant, taking account of the economical, efficient and effective management of the police service, the changing profile of the work force and the occupational demands of, and fitness standards for, police officer roles;

- i. this regular review will be informed by scheme data and experience;
- j. late retirement factors for members retiring from active service to be actuarially neutral from normal pension age;
- k. a deferred pension age equal to the individual's state pension age;
- l. optional lump sum by commutation at a rate of £12 for every £1 per annum of pension forgone in accordance with HMRC limits and regulations;
- m. abatement in existing schemes to continue;
- n. ill-health retirement benefits to be based on the arrangements in the 2006 scheme;
- o. all other ancillary benefits to be based on those contained in the 2006 scheme;
- p. members rejoining after a period of deferment of less than five years can link new service with previous service, as if they had always been an active member;
- q. members transferring between public service schemes would be treated as having continuous active service;
- r. an employer contribution cap and floor, as described in the reform design framework.

#### Transitional and protection arrangements

There will be full statutory protection for accrued rights for all members as follows:

- a. all benefits accrued under final salary arrangements will be linked to the member's final salary, in accordance with the rules of the member's current schemes, when they leave the reformed scheme;
- b. full recognition of a member's expectation to double accrual for service accrued under the police pension scheme 1987 ("the 1987 scheme"), so that a member's full continuous pensionable service upon retirement will be used to calculate an averaged accrual rate to be applied to service accrued under the 1987 scheme;
- c. members of the 1987 scheme to be able to access their 1987 scheme benefits when they retire at that scheme's ordinary pension age (i.e. from 30 years' pensionable service; age 50 with 25 or more years' pensionable service; or the member's voluntary retirement age), subject to abatement rules for that scheme. Pensionable service for the purpose of calculating the ordinary pension age will include any continuous pensionable service accrued under both the 1987 scheme and the 2015 scheme;
- d. members of the police pension scheme 2006 ("the 2006 scheme") to be able to access their benefits under that scheme when they retire at that scheme's normal pension age (i.e. age 55);
- e. members will continue to have access to an actuarially assessed commutation factor for benefits accrued under the 1987 scheme.

There will be statutory transitional protection for certain categories of members, as follows:

- a. all active 2006 scheme members who, as of 1 April 2012, have 10 years or less to their current normal pension age (i.e. age 55) will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current

normal pension age. This protection will be achieved by the member remaining in their current scheme until they retire;

b. all active 1987 scheme members who, as of 1 April 2012, have 10 years or less to age 55 or have 10 years or less to age 48 and are 10 years or less from a maximum unreduced pension, will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current normal pension age. This protection will be achieved by those members remaining in their current scheme until they retire;

c. there will be a further period of tapered protection for up to four years for scheme members. Members who are within four years of qualifying for transitional protection, as of 1 April 2012, will have limited protection so that on average for every month closer to qualifying for transitional protection they gain about 53 days of protection. The period of protected service for any member under these tapering arrangements will have finished by 31 March 2022. At the end of the protected period, they will be transferred into the new pension scheme arrangements. Further details on how the tapered protection will apply are set out in the reform design framework.

#### Areas for further detailed discussion

As set out in the reform design framework, there will be further discussion on specific areas of detail, responding in part to issues raised during consultation with the Police Negotiating Board. In particular there will be further consideration of equalities issues that have been identified, or any which may be identified during further discussion, as well as arrangements to ensure compatibility between the new scheme design and recognised existing or future schemes for police officers exiting the service before normal pension age.

I believe this represents a fair outcome, reflecting the range of issues raised during consultation on my original proposal. This will continue to offer valuable pension arrangements for police officers which will be affordable and sustainable in the future.

The Government Actuary's Department has confirmed that this design does not exceed the cost ceiling set by the Government in my proposal of 27 March. Copies of the reform design framework and the Government Actuary's Department verification report have been placed in the Libraries of both Houses.<sup>68</sup>

Other recommendations of the Winsor review were still subject to discussion and consultation:

In producing his final report in March 2012, Tom Winsor recommended a future Normal Pension Age of 60 for police officers. That was included in the government's proposed scheme design which has been considered by the Police Negotiating Board. No final decisions have yet been taken on other elements of Tom Winsor's Final Report, but they provide a good basis for discussion and consultation, including through the formal police negotiating machinery. We remain committed to constructive engagement with the service throughout this process, which is ongoing.<sup>69</sup>

The Staff Side of the Police Negotiating Board accepted the announcement, despite being disappointed with aspects of it:

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<sup>68</sup> [HC Deb, 4 September 2012, c19-22WS](#)

<sup>69</sup> [Gov.UK – Police pension reform. How and why police pensions are being reformed, and how the changes will affect officers' pensions \(26 March 2013\)](#)

Staff Side, which includes the Police Federation of England and Wales, has engaged in the Home Secretary's consultation on long-term reform of police officer pensions. Despite being disappointed with aspects of this announcement, Staff Side accepts it within the context of the Government's wider public service pension's reform agenda. It is clear from our discussions with the Home Office that, compared to the reference scheme offered by the Home Secretary of 27 March, this was the best deal possible to protect the unique position of police officers.<sup>70</sup>

The Police Federation in England and Wales said it took legal advice on the legality of the proposed reforms, on the basis that Section 2 of the [Police Pensions Act 1976](#) prevents specific changes from being made affecting existing members of police forces. However, it decided it was in the best interests of its members for it to engage in the discussion:

We were advised that there were obstacles that the Government would need to overcome in order to make changes along the lines they proposed, and in particular that primary legislation would be needed, but that if the Government was determined to bring in the changes they would be able to do so. [...]

In the circumstances we had a clear choice in relation to the Home Secretary's proposals for police pension reform. We could:

- decide not to engage in discussing the detail, whether in the hope that a legal challenge would save us or otherwise, in which case the overwhelmingly likely outcome would be the imposition of that proposal; or
- engage in discussions with a view to getting the best design possible for our members.<sup>71</sup>

The legal framework for proposed changes is discussed in more detail in a Police Federation [FAQ](#) document of 14 September 2012.

The Federation argued that by being engaged in the consultation process, it had been able to secure improvements in transitional protection and for members leaving early but serving until at least 55:

Disappointingly we were unable to obtain any movement from the Government on the contribution rate. However, by engaging in the consultation process and reaching agreement, we have been able to secure the following:

- any member who serves until at least 55 will be able from that point:
  - to retire and take their career average pension immediately, with that pension actuarially reduced from 60 rather than from State Pension Age (for an explanation of "actuarial reduction" please see the Pension Reform Overview section of the Home Office website).
- improved transitional arrangements, outside the cost of the new scheme, in particular:
  - an extension of full protection to members of the 1987 Police Pension Scheme aged 38 or over and 10 years or less away from being able to retire with a maximum 30 year pension;

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<sup>70</sup> [Police Federation response to Ministerial Statement – 4 September 2012](#)

<sup>71</sup> [General Secretary's Statement on Long Term Pension Reform, 5 September 2012](#)

and

- tapering protection for those members within four years of full protection.

If we had not engaged in the consultation process then, under the Home Secretary's preferred scheme, any member who left service before 60 would have had to wait until State Pension Age before accessing his or her career average pension (or would have had their actuarial reduction calculated from State Pension Age). In addition, fewer officers would have been afforded protection by the transitional arrangements.<sup>72</sup>

The [police pension reform](#) section of the Gov.UK website addresses some FAQs and includes a calculator. The Home Office has also produced circular 14/2013 on [Long term reform of police pensions – frequently asked questions](#).

### **Legislation**

The [Public Service Pensions Act 2013](#) established a framework for new public service pension schemes to be introduced from April 2015. Among other things, it:

- Enables the creation of new public service schemes, providing pensions based on career average rather than final salary (section 8);
- Provides for a normal pension age of 60 for the schemes for the firefighters, police and armed forces and in other schemes provides for the normal pension age to be linked to the State Pension age (section 10); and
- Provides transitional protection for those 'closest to retirement'. People within 10 years of pension age on 1 April 2012 would remain in the existing schemes. Those within a further 3-4 years of normal pension age may have the option of a delayed transition to the new scheme (Section 18).

Regulations to implement the new scheme – [The Police Pensions Regulations 2015 \(SI 2015/445\)](#) - were laid before Parliament on 5 March 2015, to come into force on 1 April 2015. Alongside this, the Home office issued guidance for scheme members: [The police pension scheme 2015 members' guide](#), 6 March 2015. The Police Federation in England and Wales has produced a document addressing [Frequently Asked Questions](#) (6 March 2015).<sup>73</sup>

In response to a PQ about whether the Government intended to delay implementation in the light of the delay in publishing the regulation for the new scheme, the Government said "information about the main elements of the reform" had been in the public domain for some time.<sup>74</sup>

## **4.2 Scotland**

Scottish public service pensions were included in the scope of the review conducted by the *Independent Public Service Pensions Commission*. The Commission noted that although Scottish Ministers had the power to make secondary legislation, in practice the schemes had "tended to mirror each other closely" and faced "similar structural issues."<sup>75</sup> Its final report, published in March 2011, recommended that the key design features of its proposed new

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<sup>72</sup> [Police Federation News – 4 September 2012](#)

<sup>73</sup> The Police Federation also produced an [FAQ](#) document dated 14 September 2012,

<sup>74</sup> [PQ HL5710 \[police pensions\] 17 March 2015](#)

<sup>75</sup> [Independent Public Service Pensions Commission: Interim Report, 7 October 2010, p23-4](#)



public service schemes should be “part of a UK-wide policy framework that extends to Scotland, Wales and Northern Ireland, with limited adaptations of other features to meet local circumstances.” Primary legislation should be introduced to “adopt a new common UK legal framework for public service schemes”.<sup>76</sup>

In November 2012, the Scottish Government expressed concern that its ability to negotiate reforms in Scotland would be restricted if details such as the normal pension age were in primary legislation.<sup>77</sup>

The *Public Service Pensions Act 2013* provides for scheme regulations to be made by the “responsible authority” for the scheme (sections 1 to 3). For those public service schemes in Scotland where regulation-making power is currently devolved (including the police schemes) this means Scottish Ministers. Treasury consent is required for those regulations relating to teachers and the NHS schemes. The Explanatory Notes confirm that this “carries forward current consent arrangements for these schemes.”<sup>78</sup> However, any regulations must be in accordance with the requirements of the rest of the Bill, including, for example, its provisions on the normal pension age. The Explanatory Notes say:

19. Under subsection (1), scheme regulations can make such provision as the responsible authority considers appropriate, provided it is in accordance with the requirements in the rest of the Act. For examples of sections that limit the type of provision that may be made, or which require provisions of a specific kind to be included, see for example:

- section 4, which requires schemes to have a scheme manager who is to be responsible for managing or administering the scheme;
- section 5, which requires schemes to provide for the establishment of a pension board to assist the scheme manager with certain matters;
- section 7, which requires schemes to provide for the establishment of a scheme advisory board to advise on certain matters;
- section 8, which sets constraints on the design of schemes, including requiring schemes that are defined benefits schemes to provide those benefits through a “career average revalued earnings scheme” (or CARE scheme) or such other description of defined benefits scheme as the Treasury may specify in regulations (but not a final salary scheme);
- section 9, which provides for the revaluation of pensionable earnings of a person in a CARE scheme in accordance with changes in prices or earnings as set out in an annual order made by the Treasury;
- section 10, which contains requirements relating to the normal pension age of schemes made under this Act; and
- sections 11 and 12, which require schemes to contain a mechanism for regular valuations of the scheme and to provide for a cap on the costs to employers of public service schemes.<sup>79</sup>

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<sup>76</sup> [Independent Public Service Pensions Commission: Final Report](#), 10 March 2011, p146

<sup>77</sup> [Question time in the Scottish Parliament on 12 September](#)

<sup>78</sup> [Explanatory Notes](#), para 25

<sup>79</sup> [Public Service Pensions Act 2013, Explanatory Notes](#)

The website of the [Scottish Public Pensions Agency](#) explained that the scheme design for Scotland will mirror that for England and Wales:

Within the constraints that have had to be applied Scottish Ministers have done everything possible to explore options for reform which would help mitigate the impact of changes, particularly increased Normal Pension Age, on Scottish police officers. However negotiations have now concluded and the constraints that have unavoidably been applied have meant that the scheme design that will be applied in Scotland will mirror that being introduced for police officers in England and Wales. Full details of the design were announced by Mr MacAskill on 6th September and this can be viewed through the following [link](#).<sup>80</sup>

Information is on the [Police Pension Scheme \(Scotland\) 2015](#) section of the SPPA website.

### **4.3 Summary of features of the different schemes**

The table below summarises the main features of the existing schemes for police officers and the new scheme to be introduced from 2015:

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<sup>80</sup> [Scottish Public Pensions Agency, Changes to the Police Pension Scheme from April 2015](#)

Question	Police Pension Scheme 1987	New Police Pension Scheme 2006	Police Pension Scheme 2015
<b>Who can be a member of the scheme?</b>	Police officers joining the force up to 5 April 2006	Police officers joining the force on 6 April 2006 or later. Members of the Police Pension Scheme had the opportunity to transfer to the new scheme shortly after its introduction.	Active scheme members from April 2015 (except those members of existing schemes covered by transitional protection arrangements for those closest to retirement).
<b>How much do I pay?</b>	Tiered contribution rates - 14.25% to 15.05% of pay (2014/15)	Tiered contribution rates - 11% to 12.75% of pay (2014/15)	Average member contributions of 13.7%
<b>What is the maximum pension that I can get?</b>	2/3 final salary, with option to exchange part of the pension for a lump sum	1/2 final salary plus fixed lump sum of 4 times the pension, with option to exchange part or all of the lump sum for extra pension.	There will be no cap on how much pension can be accrued
<b>How long to I have to serve to get maximum pension?</b>	30 years	35 years	N/A
<b>What is the earliest age that I can get my pension</b>	After 30 years' service, or at age 50 with 25 years' service.	55	Flexible retirement from age 55, built around a normal pension age of 60. For all active members aged 55 or more at retirement, scheme benefits taken before normal pension age will be actuarially reduced with reference to the schemes normal pension age, rather than the deferred pension age.
<b>Deferred pension age for early leavers</b>	60	65	Linked to the individual's State Pension age (but see above for people aged 55 or more on leaving).
<b>How is my pension accumulated?</b>	Dual accrual: 1/60 of final salary for each of the first 20 years' service, and 2/60 for each of the final 10 years' service	Uniform accrual: 1/70 of final salary for each year of service	1/55.3 of pensionable earnings each year (provisional), with each years' earnings revalued in line with the consumer prices index (CPI) + 1.25%;
<b>Eligibility for pension lump sum</b>	Option to commute part of the pension to a lump sum	The maximum pension under the 2006 scheme includes a lump sum of four times the pension with the option to exchange all or part of it for additional pension	Option to commute part of the pension to a lump sum