
JBB Circular No.26/2006

20 March 2006

**TO: Chair and
Secretary
All Branch Boards**

Dear Colleagues

NEW POLICE PENSION SCHEME (LAPPS) SEMINARS - UPDATE

The purpose of this circular is to address outstanding points that were raised in our three NPPS seminars at York, Kegworth and Swindon.

Members' Guide

SEC Circular 05/2006 attached for your information a copy of the Home Office's Member's Guide to the NPPS. Attendees at the Swindon seminar received a copy but unfortunately this was not possible at previous venues as the document was embargoed until 9 March.

Officers who have opted-out of the PPS

From 6 April 2006 the only occupational pension scheme open to police officers will be the New Police Pension Scheme. Therefore, any serving officer who is currently not a member of the PPS should seriously consider whether to re-join before 6 April. This does not affect those returning after that date from force-approved career breaks or under Regulation K1 (Cancellation of III-Health and Injury Pensions) or those who rejoin after a successful appeal having been dismissed or required to resign.

Officers wishing to re-join the PPS must cancel their election not to pay pension contributions by 5 April 2006 at the latest (irrelevant of when pension contributions are deducted). The officers in question should have already received notification of this from their force. If not, the requisite forms to cancel the election should be available from your force pensions' administrator.

Purchase of Increased Benefit Regulations (1987)



Since the recent amendments to part-time pension provisions the profile of the purchase of increased benefits within the PPS has been raised, prompting various questions.

The Police Pensions (Purchase of Increased Benefits) Regulations (1987) came into effect on 1 February 1988 to allow PPS officers who could not achieve 30 years' pensionable service by compulsory retirement age (CRA) to purchase increased benefits at full cost i.e. their 11% plus the employers' contribution. Currently the scheme is valued at 37.1% of pensionable pay.

Many officers refer to this provision as buying 'added 60ths' or 'added years' although these terms could be misleading as, for instance, the increased benefits could not affect double accrual.

HOC 05/88 detailed the provisions of the legislation, including various qualifying conditions and time limits, but in general officers can elect to purchase increased

No benefits either by lump sum when they join (or re-join) the service or by periodic contributions. Once made, an election cannot be changed although it can be discontinued if deemed to be causing financial hardship.

Officers can also increase benefits by purchasing AVCs or, from 6 April 2006, by additionally saving money in pension vehicles outside the PPS, such as in a private pension plan.

Commutation

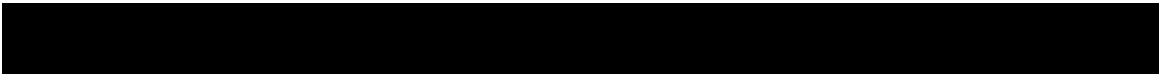
I can now clarify the situation, from 6 April 2006 onwards, regarding officers who are members of the current scheme and who give notice to commute after their pension has come into payment.

As you are aware, currently officers have a period within four months before until six months after their pension comes into payment during which to commute. From 6 April this will change as notice must be given anytime within the four months **before any** Police Pension Scheme pension comes into payment.

If an officer provides notice to commute anytime before four months prior to the pension coming into payment, it is void. If an officer provides notice to commute after their pension has come into payment it will be deemed an 'unauthorised payment' and will be subject to taxation.

The Police Pensions Regulations (1987) will be amended shortly to prevent officers commuting after their pension has come into payment, but we are informed that this revision will not happen before 6 April.

Therefore the main message to pass onto members until the regulations are amended is: ***provide notice to commute before your pension comes into payment or you will have a tax charge levied upon you.***



We are still in discussions with the Home Office about notification of intention to commute in discipline cases etc

New Financing Arrangements for Police Pensions

From 1 April 2006 the way in which the police pension schemes are funded will change. Instead of being a 'pay-as-you-go' process, there will be a 'notional' fund. This change is cost-neutral and does not affect the provisions of the pension schemes, but it is envisaged that it will better allow authorities to plan for future pensions' expenditure by separating pension payments from operating costs.

At the Swindon seminar it was queried how the ill health retirement costs would be funded under the new system. HOC 54/2005 details the new financing arrangements and section 6 refers to ill health retirement.

The financing of police pension payments will be taken out of the Principle Police Grant which will itself include a pensions element. This element will take into account the funding needed to support the costs of the 'employer contributions'. However, the employer contribution figure, currently estimated at 26.1% of pensionable pay, will be reduced by 1.3% to take account of an additional charge to be paid by individual authorities for each ill-health retirement falling on or after 1 April 2006 - a Police Authority will have to pay a capital equivalent payment for each early ill-health retirement of twice the average pensionable pay for the officer concerned. This additional charge is based upon an expected level of ill health retirement of 6.5 per 1,000 officers, in line with the current national target level. Therefore, if an authority's ill health retirements have matched the assumption of 6.5 per 1000 its total liability over the year should equal 26.1% of pensionable pay.

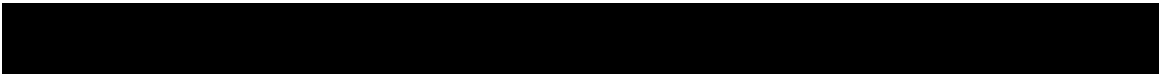
There will also be a top-up grant available from the Home Office to help police authorities meet their legal obligation to pay police officer pensions. Injury awards will be paid out of the operational account, not the pensions account.

On a slightly different point, HOC 54/2005 contains a mistake - paragraph 5.10 states that pay when 'acting up' is not pensionable, when in fact it is pensionable. The PNB agreement of PNB Circular 5/82 refers. We have informed the Home Office of this error, which they will correct in correspondence to forces.

Injury Awards

Concerns have been raised that, from A-Day, the injury award provisions for police officers will change. **This is not the case.** There is an HM Revenue requirement that, from 6 April 2006, tax-approved pension schemes must exclude all non tax-approved provisions. Injury award benefits are non-tax approved and consequently must be removed from the Police Pension Regulations (1987) and placed in stand-alone regulations.

These stand-alone Regulations will be known as the Police (Injury Benefit) Regulations 2006 and will replicate the injury award provisions of the current



pension regulations. They will apply to members of the PPS, NPPS, and any other police officer injured in the execution of duty - as injury award benefits in the public sector are not dependent on being a member of the relevant occupational pension scheme.

However, although the provisions of the Police (Injury Benefit) Regulations 2006 will reproduce those currently found in the Police Pension Regulations (1987), we are imminently expecting the Home Office to consult PNB on a review of police injury awards. The consultation period will run for the usual three-month period, and we will of course keep you up to date with developments.

NPPS Administrator's Guide

Please find attached for information a copy of the Home Office's *Guidance to Police Authorities on preparation for the NPPS and for A-Day in relation to the Police Pension Scheme*.

If you have any further questions on the above issues please contact Mariam Moollan in the Research Department, on 020 8335 1035.

Finally, I would like to thank you all for attending and contributing so fully to these seminars. I hope you found them informative.

Yours faithfully

A handwritten signature in black ink that reads "John Francis". The signature is written in a cursive, slightly stylized font.

**JOHN FRANCIS
GENERAL
SECRETARY**

