EXPLANATORY MEMORANDUM TO

THE POLICE PENSIONS (AMENDMENT) (No.2) REGULATIONS 2014

2014 No. 381

1. This explanatory memorandum has been prepared by the Home Office and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The instrument amends existing regulations which deal with police officer pensions and retirement benefits. It changes these regulations to implement the Government's policy of increasing the contribution rate of public servants, in this case police officers.

3. Matters of special interest to the Joint Committee on Statutory Instruments.

3.1 None

4. Legislative Context

4.1 There are two pension schemes for members of police forces in England and Wales. The "old" police pension scheme is governed by the Police Pensions Regulations 1987 and has been closed to new members since 2006. Officers joining the police service since that date have been eligible for membership of the "new" police pension scheme, governed by the Police Pensions Regulations 2006, and members of the old scheme were given the opportunity to transfer to the new one.

4.2 The rules and benefits of the scheme are different in a number of respects, but both are defined benefits schemes funded partly by police authorities and partly by the police officers who are members of the relevant scheme. Regulation G2 of the Police Pensions Regulations 1987 and regulation 7 of the Police Pensions Regulations 2006 provide for the rate of contributions payable by officers in each scheme.

5. Territorial Extent and Application

5.1 This instrument applies to England and Wales.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1 The Government gave a commitment to review the long-term affordability and sustainability of public service pensions. The Independent Public Service Pensions Commission, chaired by Lord Hutton, concluded in its report that reform is needed. The Government accepted Lord Hutton's recommendations as a basis for consultation with public sector workers and trade unions on long-term reform of pension arrangements.

7.2 Ahead of longer term reform, the Commission made clear the rationale for increasing pension scheme member contributions to ensure a fairer distribution of costs between taxpayers and members. The Government announced plans to make £2.8bn savings per year by 2014-15 through increasing public service employee pension contributions over three years from 2012-13.

7.3 The Police Pensions (Amendment) Regulations 2012 and the Police Pensions (Amendment) Regulations 2013 implemented the first two phases of these increases in relation to police pensions in England and Wales. The increases were structured so that:

- low earners are protected;
- higher earners pay more; and
- any increase in the rate of opt-out from pension schemes is minimised.

7.4 Regulations 2 and 3 of this instrument implements the next phase of the policy by amending regulation G2 and regulation 7 to increase the contribution rates further.

- Consolidation

7.5 The Home Office has begun work on regulations to consolidate the changes made to the Police Pensions Regulations 1987. The changes made by this instrument could not be delayed – they will be incorporated in the consolidating regulations.

8. Consultation outcome

8.1 The Home Office consulted with the Police Negotiating Board and considered the comments made. This included an opportunity for comment on the regulations themselves but no such comments were made.

9. Guidance

9.1 A Home Office Circular will be issued to Home Office forces with guidance on the provisions of the instrument. This will be available on the Government website.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 No impact is anticipated on the public sector either. The pension contributions made by police forces are not being increased. In relation to the change concerning early access to deferred pension, the instrument restricts the opportunities for access rather than extending it, and in any event early access is subject to actuarial reduction and is intended to be cost-neutral.

10.3 An Impact Assessment has not been prepared for these instruments.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 Police pay and conditions, including pensions, are kept under review by the Home Office together with the Police Negotiating Board. If necessary changes are identified, the legislation will be amended accordingly.

13. Contact

Joe Whittle at the Home Office – Policing Directorate Tel: 0207 035 6959 or email: joseph.whittle4@homeoffice.gsi.gov.uk can answer any queries regarding the instrument.