

**Guidance for Police Authorities on
Pension Arrangements for Part-Time Constables and
Sergeants with Effect from 1 July 2007**

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Section One: Introduction

Background

- 1.1 Up until 1 July 2007, only a part-time officer's determined hours have been pensionable. Any additional hours worked will not have been pensionable. The pensionable status of part-time hours worked by officers has been reviewed in the light of:
 - The Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 which require part-time workers to have the same entitlements to pensions on a pro rata basis as full-timers.
- 1.2 A PNB Technical Working Group, which included representatives from Official Side, Staff Side and ACPO, has consulted on guidance which determines how the above changes should be introduced.
- 1.3 Further consultation has taken place within various forums and has included payroll managers, HR representatives and pensions administrators.

What is the status and purpose of this guidance?

- 1.4 This document is intended to provide guidance for pension administrators and other practitioners to enable them to introduce and administer the new pension arrangements with effect from 1 July 2007.
- 1.5 This guidance is applicable to officers that have served on a part-time basis at any point since 1 July 2000 at the rank of **constable** or **sergeant**. We are currently considering the position of part-time officers in higher ranks and will update this guidance as appropriate.
- 1.6 The guidance provides information on the new pension arrangements, including:
 - a summary of the new arrangements;
 - detailed procedures for the new pension arrangements with effect from 1 July 2007
 - arrangements for the backdating contributions and payments from 1 July 2000 (or to a date 6 years before any claim received by a court or Employment Tribunal whichever is the earlier)
 - contact details for further enquiries
- 1.7 The Police Pensions Regulations 1987 and the Police Pensions (Scotland) Regulations 2007 will be amended to include the revised arrangements for part-time officers.

How should Police Forces and Police Authorities act on this guidance?

- 1.8 Police Forces will need to act on this guidance in order to complete the necessary changes to ensure the new pension arrangements can be introduced and administered from 1 July 2007. Police Authorities will need to

institute monitoring procedures to ensure that Forces apply the guidance fairly and consistently.

- 1.9 Specifically, Police Forces will be required to:
- inform all affected¹ serving part-time officers of the new arrangements, the retrospective changes and the options available to them;
 - inform, wherever possible, affected former officers of the retrospective changes and the options available to them;
 - introduce changes for all serving officers of relevant rank from 1 July 2007;
 - provide personalised information on previous additional service to serving and former officers as requested; and
 - manage the repayment systems of officer and employer contributions (where applicable) for backdated claims.
- 1.10 Contact details are provided in Section 5 if further clarification or other support is required.

¹ This includes officers now serving full time who have previously served part-time and higher ranked officers who were previously part-time constables and sergeants.

Section Two: Summary of the New Arrangements

- 2.1 The new pension arrangements affect any serving or former² officer that has served on a part-time basis at any time since 1 July 2000 at the rank of constable or sergeant.
- 2.2 From 1 July 2007 a part time constable or sergeant's additional hours will be automatically pensionable. For this purpose, additional hours are defined as the hours **paid** at plain time that a part time officer works over and above their determined hours and up to forty hours in a relevant week³ (the normal hours of a full time officer of the same rank).⁴ This does not include any hours worked at an enhanced rate or those taken as time-off in lieu.
- 2.3 Changes will be backdated to 1 July 2000 or to a date 6 years before any claim received by a court or Employment Tribunal whichever is the earlier. Serving and former officers can choose whether they wish to make any such **previous** additional service pensionable. This will not be done automatically on their behalf and officers are required to pay contributions to make any previous service pensionable.
- 2.4 Police Forces are responsible for notifying all affected serving officers of the new arrangements and the options available to them.
- 2.5 Police Forces should notify, wherever possible, former officers of the retrospective changes and the options available to them.
- 2.6 The Police Pension Regulations 1987 and the Police Pensions (Scotland) Regulations 2007 will be amended to reflect the new arrangements detailed in this guidance.

² Former officers include those with deferred pensions and those with pensions already in payment

³ Relevant week as defined by Paragraph (3) (a) of the determination (Annex G) for Regulation 25 of Police (Scotland) Regulations 2004 (SSI 2004/257)

⁴ This definition of additional hours should be applied throughout this guidance.

Section Three: Arrangements from 1 July 2007

- 3.1 From 1 July 2007 part-time officers will pay officer contributions on all determined and additional hours up to forty hours in a relevant week. Members of the Police Pension Scheme (1987) will pay 11% officer contributions (7.5% if ineligible for ill-health retirements benefits) and members of the new Police Pension Scheme (2006) will pay 9.5% officer contributions (6% if ineligible for ill-health retirement benefits). If an officer chooses to take time-off in lieu instead of payment for additional hours, no further changes to pensionable pay are required.
- 3.2 Officers will have no choice as to whether these additional hours are pensionable. Officers can only choose to opt out of the pension scheme entirely (under Regulation G4 of the Police Pensions Regulations 1987 and Regulation 9 of the Police Pension Regulations 2006).
- 3.3 Forces should ensure that pensionable hours are capped at 40 hours per week. Additional reckonable service should be calculated on an annual basis. For the calculation of this service, each additional hour worked will provide a further 0.175 day's service (1/40 of 7 days). Therefore an officer working an additional ten hours will accrue 1 ¾ day's service and an officer working an additional forty hours will accrue a week's service.

Please see below for an example of the financial impact that this would have on an officer's pension. This example is calculated for a Constable with 10 years' service and on an annual salary of £32, 985 who is entitled to immediate payment of his/her pension (under both pension schemes).

PPS

Additional Hours	Additional pension per annum (once retired)	Officer contribution (11%)
1	£0.26	£1.74
40	£10.54	£69.55
160	£42.17	£278.21

NPPS

Additional Hours	Additional pension per annum (once retired)	Officer contribution (9.5%)
1	£0.23	£1.50
40	£9.04	£60.07
160	£36.15	£240.27

NB. In addition, the NPPS member would receive a lump sum equal to four times the pension,

- 3.4 Forces should ensure that annual benefit statements accurately reflect the new arrangements. Benefit statements must clearly state the date up to which the additional hours worked have been included in the revised calculation of reckonable service.

Variable working arrangements

- 3.5 These arrangements will also benefit part-time officers working variable shift patterns (whether on a weekly, monthly or other basis). In some cases officers store up additional hours, say, in term time so that they can take more time off during school holidays. Where this arrangement is in accordance with their overall determined hours, all hours served will already be pensionable. However any additional hours paid at plain time and up to forty hours within a relevant week will also be pensionable.

Section Four: Arrangements for backdating payments

- 4.1 Changes will be backdated to 1 July 2000 or to a date 6 years before any claim received by a court or Employment Tribunal. Officers can choose whether they wish to make such **previous** additional service pensionable.
- 4.2 Officers will need to pay contributions to make any previous service pensionable. Members of the Police Pension Scheme (1987) will pay 11% officer contributions (7.5% if ineligible for ill-health benefits since 2004) and members of the new Police Pension Scheme (2006) will pay 9.5% officer contributions (6% if ineligible for ill-health benefits). Any officer that has moved to the NPPS during this time will pay officer contributions according to the original rate.
- 4.3 Officers can choose whether to make none, some (between 1 and 99%) or all of previous additional service pensionable. If choosing to make only some of previous additional service pensionable, additional contributions should be calculated on a pro-rata basis e.g. if an officer chooses to purchase 40% of previous additional service, this will cost 40% of the total additional contributions.
- 4.4 Officers should note that they only have **one** opportunity to make additional service pensionable and should consider options for backdating payments carefully.
- 4.5 There will be no retrospective consideration for officers that chose to take time off in lieu instead of payment for any additional hours worked.
- 4.6 Different procedures should be followed for serving and former officers. However both are responsible for claiming backdated pensionable service. This will not be done automatically on their behalf.
- 4.7 Additional contributions and awards will be calculated for each individual officer according to original pay rates, contribution rates and additional hours worked.
- 4.8 Tax relief for the backdated payments of contributions is restricted to the tax year in which contributions are actually paid. Backdated payments may be subject to the tax relief limit depending on the amount of additional contributions paid. For further information, please see the HMRC guide on taxation available at Home Office Police Pensions website.

Publication of new arrangements

- 4.9 Police Forces are responsible for notifying all affected serving officers of the new arrangements and the options available to them. This includes serving full-time officers that have (since 1 July 2000) previously worked part-time at the rank of constable or sergeant and officers currently on career breaks.

- 4.10 Wherever possible, Forces should notify affected former officers of the changes. Forces should also publicise the changes on benefit statements (if issued at an appropriate point in the year) as well as general forums such as newsletters and websites. **Police Forces are obliged to consider claims from former officers.**

Procedures

- 4.11 Serving and former officers wishing to make additional service pensionable are responsible for submitting an application to the Force.
- 4.12 Police Forces are responsible for verifying the validity of an application for backdated payments, confirming additional hours that are pensionable and for calculating additional pension contributions and reckonable service.
- 4.13 In cases where Forces have difficulty in the verification of an application as far back as the request for backdating, they should make use of all available data and records (i.e. P60, annual records) to satisfy themselves as to the validity of the claim.
- 4.14 Internal dispute resolution procedures should be applied for both serving and former officers.

Serving officers

- 4.15 Once officers have been formally notified of the new arrangements and retrospective changes, they should be given 3 months in which to apply for personalised information about backdating options and calculations of costs and benefits. The additional pension payable to the officer as a result of the extra hours' service that can be claimed should be calculated on the basis of average pensionable pay as at 30 June 2007. Forces will have discretion to consider any application received after this time by reason of exceptional circumstances.
- 4.16 On receipt of an application, the Force will need to estimate contributions, payments and reckonable service for individual officers allowing each officer to make an informed decision on whether or not to backdate payments. Wherever possible, the Force should provide officers with specific information within a month of receiving the initial application. If there is likely to be a significant delay in the provision of this information, Forces should consider providing officers with confirmation of receipt of the application.
- 4.17 From receipt of this personalised information, officers should be given a further 3 months in which to make a formal claim for backdating payments. Forces will have discretion to consider any request received after this time by reason of exceptional circumstances.
- 4.18 Once a claim has been made and approved, Forces must ensure that the officer is informed as it affects the repayment procedures outlined in 4.26 onwards.

- 4.19 Officers should only be given **one opportunity** on which to request information or make a claim. They cannot make a fresh claim as a former officer after they have left the service.
- 4.20 Officers that are within 6 months of retirement should either complete the process as a serving officer prior to retirement (as a lump sum payment or periodical contributions spread over remaining service) or commence the process as a retired officer. Where an officer chooses to commence the process after retirement, the force must ensure that the officer signs a declaration form clearly stating that his or her lump sum will not be used for the purpose of purchasing previous additional service. This is to ensure that HMRC regulations are adhered to and to protect forces from any associated liability.
- 4.21 If a serving officer dies after having applied for personalised information about backdating options and calculations of costs and benefits, the survivor (if eligible for a survivor's pension under the Police Pensions Regulations) should be given the opportunity to continue this claim under the same conditions.

Former officers

- 4.22 Following the introduction of the new arrangements, former officers should be given one year in which to request personalised information. Forces will have discretion to consider any request received after this time.
- 4.23 Wherever possible, Forces should provide former officers with personalised information within a month of receiving the initial application. If there is likely to be a significant delay in the provision of this information, Forces should consider providing officers with confirmation of receipt of the application.
- 4.24 From receipt of this personalised information, former officers should be given a further 3 months in which to make a formal claim for backdating payments. Forces will have discretion to consider any request received after this time.
- 4.25 Once a claim has been made and approved, Forces must ensure that the officer is informed as it affects the repayment procedures outlined in 4.29 onwards.
- 4.26 If a former officer dies after having applied for personalised information about backdating options and calculations of costs and benefits, the survivor (if eligible for a survivor's pension under the Police Pensions Regulations) should be given the opportunity to continue this claim under the same conditions.

Procedures for repayment

4.27 There are different procedures for the repayment of additional pension contributions for serving and former officers

Serving officers

4.28 Serving officers have the option to either:

- Repay the cost of additional contributions as a series of periodical contributions spread over future years of service; or
- repay the cost of additional contributions in a lump sum (deducted from pay) within 6 months of the approved claim date or before the Benefit Crystallisation Event if sooner. A Benefit Crystallisation Event is the point at which a payment of a benefit under a registered pension scheme occurs.

4.29 The repayment of periodical contributions can be spread across a maximum of 3 years. An officer should be allowed to choose the exact repayment period as long as it is within this time limit. If permanently leaving the force, an officer should be allowed to pay off by lump sum any amount that remains outstanding as future periodical payments before his or her last day of service.

4.30 Where an officer is within 6 months of retirement and chooses to commence the process as a serving officer (see 4.21), the officer concerned must repay the cost of additional contributions before the Benefit Crystallisation Event.

4.31 If an officer leaves the service prior to the complete repayment of backdated contributions (and is unable to pay outstanding contributions as a lump sum as offered in 4.30), the officer concerned is entitled to receive the additional pension award on a pro-rata basis.

4.32 If a serving officer dies after having commenced periodical repayments of backdated contributions, the full benefit will be credited.

4.33 If an officer has served for more than one Force since 1 July 2000 (or earlier date in the case of a legal claim), the claim must be dealt with by the Force for whom the officer currently serves. Previous forces must assist the current force in the verification of an officer's claim and the provision of information where required. This should still be applied even if the officer is transferring between GB / PSNI forces.

4.34 The repayment of these contributions is exempt from the limit of 15% of pensionable pay or total emoluments.

4.35 Forces should ensure that benefit statements accurately reflect the backdating arrangements. If an officer chooses to repay contributions by periodical contributions, the benefit statement must note the extent to which this service has been included (if all of the additional service being bought back has been credited, the note should point out that it will be subject to pro-

rating if contributions are not paid in full other than in the event of the officer's death).

Officers on/commencing career breaks

- 4.36 A different procedure will apply to officers already on career breaks. Officers must choose whether to:
- commence repayment of additional contributions as a lump sum or periodical contributions while still on career break (as detailed in 4.28)
 - defer repayment until returning to the force
- 4.37 Officers that have already commenced repayment of contributions by periodical repayment but choose to temporarily leave the force on a career break must either:
- repay any outstanding contributions as a lump sum prior to leaving;
 - continue repayments while still on career break
 - suspend remaining periodical repayments and defer repayment until returning to the force. In this circumstance, the three year time line for repayment can be extended as necessary. If an officer then permanently leaves the service prior to the complete repayment of backdated contributions (and is unable to pay outstanding contributions as a lump sum as offered in 4.29), the officer concerned is entitled to receive the additional pension award on a pro-rata basis.
- 4.38 If an officer chooses to defer or suspend repayment until returning to the force, he or she will not be eligible for the conditions of 4.32 and is responsible for reconfirming the claim for backdated payments within 3 months of rejoining the force.

Former officers

- 4.39 Former officers must:
- repay the cost of additional contributions in a single lump sum within 6 months of the approved claim date
- 4.40 Pension contributions for previous additional service must be paid in full before additional pension awards can be put into payment.
- 4.41 Interest will be paid on any backdated pension which becomes due under these arrangements if the award is not paid within three months of the date on which it should have been paid had the officer retired with the added pensionable service he or she has purchased. Please see below for an example of this arrangement.

Officer X was originally entitled to a monthly pension on £1000. However, having purchased some previous additional service, the officer is now entitled to a monthly pension of £1020. If Officer X has not been repaid the extra £20 per month within three months of retirement, interest becomes due on this sum.

- 4.42 Calculations of interest on back-payments should be calculated at the fixed rate of 5% per year, compounded with yearly rests. Further guidance on how the interest should be calculated is available at Annex A of SPPA Circular 2005/5.
- 4.43 When the additional benefits purchased by former officers come into payment, there will be a fresh Benefit Crystallisation Event (BCE) in respect of them. This BCE will need to be tested against the individual's Lifetime Allowance (LTA).
- 4.44 Officers who received a tax-free retirement lump sum under PPS commutation provisions should be given the opportunity to commute part of the additional pension into a lump sum. This should be calculated according to original commutation factors.
- 4.45 Administrators should note the tax implications for those receiving such backdated payments since they could be liable for a higher rate of income tax on the payments than would have been the case if they had received them when they fell due. If such a situation does occur, it may be possible to count some of the back-payments for tax purposes as if they had been paid at the time they fell due and therefore be taxed at the appropriate rate. Recipients of the payments should be advised to pursue this with HMRC.
- 4.46 If a former officer has not been in employment/self-employment during the tax year in which backdated contributions are paid, the officer will not be eligible for tax relief. Likewise, any contributions paid by an individual over 75 are specifically excluded from tax relief. For further information, please see the HMRC guide on taxation available at Home Office Police Pensions website.
- 4.47 If an officer has served for more than one Force since 1 July 2000 (or earlier date in the case of a legal claim pre-dating 1 July 2006), the claim must be dealt with by the Force for whom the officer most recently served. Previous forces must assist the current force in the verification of an officer's claim and the provision of information where required. This should still be applied even if the officer is transferring between GB / PSNI forces.

Impact of Options Exercise

- 4.48 Officers that have recently transferred from the 1987 Police Pension Scheme on to the New Police Pensions Scheme will need to have their transferable service recalculated in the light of the retrospective changes of the pensionable status of part-time hours and according to original contribution and accrual rates.

Section Five: Enquiries

If you have any enquires or require further explanation please contact:

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