

**EXPLANATORY MEMORANDUM TO**  
**THE POLICE PENSIONS (EMPLOYER CONTRIBUTIONS) (AMENDMENT)**  
**REGULATIONS 2019**

**2019 No. 1049**

**1. Introduction**

- 1.1 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 These Regulations increase the employer contribution for pensions payable in respect of police officers in England and Wales to ensure that the Scheme – which does not hold any assets – continues to be able to meet pension payments that become due.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 None.

*Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*

- 3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

**4. Extent and Territorial Application**

- 4.1 The extent of this instrument is England and Wales.  
4.2 The territorial application of this instrument is England and Wales.

**5. European Convention on Human Rights**

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

**6. Legislative Context**

- 6.1 There are four sets of regulations affected by this instrument. These are:
- The Police Pensions Regulations 1987, made under sections 1 to 7 of the Police Pensions Act 1976.
  - The Police Pensions Regulations 2006, made under sections 1 to 7 of the Police Pensions Act 1976.
  - The Police Pension Fund Regulations 2007 make provision, amongst other things, for the payment into a pension fund of contributions payable by employers towards pensions under the 1987 and 2006 Regulations.
  - The Police Pensions Regulations 2015 (“the 2015 Regulations”), made under section 3 of the Public Service Pensions Act 2013.

## **7. Policy background**

### *What is being done and why*

- 7.1 The employer contribution rate for the pension schemes that apply to police officers in England & Wales is being increased from 21.3% to 31% from 1 April 2019. That this change is happening now is as a result of an actuarial valuation of the (unfunded) police pension scheme. The size of the percentage change is also the direct result of the routine valuation process, which is described further below.
- 7.2 The scheme is subject to actuarial valuation every four years. The purpose of that valuation is to assess the size of liabilities already accrued and those that will be accrued in the future, so that total contributions (from employers and employees) can be set at a level to reflect these rights. It is important to note that the Police schemes are ‘unfunded’, i.e. it holds no assets. A simple explanation of what this means in practice is that the pensions that are being paid now are being funded by the contributions that are being made now.
- 7.3 Regulation 197 of the Police Pensions Regulations 2015 describes how the scheme actuary is to be appointed and actuarial valuations must be done. This regulation requires that valuations are undertaken in accordance with HM Treasury directions under section 11 of the Public Service Pensions Act 2013. The directions prescribe certain assumptions that must be used in the calculations. The result of the valuation is a new employer contribution rate for the scheme in question; this rate is valid until the next valuation comes into effect.
- 7.4 The increase in employer contributions to 31% means an increase in pension costs to police forces. Though at the higher end of the range, these employer contribution levels are broadly in line with the rates paid for other public service and civil service pension schemes. The Minister for Policing and the Fire Service wrote to Police and Crime Commissioners and Chief Constables in February 2019 to request that they pay the 31% rate with effect from 1 April 2019. In effect, PCCs and Chief Constables have implemented the change administratively in anticipation of the regulations, which were available in draft form prior to 1 April 2019. Nonetheless, the employer contribution rate is written into the regulations governing the police pension schemes, and therefore any change needs to be reflected in those regulations.

## **8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union**

- 8.1 This instrument does not relate to withdrawal from the European Union.

## **9. Consolidation**

- 9.1 This instrument makes reasonably limited amendments to the regulations listed at paragraph 6 above and this is not considered to be a suitable opportunity to consolidate these amendments with other amendments made to those regulations.

## **10. Consultation outcome**

- 10.1 It would have been preferable to have amended the regulations in advance of 1 April 2019. However, the unexpectedly tight timetable around the finalisation of the valuation reports, including revised directions, meant that there would have been no time for proper consultation with stakeholders. On balance, it was decided that allowing time for proper consultation was more important, and introducing changes

later than 1 April 2019, particularly when it was known that employers were aware of the planned change to contribution rates.

- 10.2 Under section 1(1) of the 1976 Act, the Secretary of State is required to consult the Police Advisory Board of England and Wales (PABEW) before making these regulations, and under section 1 (1ZB) of the 1976 Act the Secretary of State must invite the views of the Northern Ireland Policing Board and the Police Association of Northern Ireland.
- 10.3 Under S.21 of the Public Services Pensions Act 2013 the Secretary of State is required to consult those likely to be affected – this is achieved through consulting the PABEW.
- 10.4 Consultees did not raise any technical issues on the proposed draft regulations. They did, however, raise questions on the wider policy behind the change, particularly the issue of how the change to the contribution rates might impact on police force finances and funding for future financial years. It was clarified that the Government Actuary's Department's valuation followed the directions set by HM Treasury, in accordance with the rules that govern valuations of public service pension schemes. It was also confirmed that after the financial year 2019/20 (for which HM Treasury provided some additional funding for police forces), future years will be considered as part of the spending review.

## **11. Guidance**

- 11.1 No Home Office guidance is to be issued on this instrument.

## **12. Impact**

- 12.1 There is no impact on business, charities or voluntary bodies.
- 12.2 The impact on the public sector is limited to policing. The total additional cost to policing in 2019-20 of the increased employer contributions in the police pension schemes is estimated to be £302 million. Police and Crime Commissioners have been provided with additional grant funding of £153 million this year to help fund this increase. Police funding is increasing by more than £1 billion this year including council tax, additional funding for pensions and serious violence funding. Funding for 20/21 and beyond will be determined as part of the forthcoming Spending Review
- 12.3 An Impact Assessment has not been prepared for this instrument, as it relates only to the police pension schemes and no significant impact on business, charities or voluntary bodies is foreseen.

## **13. Regulating small business**

- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

## **14. Monitoring & review**

- 14.1 Outside of the valuation process described above, there are no proposals to actively monitor or review the outcome of the changes made by this Statutory Instrument.
- 14.2 The regulation does not include a statutory review clause.

## **15. Contact**

- 15.1 Sara Alderman at the Home Office; telephone 020 7035 1920 or email [sara.alderman@homeoffice.gov.uk](mailto:sara.alderman@homeoffice.gov.uk) can be contacted with any queries regarding the instrument.
- 15.2 Peter Spreadbury, Deputy Director for the Police Workforce and Professionalism Unit at the Home Office, can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Nick Hurd, Minister of State for Police and the Fire Service at the Home Office, can confirm that this Explanatory Memorandum meets the required standard.