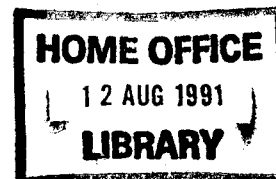




**HOME OFFICE**  
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Your reference

The Clerk to the Police Authority  
The Chief Constable

Our reference

POL/89 500/16/2; POL/90 506/1/1;  
Date FIN/91 182/135/1  
2 August 1991

Dear Sir or Madam

**HOME OFFICE CIRCULAR NO 55/1991 - POLICE PENSION SCHEME**

This circular gives advice to police authorities about the following pensions matters. One item in particular (Section B) requires prompt action by superannuation officers and the circular should therefore be passed on to the appropriate section as soon as possible.

**A. The Police Pensions (Additional Voluntary Contributions) Regulations 1991 - (SI 1991 No 1304)**

2. Home Office Circular No 83/1990 introduced arrangements which enable police officers to pay additional voluntary contributions (AVCs) to The Equitable Life Assurance Society to improve their benefits under the Police Pension Scheme. At that stage it had not been possible to make the Regulations owing to the requirement to obtain formal Inland Revenue approval for the AVC Scheme. In order not to delay the arrangements unduly authorities were asked to start the AVC Scheme administratively on the strength of the draft Regulations. The Regulations have now been made (copy enclosed). The provisions came into force on 1 July 1991 but have retrospective effect to 6 April 1990.

3. The AVC Scheme has been approved by the Superannuation Funds Office and has "exempt approved" status for the purposes of Section 592 of the Income and Corporation Taxes Act 1988. Approval applies from 6 April 1990. One of the conditions attached to the Inland Revenue approval is that the SFO should be notified of any appeal which may arise under the provisions of regulation 17 (appeals to a Crown Court) of the AVC Regulations. The Home Office has undertaken to pass on the details of any such cases to the SFO. It is thought extremely unlikely that there will be any appeals but please could arrangements be made to inform this office at an early stage where an appeal action arises.

4. The enquiries which have been received suggest that further guidance may be required to help in monitoring cases against the Inland Revenue benefit limits. The general approach was explained in paragraph 13 of the earlier circular. Clarification can be found in the attached note (Annex A). Authorities will wish to note that the SFO are being asked to review the policy whereby contributions from officers who stand to complete 30 years' pensionable service below age 50 are automatically ruled out. Details of any resulting change in the arrangements will be circulated as soon as possible.

**B. The Police Pensions (Amendment) Regulations 1991 - (SI 1991 No 1517)**

5. Attention is also drawn to the above Regulations (copy enclosed) which came into force on 1 August 1991. Certain minor changes in respect of the transfer value arrangements are made to the Police Pensions (Amendment) Regulations 1990 which were issued to authorities on 11 May 1990 with Home Office Circular No 43/1990. The point of each provision is explained in the attached note (Annex B). Authorities were forewarned about the main change (under paragraphs (1)(a) and (2)(a) of regulation 3) in Section E of Home Office Circular No 20/1991 which issued on 22 March 1991.

6. In view of the retrospective nature of most of the transfer value provisions it has been necessary to protect the interests of those who had left the service or died during the intervening period against any adverse effect. This is a requirement of section 3(2) of the Police Pensions Act 1976. The Regulations allow a period of 3 months for elections that the amendment should not apply in such cases. The particular provisions in the 1990 Regulations for which it cannot safely be assumed that there is no adverse effect are mentioned in the notes on regulation 4 in Annex B. Regulation 2 of the 1991 Regulations could also conceivably have an adverse effect. Because of the complicated nature of these provisions individuals affected cannot reasonably be expected to recognise the circumstances in which an election may be appropriate. The onus therefore lies with authorities to make the necessary comparison and to draw attention to potential cases. An outline of the type of cases which need to be reviewed is in Annex C.

**C. Review of ill-health pension cases**

7. Authorities are reminded that under regulation K1 of the Police Pensions Regulations 1987 there is discretion to review the medical circumstances of retired officers who are receiving ill-health pensions to determine whether or not their disablement has ceased. This discretion applies only until such time as the person concerned would have completed 25 years' pensionable service (had they continued to serve) or reaches the age of compulsory retirement for their former rank. Where a person is found to be fit to resume police duties they must be given at least 3 months to decide whether or not to rejoin their force. Subject to the outcome of any appeal (a right of appeal exists under regulation H2 of the 1987 Regulations) the ill-health pension and any injury pension in payment would be cancelled. A person who decides not to resume duty would normally be eligible for a deferred pension from age 60.

8. The award of an ill-health pension depends on a decision by the force medical officer that an officer is disabled for duty and that the disablement is likely to be permanent. There will be cases where retirement is unavoidable although there remains a possibility of recovery in the long term. There can be no justification for paying an ill-health pension to a person who is not disabled for police duties, and authorities should carefully consider the application of regulation K1 in suitable cases.

**D. General**

9. This circular has no direct cost or manpower implications. An additional copy is enclosed for the information of the Chief Finance Officer.

Yours faithfully

*Peter Jones*

P W JONES

Finance Division 2

**POLICE PENSION SCHEME - ADDITIONAL VOLUNTARY CONTRIBUTIONS**

**Inland Revenue Limits**

1. Part III of Schedule 2 is intended to have effect only in respect of those who are death benefit contributors. Paragraph 10(4) of this Schedule will not have the effect of limiting the amount of the lump sum payable under regulation 14(2) to those who are basic contributors only. The full realisable value of their pension investments will be payable in the event of their death before retirement.
2. The Home Office has no plans to issue actuarial tables, or any computer-based method, to assist in the calculation of maximum Inland Revenue contribution or benefit limits as they might apply to particular cases. However, the attached calculation sheets set out the different calculations which need to be taken into consideration in determining the maximum levels which apply in a variety of circumstances.

# POLICE (AVC) SCHEME

Pensionable pay	£17655.00
Remuneration (taxable earnings)	£25167.00
Service in years to retirement	27.9671
Service in years to age limit	27.9671
Police pension (before commutation)	£10573.64

## MAXIMUM AVC CONTRIBUTIONS

The lesser of (A-B-C) and D (annual rate)	£ 1833.52
A 15% of remuneration	£ 3775.05
B Contributions to other AVC scheme	£ 0.00
C 11% of pens pay less 1p a week (+ pre 72)	£ 1941.53
D Amount to provide maximum benefits	£ 3775.05
A - B - C	£ 1833.52
Maximum monthly AVC contributions £ 152.79	

## MAXIMUM BENEFITS

Retires at age limit	
Permitted amount: the greater of E and F	£16778.00
E 1/60 of final remuneration x years to 40	£11730.80
F Lesser of G and H	£16778.00
G 1/30 of final remuneration x years to 20	£16778.00
H 2/3 of final remuneration - retnd. benfts.	£16778.00
Retires after age limit	
Permitted amount: the greater of J, K and L	£16778.00
J Permitted amount as at later date	£16778.00
K Permitted amount increased as necessary	£16778.00
L Only relevent if 40 + years service.	
Retires before age limit Permitted amount:	
The greater of (M + R) and (N/P x Q) + R	£16778.00
M 1/60 of final remuneration x years to 40	£11730.80
N Number of years in M	27.9671
P Number of years to age limit	27.9671
Q Permitted amount as at age limit	£16778.00
R Appropriate increase	0.00
(M + R)	£11730.80
(N/P x Q) + R	£16778.00

# POLICE (AVC) SCHEME

Pensionable pay	£21165.00
Remuneration (taxable earnings)	£28167.00
Service in years to retirement	27.9671
Service in years to age limit	27.9671
Police pension (before commutation)	£12675.79

## MAXIMUM AVC CONTRIBUTIONS

The lesser of (A-B-C) and D (annual rate)	£ 1897.42
A 15% of remuneration	£ 4225.05
B Contributions to other AVC scheme	£ 0.00
C 11% of pens pay less 1p a week (+ pre 72)	£ 2327.63
D Amount to provide maximum benefits	£ 4225.05
A - B - C	£ 1897.42
Maximum monthly AVC contributions £ 158.12	

## MAXIMUM BENEFITS

Retires at age limit	
Permitted amount: the greater of E and F	£18778.00
E 1/60 of final remuneration x years to 40	£13129.16
F Lesser of G and H	£18778.00
G 1/30 of final remuneration x years to 20	£18778.00
H 2/3 of final remuneration - retn. benfts.	£18778.00
Retires after age limit	
Permitted amount: the greater of J, K and L	£18778.00
J Permitted amount as at later date	£18778.00
K Permitted amount increased as necessary	£18778.00
L Only relevant if 40 + years service	
Retires before age limit Permitted amount:	
The greater of (M + R) and (N/P x Q) + R	£18778.00
M 1/60 of final remuneration x years to 40	£13129.16
N Number of years in M	27.9671
P Number of years to age limit	27.9671
Q Permitted amount as at age limit	£18778.00
R Appropriate increase	0.00
(M + R)	£13129.16
(N/P x Q) + R	£18778.00

**THE POLICE PENSIONS (AMENDMENT) REGULATIONS 1991**

Regulation 1 is the usual legal preamble.

Regulation 2 redefines the "material date" for the calculation of reckonable service on receipt of a transfer value in a "non-club" case. This will only be the date of receipt of the transfer value where this falls more than 12 months after the date of joining the police. At present Schedule F, Part IV, Section 2, paragraph 4 defines the material date as the later of:-

- (a) the date on which the person concerned last became a regular policeman; and
- (b) the date on which a transfer value was paid in respect of him under regulation F6(1) (c).

The proposed amendment makes the material date (a) above; or

- (b) the date on which the transfer value was received if more than 12 months later than the date at (a).

Regulation 3(1) amends regulation 3(6) of the 1990 Regulations so that:-

- (a) the comparison exercise in respect of service prior to 6 April 1988 applies only to transfers to "non-club" schemes in line with the general practice for public service pension schemes; and
- (b) the incorrect paragraph reference in sub-paragraph (b) is rectified.

Regulation 3(2) amends regulation 3(7) of the 1990 Regulations to similar effect.

Regulation 3(3) deals with the incorrect paragraph reference in regulation 3(8) of the 1990 Regulations.

Regulation 4 covers the possibility that the interests of someone who had already ceased to serve or died before the relevant provision took effect may be adversely affected by regulation 3 of the 1990 Regulations or by regulation 2 of the 1991 Regulations. As required by section 3(2) of the Police Pensions Act 1976 there will be an opportunity in such cases for an election that the relevant amendment should not apply. This has to be exercised within 3 months of the proposed Regulations coming into force.

The particular provisions of the 1990 Regulations for which it cannot safely be assumed that there is no possible adverse effect are regulations 3(2)(b) and (c). Under regulation 3(2)(b) the period of reckonable service, in relation to which a transfer value is paid on or after 6 April 1988 to the relevant police authority, has to be calculated in accordance with the new provisions of Schedule F of the Police Pensions Regulations 1987 (which were inserted by regulation 3(5) of the 1990 Regulations) rather than the existing provisions of that Schedule.

Regulation 3(2)(c) alters the test to be applied by police authorities in deciding whether or not to accept a transfer value relating to pension rights from a previous occupation. The test in question concerns the guaranteed minimum pension under the former superannuation arrangements. It is not possible to say with certainty that the new test will always be easier to satisfy than the old. If the person was unable, by virtue of the application of the new test, to reckon the former pensionable service, benefits under the Police Pensions Regulations 1987 would be less than if the old test had continued to apply.

1990 REGULATIONS

Regulation 3(2)(b)

Any case of transfer of pensionable service from a "non-club" scheme where the transfer value was received after 6 April 1988 and the person concerned had left the police service or died before 1 May 1990.

Regulation 3(2)(c)

Any case in which a person had after 6 April 1988 been refused a transfer of pensionable service from a "non-club" scheme because the transfer value failed to satisfy the new GMP test and had also left the service or died before 1 May 1990.

1991 REGULATIONS

Regulation 2

Any case of transfer of pensionable service from a "non-club" scheme where the transfer value was received after 6 April 1988 and the person concerned had left the police service or died before 1 August 1991. There must also have been an interval of less than a year between the person's date of joining the police and payment of the transfer value for there to be any possible adverse effect.