



Police Pension (Amendment No 2) Regulations (Northern Ireland) 2024

Consultation Response and Way Forward Document

Department of Justice
Safer Communities Directorate
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1. Introduction

- 1.1 This document is the post-consultation report for the consultation on the Police Pension (Amendment No. 2) Regulations (Northern Ireland) 2024, published on 27 September 2024 and closed to responses on 7 November 2024.
- 1.2 The report contains:-- :
- the background to the consultation
 - a summary of the consultation responses
 - the government response to the specific question asked and matters raised by respondents, and
 - next steps.

Legislative background

- 1.3 The [Public Service Pensions Act \(Northern Ireland\) 2014](#) (“2014 Act”) provides the legislative basis for pension scheme regulations to be made.
- 1.4 These regulations amend the [Police Pensions Regulations \(Northern Ireland\) 2015](#) (“2015 scheme”);
- 1.5 Section 22 of the 2014 Act, sets out the procedure to be followed in the event that the responsible authority, (DoJ, in relation to these scheme regulations) proposes to make changes that impact on elements of the scheme which are subject to enhanced protection, and which include employee contributions. These elements are protected from modification until 31 March 2040 (the protected period), unless the prescribed procedure is followed.
- 1.6 The requirements are twofold. Where a change is proposed to a protected element during the protected period, the responsible authority must consult those who appear likely to be affected, or representatives of those persons, with a view to reaching agreement and must lay a report before the Assembly.
- 1.7 The consultation sought the [views of representatives](#) of such persons as appear to the Department of Justice likely to be affected by these Regulations to ensure that the regulations and policies are based on an understanding of how these amendments affect members of the police pension scheme.

- 1.8. The Department received four consultation responses which included contributions from:
- i. Police Federation for Northern Ireland
 - ii. Superintendents' Association of Northern Ireland
 - iii. Chief Police Officers' Staff Association
 - iv. Northern Ireland Retired Police Officers Association
 - v. Northern Ireland Policing Board
 - vi. Police Service of Northern Ireland
 - vii. Northern Ireland Police Pensions Scheme Advisory Board.

Purpose of the consultation

- 1.9 The purpose of the consultation was to seek key stakeholder views on the Police Pension (Amendment No 2) Regulations (NI) 2024 which introduce a revised employee contribution rate and bandings to meet the 0.2% shortfall in yield identified in the 2020 Police Pension Valuation.
- 1.10. Based on the current member contribution rate structure, Government Actuary (GAD) calculations **projected that the yield** for the police pension scheme over the 2020 valuation **implementation period 2024 to 2027 was 13.5% p.a.** This is 0.2% pa lower than the target member contribution yield of 13.7% p.a.
- 1.11 DoF(policy) instructed DoJ (following HMT's lead for Home Office) that the 2020 valuation results **should reflect the target yield of 13.7% p.a.** and action should be taken by DoJ to ensure that the contribution structure is updated to attain the target yield.

2. Executive summary

2.1 On 27 September 2024, the Department launched the consultation on the draft Police Pensions (Amendment No.2) Regulations 2024.

2015 Police Pension scheme

2.2 In relation to the 2015 Police Pension scheme the proposed changes will amend the employee contribution rate (Regulation 169) to reflect the 2020 valuation, to ensure that the 2015 police pension scheme remains sustainable in the long term.

2.3 A key part of the Hutton reforms was to increase the proportion of costs that members meet, to ensure the interests of members, employers and taxpayers are being fairly considered. Increasing employer contributions (taxpayer funded for centrally funded employers) in order to make up for a shortfall in yield from member contributions, is not in keeping with that principle and would result in the continued undercharging of member contributions and is contrary to the policy objective of shared costs under the Hutton reforms.

3. Proposal consulted upon

The introduction of a revised employee contribution rate and bandings as a consequence of the 2020 Police Pension Valuation

Police Scheme Valuation 2020

- 3.1 Under the Public Service Pensions Act (NI) 2014 (2014 Act), the Scheme Advisory Board (SABNI)¹ forms part of the governance framework for the police pension scheme. Its role is to advise the Minister of Justice as to the desirability of changes to scheme design, regulations, policy implications of future valuation outcomes and adjustments to the scheme in the event that costs breach the employer cost cap.
- 3.2 The 2015 police pension scheme valuation was carried out in accordance with section 11 of the 2014 Act, following the methodology stipulated in the Public Service Pension (Valuations and Cost Cap) Directions (NI) 2023 (“DoF Directions”).
- 3.3 The 2020 Scheme Valuation conducted by GAD and [published on 12 December 2023](#), reported on the analysis of the 2015 police pension scheme in terms of scheme sustainability and affordability and made recommendations as to any requirements for change in scheme benefits including employer contribution rate and/or the employee contribution rate, for the period 1 April 2024 to 31 March 2027.

0.2% shortfall in the member contribution yield

- 3.4 GAD provided the SABNI with a presentation on the assumptions behind the 2020 valuation in May 2023 and on the provisional outcome of the 2020 scheme valuation, in September 2023, at which time a 0.2% shortfall in the member contribution yield was identified.
- 3.5 On 26 October 2023, SABNI met again to consider a solution to this shortfall in order to maintain the viability of the scheme. Members were advised that since their last meeting, Home Office engaged with HM Treasury (HMT) (on behalf of UK-wide police pension schemes) with HMT’s position being that schemes are required to achieve agreed contribution yields, otherwise the balance of the cost, would be shifted to the taxpayer. DoF support HMT’s position, further advising the police scheme that it was not appropriate for schemes to wait until the 2024 valuation to address the employee contribution yield shortfalls.
- 3.6 Given the current economic position and while noting that the cost cap had not been breached, SABNI acknowledged that on this occasion, scheme members would be required to meet this shortfall. However, mindful of the

¹ Established under regulation 15 of the Police Pensions Regulations (NI) 2015, the Police Scheme Advisory Board membership is drawn from the Policing Board and the PSNI and the Police Association.

approach being taken in England and Wales, Members were advised that the E&WSAB agreed approach was to defer the commencement of the increased payment of employee contributions to 1 April 2025 to allow for their existing contribution tiers to be reconsidered, which, in light of the recent pay award in England and Wales, had resulted in few if any, being eligible for tier 1 (which includes student and probationer officers.)

3.7 With that approach in mind, SABNI Members were asked to consider one of two options:-

- Option 1: To apply an increase of 0.2% to the employee contribution rate commencing 1 April 2024 and ending 31 March 2027; or
- Option 2: To defer the increase to 1 April 2025 and to apply an increase of 0.3% commencing 1 April 2025 and ending 31 March 2027 to meet the shortfall in the 2020 valuation; subject to the review of the existing employee contribution tiers here.

3.8 In October 2023, when giving consideration to both options SABNI members, while conscious that commencing on 1 April 2024 might appear to be the most viable option, acknowledged that delivery of this message could be problematic, given the position on police pay in Northern Ireland, at that time, and its divergence from the approach in England and Wales. For this reason, SABNI Members considered that the most pragmatic approach was to defer the contribution increase until 2025, given that this would allow time for the resolution of the police pay issue here and assist in the messaging of the increase to their membership.

3.9 In considering this issue, Members were also mindful of the following wider considerations:-

- that neither the Board/Chief Constable (in their role as employers) nor the Department were in a position to absorb the increase;
- that a requirement to meet the member shortfall from 1 April 2025 remained in the event that the pay issue was not resolved;

3.10 On 26 October 2023 SABNI members, being aware of their responsibility to the police pension scheme and the wider context into which this proposal had been laid, recommended the adoption of second option and to defer the member increase and apply the increase to meet the undershoot in member contribution commencing 1 April 2025, subject to the review of the existing employee contribution banding tiers. In the absence of an Assembly the Permanent Secretary agreed to the approach set out in the second option on 1 November 2023.

3.11 On 20 February 2024, Members were provided with a high-level GAD presentation considering potential scenarios that would address both the 2020 shortfall and review of the existing banding structure. The options presented to SABNI needed to ensure that the target of 13.7% for employee contributions identified for the Valuation period 2024 – 2027 was achieved.

3.12 Further discussion took place at the SABNI on 14 May 2024 with GAD in attendance, at which (based upon the 2020 valuation data), a GAD calculator illustrated how various options in changes to pay bands or tiers might impact upon the repayment increase for Members in order to achieve that 0.2% shortfall.

SABNI Recommendation

3.13 SABNI Members wrote to the Minister on 25 July 2024 with their proposed approach to the recovery of the shortfall in the member contributions identified in the GAD 2020 police pension scheme valuation, for the period 1 April 2024 to 31 March 2027, by the application of the increase from 1 April 2025 to 31 March 2027 as set out in Table 1, being the option with the least impact upon the pension scheme membership.

3.16 SABNI Members also ask that the Minister consider agreeing to its proposal to undertake a review of member and employer contributions at each scheme valuation, in order to ensure the continuing viability of, and to future proof, the 2015 police pension scheme.

3.17 The Minister in her response of 9 August 2024 agreed in principle to the SABNI recommendation.

Next steps

3.18 The draft Police Pension (Amendment No. 2) Regulations (NI) 2024 seeks to amend the 2015 Police Pension Scheme, in order to address the shortfall of 0.2% in the yield of employee contributions, following the 2020 Police Pension Scheme valuation.

3.19 In order to ensure the future viability of the 2015 scheme, SABNI also agreed to review the employee contribution rate at each subsequent scheme valuation. The 2024 scheme valuation is currently underway and is anticipated to report to the Department sometime in 2026, at which point the Scheme Advisory Board will review the employee bandings and contributions payable from 1 April 2027 onwards.

4. Department's response to the Consultation

- 4.1 The consultation was published on the DoJ website and ran from 7 November to 20 December 2023. A link to the consultation was also issued to policing stakeholders inviting their participation.
- 4.2 A total of four responses to the consultation paper were received on behalf of police employer and employee representative organisations. One response was received from a member of the police pension schemes.
- 4.3 Respondents were asked to consider one question related to the proposed changes and indicate if they felt the Department's proposed amendments to the policy area achieved their purpose.

4.4 Question Employee Contributions:

As a result of the 2020 Police Pension Valuation, do you agree to the approach being taken to revise the employee contribution rates and bandings to address a 0.2% shortfall in the employee contribution yield.

Summary of Respondents Commentary

- 4.5. As a consequence of the Police Pension 2020 Valuation, SABNI members agreed to an increase in the employee contribution rate and amendment of the banding structure from 1 April 2025, in the interest of affordability and sustainability of the police pension scheme.
- 4.6 Both CPOSA and PFNI agree that the revision of the employer contribution rate will ensure the long-term sustainability of the pension scheme. Indeed PFNI acknowledged that "the new employer rate will leave a 0.2% shortfall in the employee contribution rate which will have to be rectified at a later date". SABNI members also agreed that measures will be required to rectify this shortfall from April 2025.
- 4.7 In discussion the Police Federation were clear that any solution had to reflect the best member outcome in terms of the increase. This approach was supported by other SABNI Members, and it was agreed to reduce the banding from three to two for the period 1 April 2025 to 31 March 2027 as being the best option to provide the least impactful increase to scheme members.

4.8 However in their response to the consultation the Police Federation advised that they were not content with their previous agreed approach and drew the Department's attention to the proposals being put forward by police pension schemes in Great Britain and sought for the police scheme here to replicate that approach.

DoJ response

4.9 The Department has considered the consultees responses and having noted as a consequence of the Police Pension Valuation 2020 to the banding and increase in the employee contribution is necessary to ensure the sustainability of the 2015 scheme for its members will take effect from 1 April 2025.

4.10 Conducting quadrennial actuarial valuations forms a key part of assessing the cost of public service pension schemes, their long- term affordability to the taxpayer and fairness for members. It is important that the full costs of the schemes are recognised and met as pension liabilities are incurred.

4.11 The SABNI representatives noted the [NI Police Pension 2020 Valuation reports](#) in October 2023. As part of that process, they recognised that the 0.2% shortfall in the employee contribution rate identified during the Valuation process will require rectification during 2024-2027 period and will form a broader piece of investigative work by the Government Actuary Department (GAD).

4.12 DoJ Officials met with the Home Office and Scotland on 4 November 2024, their position with regard to HM Treasury flexibility on the 13.7% employee contribution shortfall was not outlined in that meeting.

4.13 However the Police Federation Consultation Response on 7 November 2024, advised that the recovery of underperformance (the retrospective element for 1 April 2024 -31 March 2025) was not being applied in the comparative police schemes in England, and Wales (and Scotland) and that a 0.24% increase would meet the yield using the 2020 valuation.

4.14 Subsequent engagement with the Home Office and Scotland confirmed this. It is noted that the change in HMT's approach may be resultant from a change in government.

4.15 DoJ officials wrote to the Department of Finance (DoF) on 8 November 2024 seeking approval to exclude the recovery of underperformance in the Northern Ireland police pension scheme akin to the policy approach being applied to police schemes in Great Britain (i.e. not seeking to recover employee contributions for the 2024 year), and based upon the GAD advise that no recovery of underperformance would be required in order to maintain interoperability between the police pension schemes.

- 4.16 On 25 November 2024, DoF (having consulted with HMT) approved the Department's proposed handling of the police employee contribution shortfall, to exclude the recovery of underperformance for 2024-25 in the police pension scheme similar to the policy approach applied to police schemes in Great Britain.
- 4.17 The Department sought and received the Minister's approval to revise the employee contribution rates from 0.33% to 0.24% from 1 April 2025 to 31 March 2027 to maintain the police pension scheme's unique position with regard to interoperability between the UK wide police schemes and will reflect the best outcome for Police Pension Scheme members.

5. Impact Exercises

Equality

- 5.1 Section 75 of the Equality Act (NI)² statutory duties aim to encourage public authorities to address inequalities and demonstrate measurable positive impact on the lives of people experiencing inequalities. Its effective implementation should improve the quality of life for all of the people of Northern Ireland.
- 5.2 Section 75 requires public authorities to have due regard for the need to promote equality of opportunity between:
- persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation
 - men and women generally
 - persons with a disability and persons without
 - persons with dependants and persons without
- 5.3 The Department has carried out an Equality Impact Assessment ('EQIA') screening exercise when considering the drafting of these regulations. The purpose of this screening was to identify those policies that are likely to have an impact on equality of opportunity and/or good relations and so determine whether an EQIA was necessary.
- 5.4 In particular the screening concluded that in the draft regulations proposed all members will have equal access to scheme, irrespective of any protected characteristic that may apply to them. On the basis of this conclusion a full EQIA was screened out and published on 30 September 2024.

Data Protection

- 5.5 The Department have carried out a Data Protection Impact Assessment ('DPIA') screening when considering the drafting of these regulations. As these draft regulations do not require the Department to process individual's personal information a full DPIA has been screened out.

² Section 75 of [Northern Ireland Act 1998 \(legislation.gov.uk\)](https://legislation.gov.uk)

Rural Communities

- 5.6 The Department give consideration to a Rural Needs Impact Assessment as part of the implementation of these proposed regulations. It identified that there would be no significant adverse or differential impact on people living in rural communities compared with those in an urban setting.

6. Conclusion and next steps

- 6.1 Having considered the responses to this consultation, the Department has sought the Minister's approval for the reduction in the employee contribution rate from 0.33% to 0.24% and has revised the draft regulations to reflect this.
- 6.2 The Department have engaged with Northern Ireland Policing Board and the Police Service of Northern Ireland who now have the opportunity to make the necessary process changes in advance of these Regulations coming into operation on the 1 April 2025.
- 6.3 DoJ will seek approval from the Department of Finance under section 3(5) of the 2014 Act to the making of these Regulations.
- 6.4 Subject to the Justice Committee's consideration at SL1 stage, officials will seek the Minister's approval to the making of the Police Pension (Amendment No.2) Regulations (Northern Ireland) 2024.

7. Contact Details

Further copies of this report and the consultation paper can be obtained by contacting the address below:

Email: PPHRPBConsultations@justice-ni.gov.uk

DoJ Police Policy Human Resources Branch
Knockview Buildings
Stormont Estate
Belfast BT4 3SG

Alternative Format

If it would assist you to access the document in an alternative format or language other than English, please contact Police Policy Human Resources Branch who will attempt to assist you.

Complaints or comments:

If you have any complaints or comments about the consultation process, you should contact the Department at the above address.

Annex A - Glossary of terms

Term	Meaning
Active Member	An individual who joined the police pension scheme and is earning benefits under the Scheme (active member),
Police Pension Scheme 2015	The Pension Scheme for police officers who join the force from 1 April 2015, Since 1 April 2022 it is the only pension scheme available to Police Officers.
Police Scheme Advisory Board	The Police Pension Scheme Advisory Board is statutory board which provides advice to the Department of Justice on the desirability of any changes to the police pensions scheme. Members are appointed by an independent chair and include the Police Staff Association, the PSNI and the Northern Ireland Policing Board.
Scheme Manager	The Scheme Manager is responsible for managing and administering the police pension schemes. Individual forces are the Scheme Managers for the police pension schemes. Whilst authority is delegated to administrators, overall responsibility remains with the Scheme Manager.
Scheme Valuation	An actuarial valuation of the police pension scheme every four years which forms a key part of assessing the cost of the police pension scheme as to its fairness for members and its long-term affordability to the taxpayer.