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Dear John

Long term reform of police officer pensions

I am writing to you about reform of police officer pensions in the light of Tom Winsor's Review of Police Officer and Staff Remuneration and Conditions.

We need a long-term solution to the increasing costs of public service pensions that is fair to public servants and other taxpayers. Police officers make a vital contribution to society by committing their working lives to supporting and protecting their communities and it is crucial that they receive a pension on retirement that reflects this.

As you know, the Chancellor commissioned a review of public service pensions and asked Lord Hutton of Furness to chair the Independent Public Service Pensions Commission. In March last year, the Government accepted his recommendations as the basis for consultation, recognising that the position of the uniformed services including the police would require particularly careful consideration.

I asked Tom Winsor to consider Lord Hutton's findings concerning the normal pension age for police officers. The final Winsor Report recommends a normal pension age of 60, in line with Lord Hutton's original recommendation.

Consistent with this recommendation, my proposal for reform of police pensions is based on a normal pension age of 60, subject to regular review, and an accrual rate of 1/57ths. This accrual rate is five per cent more generous than that for the main public service schemes, and reflects the unique nature of a police officer's role and the comparatively high levels of employee contributions police officers pay. It gives a cost ceiling of 28 per cent of pay (compared to around 22 per cent in the main schemes).

	Cost ceiling (% of pay)	Taxpayer contribution (% of pay)	Employee contribution (% of pay)
Police Pension Scheme (England and Wales)	28.0	14.3	13.7

This scheme design will meet the Government's commitment that low and middle earners working a full career will receive pension benefits at least as good, if not better, than they get now. The Government will continue to pay more towards the scheme than the workforce do.

The Government's objective remains to protect those within ten years of normal pension age so that they see no change in when they can retire nor any decrease in the amount they receive at their current normal pension age. In the context of this commitment and the special circumstances of members of the 1987 Police Pension Scheme, transitional protection will be extended to officers in that scheme who, at April 2012 are aged 45 or over, or are aged 40 and over and who are ten years or less away from being able to retire on a maximum, unreduced pension.


The 2006 New Police Pension Scheme has an explicit normal pension age of 55. Therefore, for this scheme the protection will be applied to members aged 45 or over.

In addition, the Government is offering a generous proposition on recognising expectations of double accrual for members of the 1987 scheme who move to the new 2015 scheme. Their full service upon retirement will be used to calculate the averaged accrual rate applied to their service up to 2015 in the 1987 scheme.

The Government's preferred design for the reformed police pension scheme is given at Annex A to this letter. I would ask that members of both Sides of the Police Negotiating Board (PNB) consider this proposal and respond by 22 June 2012. During this time my officials will engage in detailed discussion with PNB members on all aspects of this proposal and respond to any alternative suggestions. Annex A lists the elements of the scheme where there is flexibility to depart from the preferred design. I hope that the PNB will be able to achieve agreement on the main features and principles of a new scheme by the end of this consultation period.

In common with the reforms that are being developed across public service pension schemes, the Government is committed to ensuring that police pensions are affordable and sustainable for the future. Police officers will continue to have access to pension schemes that are among the very best available.

I am copying this letter to Ian Rennie and Sarah Messenger.

Yours sincerely


The Rt Hon. Theresa May MP

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Annex A: Government's preferred scheme design for police officers

1. The Government's preferred design for a new pension scheme for police officers is consistent with the recommendations of Lord Hutton's Independent Public Service Pensions Commission and Tom Winsor's recommendation on normal pension age. The cost ceiling has been set as the contribution rates required for this scheme.

2. The preferred scheme design for the police pension scheme is as follows:

- a) a career average revalued earnings (CARE) pension scheme;
- b) an accrual rate of 1/57ths;
- c) a normal pension age of 60;
- d) earnings revaluation of past CARE service for active members;
- e) pensions in payment and in deferment indexed by CPI;
- f) average member contributions should be assumed to be 3.2 percentage points above their current weighted average level;
- g) no fixed lump sums, optional commutation, with a 12:1 factor for converting pension to lump sum;
- h) ancillary benefits (ill-health, death and survivors benefits) that match provision in schemes that are currently open to new members (e.g. a lower tier ill health pensioner receives an unreduced CARE pension; a partner receives same proportion of member's pension as now, based on member's pension after any optional commutation);
- i) members rejoining after a period of deferment of less than five years can link new service with previous service, as if they had always been an active member (so previous accruals are indexed by earnings for that period of deferment); and
- j) members transferring between public service schemes would be treated as having continuous active service (which would include those transferring between schemes who had rejoined public service after a gap of less than five years).

3. The following elements of the scheme are for discussion during the course of the consultation period:

- accrual rate;
- revaluation for active members;
- revaluation for deferred members;
- employee contribution rates (although the Government is committed to meeting the savings target set out at the Spending Review of £2.8bn a year by 2014/15);

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- ancillary benefits;
- rejoiners;
- transferees from Club schemes;
- early and late retirement on a cost neutral basis;
- abatement in existing schemes (current scheme rules apply);
- start date of April 2015; and
- transitional protection (taking full account of equalities impacts and legislation, while ensuring that costs to the taxpayer in each and every year do not exceed the Office for Budget Responsibility forecasts for public service pensions).