

We've been asked a number of questions by concerned Police Officers following the changes announced by the Home Secretary on 4 September 2012 to the Police Pension scheme and have therefore put together this factsheet, to help you understand the changes and how they'll affect you.

Key features of the reform

The following reforms were announced by the Home Secretary, however it should be noted that discussions are ongoing in respect of certain elements of the 2015 scheme and are therefore subject to change.

- Benefits built under final salary arrangements will receive statutory protection and be linked to the member's final pensionable remuneration, in accordance with the rules of the member's current scheme. 'Final salary' is the pensionable remuneration at the point an Officer retires or decides to leave the pension scheme, not their salary at the point they move to the new scheme.
- There are **no changes** to the pension age or the amount received at retirement for:
 - PPS members who, as of 1 April 2012, have 10 years or less to age 55 or have 10 years or less to age 48 and are 10 years or less from a maximum unreduced pension; and
 - NPPS members who as of 1 April 2012, have 10 years or less to age 55
- The new pension scheme will be introduced from April 2015. This will operate on a 'career average' basis (CARE). The minimum salary included for career average benefits will be the salary at entering the scheme, not the average salary in service to date. So, in effect, the career average element of an Officer's benefits will not be pulled down by time spent in more junior ranks.
- Under the new scheme the Normal Pension Age will be 60. If Police Officers retire between age 55 and 60, they will be able to take an actuarially reduced pension payable immediately.
- The average member contribution is expected to be 13.7% pa gross.
- The accrual rate will be 1/55.3ths or approximately 1.81% of pensionable earnings each year.
- In order to reflect that the PPS scheme offered 2/60th's accrual between years 20 and 30, the calculation of an Officer's eventual pension benefits will include an element of 'weighted accrual' for service within the PPS. This will be 1/45th for Officers who have completed 30 years service. For those Officers who retire before completing 30 years service, weighted average will be a fraction other than 1/45th. The NPPS has a single accrual rate throughout, so weighted accrual will not apply to officers in this scheme.
- Revaluation of active members benefits will be based on Consumer Prices Index (CPI) + 1.25%. This is the rate that existing benefits are increased year on year.
- Pensions in payment and deferred benefits will increase in line with CPI.
- Officers will **not** be able to take their PPS pension at 30 years service and continue to pay into the CARE pension. In order to take the PPS pension, they will need to retire. If they retire and rejoin, abatement rules will be applied.
- Optional lump sum commutation at a rate of £12 for every £1 per annum of pension foregone in accordance with HMRC limits and regulations (this commutation rate is lower than that available in the current scheme due to the later normal pension age)
- The Home Office has developed a pension reform calculator to work out how the new Police Pension scheme will affect Officers benefits. It can be found at <http://www.homeoffice.gov.uk/publications/police/new-pension-docs/calculator>

Frequently asked questions

How are my benefits affected by the reforms?

If you are within 10 yrs of your 'normal retirement age' – You will receive transitional protection and your retirement benefits are unaffected by the changes announced on the 4 September.

If you are 10 – 14 yrs from your 'normal retirement age' – You will benefit in part from transitional protection (known as 'tapered' protection, see below) at a level that is dependent upon how close to qualifying for full protection you are.

Greater than 14 years to retirement – You will transfer to the new 'career average' scheme in April 2015 for all future benefit accrual. All existing final salary accrual will be protected.

How does 'tapered' protection work?

Officers who are within 4 years of qualifying for 'transitional' protection will benefit from 'tapered' protection. This will give them an additional 53 days of final salary benefit for each month they are closer to qualifying for 'transitional' protection. Below are a few examples of how 'tapered' protection works:

- If you were 10 years and 1 month from your normal pension age at 01/04/2012 then you will continue to build benefits on a final Salary basis through to 31/03/2022.
- If you were 10 years and 6 months from your normal pension age at 01/04/2012 then you will continue to build benefits on a final Salary basis through to 06/07/2021. Benefits accrued after this date will be on the 'career average' basis.
- If you were 12 years from your normal pension age at 01/04/2012 then you will continue to build benefits on a final Salary basis through to 22/11/2018. Benefits accrued after this date will be on the 'career average' basis.
- If you were 14 years from your normal pension age at 01/04/2012 then you will continue to build benefits on a final Salary basis through to 24/05/2015. Benefits accrued after this date will be on the 'career average' basis.

Should I stay in the scheme?

We fully understand Officer's concerns regarding the pension reforms announced on 4 September. However, we also believe that now is not the time for any 'knee jerk' reactions.

Whilst we recognise that the reforms create a new pension scheme which is less generous than either its 1987 or 2006 predecessors, we fully believe that the 2015 scheme will be the most effective way for Officers to build up benefits for their retirement.

The scheme continues to receive a substantial contribution from the employer, which would not be available if your retirement savings took place via another investment vehicle. It also provides guarantees in respect of final benefits that would not be obtainable via an alternative private pension arrangement.

Do I need advice?

We believe that for the vast majority of Officers the new pension arrangements will continue to be the most appropriate route to saving for retirement. If you require further information on your personal benefits you should contact your forces pension administrator. A list of these contacts can be found at: www.homeoffice.gov.uk/police/police-pensions/contact-administrator/

If you believe that your circumstances are such that an alternative to the new scheme is potentially a better option for you, then we recommend you consult an Independent Financial Adviser. Please remember there will inevitably be costs incurred if you take this course of action.