

Police Pension Scheme 2015

An Introduction

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The Police Pensions Regulations 2015 have now been laid and come into effect on 1 April:
<http://www.legislation.gov.uk/ukxi/2015/445/contents/made>

PFEW is seeking counsel's opinion on the whole process

The Members' Guide to the Police Pension Scheme 2015 is available on the HO website and on PFEW's website: <https://www.gov.uk/government/publications/the-police-pensions-scheme-2015-members-guide>

PFEW has issued new FAQs which are available on our website:

http://www.polfed.org/documents/Police_Pension_Scheme_2015_FAQs_060315.pdf These will be updated and re-issued on 27 March, based on comments sent to pensions@polfed.org

Members can email pensions@polfed.org to suggest topics for inclusion in FAQs. Members experiencing practical problems can let us know and these can be raised with the HO as necessary. However, we cannot reply to individual queries, nor provide calculations or advice

ACPO draft Guidance on the creation and operation of Police Pension Boards in E&W has been circulated

The Shadow SAB met on 13 March and discussed matters including its Terms of Reference, membership, proposed work schedule for the year and funding for independent professional advice



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Police Pension Scheme 2015

- The new Career-Average Revalued Earnings (CARE) scheme comes into effect on 1 April 2015

Key differences between a CARE scheme and PPS/NPPS:

- With a CARE scheme, a separate part of the pension accrues each year, based on the member's pay that year. This is different to a final salary scheme (PPS/NPPS) where the pension depends on length of pensionable service and pay at retirement/leaving
- There is no limit on how much CARE pension can be accrued



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Categories of Members

- Members who remain in PPS and NPPS
- Members who move to the CARE 2015 Scheme on 1 April 2015
- Members who move to the CARE 2015 Scheme after 1 April 2015



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Categories of Members

- Members who were closest to retirement – either by age (PPS and NPPS) or service (PPS only) – have full protection and will remain in their current scheme
- Members who missed out on full protection by up to 4 years will remain in their current scheme for a period after 1 April 2015 (tapered protection). They will automatically be transferred into the CARE scheme when their tapered protection period ends
- Members who did not qualify for full or tapered protection in the PPS/NPPS will automatically move to the CARE 2015 Scheme on 1 April 2015



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Categories of Members

- Members who choose not to join the CARE 2015 scheme or who opt out of it will be automatically enrolled on a three-yearly cycle. Members can opt-out within one month of being auto-enrolled and it will be backdated to the automatic enrolment date
- It is important to note that members do not have to make an election or decision about the CARE scheme by 1 April 2015. There is a misconception that this is the case. They can opt out of any of the schemes at any time. **However, our view is that in most cases opting out is likely to be a very bad idea, resulting in adverse financial consequences, so we recommend members clarify their individual position with their pensions' administrator and take independent financial advice before making any decisions**



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Members with Service in Two Schemes

- **A two-pot Pension**

- ▶ Members with service in PPS/NPPS and the CARE 2015 scheme will receive a two-pot pension – one based on service in PPS/NPPS and one based on service in the CARE 2015 scheme

- **Protection for PPS Pension**

- The accrued PPS pension is protected. In addition the PPS pension i) is based on final salary; ii) is weighted to reflect the expectation of double accrual ; and iii) can be accessed at the PPS age/service point
 - However, these rights could be affected by opting out and the PPS pension can only be accessed by retiring; a member can't take the PPS pension and continue to serve



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Members with Service in Two Schemes

Protection for NPPS Pension

- The NPPS pension is also subject to the final salary provision and can be accessed at age 55
- However, the ability to access the NPPS pension at age 55 depends on remaining in the CARE 2015 Scheme, and the NPPS pension can only be accessed by retiring; a member can't take their NPPS pension and continue to serve

Ill Health Retirement

- The ill health provisions are complex in these circumstances but essentially the ill health pension will be calculated on a two pot approach which recognises the service and accrued benefits of both schemes



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Police Pension Scheme 2015

Key Provisions

No Maximum Accrual

- There is no maximum pension which can be accrued

Contribution Rate

- The contribution Rate is 12.44%, 13.44% or 13.78%, depending on which tier a member falls into. The tiers are based on pensionable pay

Normal Pension Age of 60

- The NPA is 60, but members can retire from service aged 55-60 with a pension actuarially reduced from age 60



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Police Pension Scheme 2015

Key Provisions cont...

CARE Scheme

- With a CARE scheme, a separate part of the pension accrues each year, based on the member's pay that year

Accrual Rate of 1/55.3

- Each year 1.55.3 of pensionable earnings is added to the pension at the end of the scheme year (31 March)

In-service Revaluation: CPI +1.25

- The pension is then updated every year a member remains an active member, by CPI +1.25, in order to keep its value



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Police Pension Scheme 2015

Key Provisions cont...

Deferred Pension Age of State Pension Age

- If a member leaves before age 55, or before age 60 without taking an immediate pension, the pension will be deferred to SPA. A deferred pension can be paid from 55 with actuarial reduction from SPA

Commutation £12:£1

- Members can commute up to $\frac{1}{4}$ of their pension and receive £12 for every £1 given up



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Key Provisions cont...

III Health Pension

- Ill health retirement process is similar to NPPS
- Two tier ill health pension
- New terminology is used e.g. “permanent medical unfitness” rather than “permanent disablement”
- However, still some details we need to clarify. We’ll issue FAQs once we have more information

Survivor Pensions

- Adult survivor’s and children’s pensions are payable on the member’s death



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Police Pension Scheme 2015

Key Provisions cont...

Lump Sum Death Grant

- 3x pensionable earnings is payable to the spouse/ civil partner/ declared partner/ nominated person/ estate of an active member



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So...how different is the CARE scheme?

- As for PPS and NPPS this is a defined benefits scheme
- Defined benefits schemes are rare outside the public sector. Most people have defined contributions schemes
- The officers who stand to lose out are those promoted most: a final salary pension for an ACC or DCC is likely to be quite different to a career average one
- For those who stay as Constables throughout their career, the difference is likely to be much smaller
- Constables reach the top of the pay scale now after 7 years, so for a long period the build up of their benefits is as it would be under a final salary scheme....



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A worked example: Constable

- Assuming that an officer joins at age 25, and does 30 years' service, retiring at age 55, as a Constable
- All calculations based on the current salary scale, of 7 spine points (to simplify the comparison)
- Only CARE is affected by CPI: CPI can go up or down
- Under CARE the member could work longer, and accrue a bigger pension than shown here
- All 4 CARE figures are reduced by 5% each year to reflect the fact the officer stops work before Normal Pension Age (60) (So an officer joining at age 30, and doing 30 years, would get the figs in italics)

	PPS	NPPS	CARE at 2% CPI	CARE at 1% CPI
Cash sum	127,285	63,864	68,532 (<i>91,371</i>)	58,902 (<i>78,536</i>)
Yrly pension	18,627	15,966	17,132 (<i>22,843</i>)	14,725 (<i>19,633</i>)



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Further Information

- ▶ Police Pensions Regulations 2015
- ▶ PFEW FAQs
 - ▶ The PFEW FAQ V.1 was issued as soon as the Regs were published
 - ▶ The PFEW FAQ document is being updated, to take account of queries received from members, and will be re-issued on 27 March
- ▶ Home Office Members' Guide



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