

Dear

The Police Pensions Scheme Regulations

I write with reference to your forthcoming retirement from the Force on

As you will be aware, your Police Pension Scheme benefits have been accrued during membership to both the Police Pension Scheme 1987 (PPS1987) and the Police Pension Scheme 2015 (PPS2015). The two schemes have separate distinct rules, accrual rates and retirement dates.

Police Pension Scheme 1987 (PPS1987)

Under the terms of the PPS1987 regulations, the benefits you accrued in the PPS1987 up to are payable immediately upon your retirement from the Force.

These benefits are 'Final Salary' benefits which mean they are based upon your Scheme membership and your Average Pensionable Pay (APP) at leaving.

I enclose forms PP1 and PP2 which should be completed and returned to this office, to enable the payment of your PPS1987 pension.

You may, if you wish commute part of your PPS1987 pension in favour of a lump sum and I enclose an illustration for your information.

As you will be aware, the Regulations do, in some circumstances, allow for a commutation lump sum that exceeds the maximum authorised amount as set by HM Revenue & Customs.

For your reference, the enclosed illustration shows both the maximum authorised lump sum and the maximum lump sum permissible under the Police Pension Scheme Regulations (together with the tax implications).

Payment of any commutation lump sum tax liability is the responsibility of the beneficiary of the payment and you would need to report the taxable amount on your self-assessment return, however HMRC will allow the scheme administrator to make payment of the tax charge on agreement of the party liable. Therefore, the attached commutation option form also includes a mandate that you should complete to allow the City of London to pay the tax liability should you chose the maximum permissible commutation lump sum.

Police Pension Scheme 2015 (PPS2015)

The benefits you have accrued from onwards are in the PPS2015. These benefits are Career Average Revalued Earnings (CARE) benefits.

CARE benefits are calculated each year by taking 1/55.3th of your pensionable earnings in that year and adding it to your Pension Account. The amount of pension in your Pension Account at the end of each year is then adjusted in line with the cost of living + 1.25%.

The normal pension age (NPA) in the 2015 Scheme is 60, but officers can retire as early as age 55 and receive actuarially reduced benefits (the reduction calculated with reference to how much earlier than age 60 they are choosing to leave), this is the normal minimum pension age (NMPA).

Please find enclosed an illustration of the actuarially reduced PPS2015 benefits that are payable from your date of leaving the Force on You may, if you wish commute part of your PPS2015 pension in favour of a lump sum and details of this option are included.

If you elect not to take your 2015 Scheme benefits at this time they will be deferred in the Scheme until you reach State Pension Age (SPA). You will be able to claim them at an actuarially reduced rate before this date with the actuarial reduction based upon how much earlier than SPA they are being claimed.

I enclose form PP15ELECTION which you should complete and return to indicate whether or not you wish to receive immediate payment of your 2015 Scheme benefits.

If you do wish to receive immediate payment of your 2015 Scheme benefits please also complete and return forms PP115 and PP215.

Annual Allowance

The enclosed illustrations take account of your election to use the 'Scheme Pays' method to repay the Annual Allowance tax charges you accrued in previous years.

Your formal 202.../2... Scheme Savings Statement has been included with this letter and if you do intend to use 'Scheme Pays' to meet your tax liability your election **must** be received before your date of retirement.

For the purposes of this illustration I have assumed you will use Scheme Pays to meet your 202.../2... Annual Allowance tax liability and it has been included in the total Scheme Pays deduction.

Benefit Crystallisation Event and the Lifetime Allowance

Your pension becomes 'crystallised' as you claim it from the pension scheme, this is known as a Benefit Crystallisation Event. At this point the value of your benefits are tested against the Lifetime Allowance (LTA), if there is any excess over the LTA there will be a tax charge to pay on the excess. The current LTA is £ 1,073,100.00.

The benefits you have accrued in the PPS1987 and the PPS2015 crystallise separately and are therefore tested against the LTA separately. By default, your PPS1987 benefits crystallise first, but you can elect to change the order in which your benefits are crystallised.

The enclosed illustrations show a range of options, each calculated with reference to both crystallisation event orders and showing the tax charges that would be applicable.

Also enclosed is form BCEOrder. If you have elected to take both your PPS1987 and PPS2015 Scheme benefits I would be grateful if you would complete and return this form to indicate the order in which you wish for your benefits to crystallise.

McCloud

Please note, the attached figures have been calculated with reference to the current Scheme Regulations. As you will be aware, the recent 'McCloud' legal case in respect of the protections that were awarded following the 2015 Scheme reforms found that the original protections were deemed to be discriminatory on the grounds of age. As a result, a remedy will be implemented to amend the Police Pension Schemes accordingly.

The initial legislation was passed with effect from 1 April 2022 and all officers that were originally given 'Full Protection' from the 2015 reforms were moved into the 2015 Scheme.

We now await the secondary legislation which will allow all eligible police officers that were originally awarded 'tapered protection' or 'no protection' from the 2015 reforms to be retrospectively moved back into their 'legacy scheme' for the period from which they were originally moved into the 2015 Scheme up until 31 March 2022.

At retirement, all eligible officers will then be given the choice as to how their service for the period 1 April 2015 to 31 March 2022 is to be treated, either as membership to their 'legacy scheme' or as membership to the 2015 Scheme. Comparative figures will be supplied to police officers when they retire to allow them to make an informed choice. All benefits accrued under the terms of the 'legacy scheme' will continue to be protected under the terms of that Scheme's Regulations.

Officers that retire before the necessary secondary legislation has been implemented will have their pension benefits amended retrospectively once it is possible to do so. Please be aware, the retrospective amendment to move officers back into their 'legacy scheme' will not take place until 1 October 2023.

This information is based on our understanding of the expected secondary legislation, which could change before it becomes effective in law. Therefore, until further clarification and guidance has been provided I am not able to provide any further information, including estimated retirement benefits based on the expected Regulations.

Payment of your Police Pension

Your pension will be payable from the date following your last day of service, Police Pensions are paid monthly in advance on the 6th of each month or the next available working day if this falls on a weekend or public holiday.

If possible, your first pension payment will be paid on, however, if it is not possible to add you to the pension payroll in time for this pay period you will receive your first payment in the following month and this will include any arrears owed. Your lump sum will be paid within 10 working days of your last day of service.

Please note, unless you advise me otherwise in writing, your commutation lump sum will be paid directly into the bank/building society account that you detail on form PP2 / PP215.

This letter is provided for information purposes only. The City of London Pensions Office is not authorised or regulated to provide financial or other advice. The information provided is not intended to be and does not constitute financial advice or any other advice. You may therefore wish to speak to an independent financial adviser authorised by the Financial Conduct Authority (FCA).

I trust that the position is clear to you, but should you have any queries regarding this matter please do not hesitate to contact

CITY OF LONDON POLICE

Police Pension Scheme 1987

Illustration of Retirement Benefits

Name:	
Warrant No:	
Date of Retirement:	
Date of Birth:	

Annual Pension without Commutation Lump Sum

Gross Pension:	£ p.a.
Less Deduction for Scheme Pays:	£ p.a.
Gross Pension before Commutation	£ p.a.

Maximum **Authorised** Commutation Lump Sum

Amount to be Commuted:	£ p.a.
Residual Pension:	£ p.a.
Authorised Commutation Lump Sum:	£

Maximum Commutation Lump Sum & Unauthorised Payment Charge

Max Amount to be Commuted:	£ p.a.
Residual Pension:	£ p.a.
Gross Commutation Lump Sum:	£
Unauthorised Excess:	£
Unauthorised Payment Charge: (i.e. 40% of the excess)	£
Net Commutation Lump Sum:	£

CITY OF LONDON POLICE

Police Pension Scheme 2015

Illustration of Retirement Benefits

Name:	
Warrant No:	
Last Day of Service:	
Date of Birth:	

Gross Annual Pension:	£ 00,000.00 p.a.
Actuarial Reduction for Early Payment:	£ 00,000.00 p.a.
Pension after Early Payment Reduction:	£ 00,000.00 p.a.
Survivor's Pension:	£ 00,000.00 p.a.

You are entitled to commute part of your 2015 Scheme annual pension to provide a tax-free commutation lump sum. If you wish to receive the maximum lump sum the details would be as follows:

Pension after Actuarial Reduction:	£ 00,000.00 p.a.
Amount to be commuted:	£ 00,000.00 p.a.
Residual Annual Pension:	£ 00,000.00 p.a.
Commutation Lump Sum:	£ 00,000.00
Survivor's Pension:	£ 00,000.00 p.a.

You may, if you wish, 'buy-out' the Early Payment Reduction shown above. The cost to do so is as follows:

Cost to 'buy-out' the early payment reduction:	£ 00,000.00
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If you wish to receive a revised illustration of your benefits assuming you 'buy-out' the early payment reduction, please contact the Pensions Office