

The Police Pensions Scheme Regulations

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

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.

McCloud Remedy

As you will be aware, the ‘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 has been implemented with effect from 1 October 2023 to amend the Police Pension Schemes accordingly.

The effect of the Remedy has been to move your pension scheme membership for the period 1 April 2015 to 31 March 2022 (known as the ‘remedy period’) into the Police Pension Scheme 1987 (known as your legacy scheme). This is the default position and the enclosed Illustration A shows your retirement options should you elect to accept the terms of the Remedy.

You are not compelled to accept the terms of the McCloud Remedy and can instead elect for your membership during the remedy period to be considered as membership to the Police Pension Scheme 2015. The enclosed figures entitled Illustration B show your retirement options should you elect to reject the terms of the Remedy.

Enclosed with your illustrations is a ‘McCloud Remedy Declaration Form’ which should be completed and returned to confirm how you wish for your pension scheme membership to be treated with regards to the Remedy.

Police Pension Scheme 1987 (PPS1987)

Under the terms of the PPS1987 regulations, the benefits you accrued in the PPS1987 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 in the PPS2015 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 illustrations of the actuarially reduced PPS2015 benefits that are payable from your date of leaving the Force. 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.

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 the 6th of the month following your retirement date, 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

Illustration A – 1987 Scheme

City of London Police: Police Pension Scheme 1987 Illustration of retirement benefits assuming you accept the McCloud Remedy

Name:	
Warrant No:	
Length of service in the 1987 Scheme	
Date of Retirement:	
Date of Birth:	

Pension Scheme Contributions to be Repaid	
Contributions owed:	£
Plus interest:	£
Total amount to be collected:	£

The outstanding pension scheme contributions will be collected directly from your commutation lump sum (see the figures overleaf). If, however you do not elect to take a commutation lump sum you will be required to pay this amount before your benefits can be brought into payment.

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:	£
Less outstanding scheme contributions:	£
Net 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)	£
Less outstanding scheme contributions:	£
Net Commutation Lump Sum:	£

Illustration B – 1987 Scheme

City of London Police: Police Pension Scheme 1987 Illustration of retirement benefits assuming you reject the McCloud Remedy

Name:	
Warrant No:	
Length of service in the 1987 Scheme	
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:	£

