


The Police Pension Scheme

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The Police Pension Scheme 2015

- Defined Benefit - provides pension benefits based upon salary and service
 - Career Average Revalued Earnings (CARE)
- Unfunded
- Contracted-out
- Index-linked



Service Accrual


- Police Service with :
City of London or any other Home Office Force
- Transferred in service :
from other occupational schemes or, other pension arrangements



Pension Contributions

- Contributions deducted from your pensionable pay (before it is assessed for income tax)
- 3 tiered bands based upon annualised rate of basic pay


Annualised Rate of Basic Pay	Contribution Rate
Less than £27,000	12.44 %
£27,000 - £80,000	13.44 %
£80,000 +	13.78 %



Pensionable Pay

What is pensionable pay ?

- Basic Salary
- London Weighting
- Appropriate Temporary Salary
- Allowances are not pensionable



Retirement Ages

- Normal Pension Age (NPA) 60
- Normal Minimum Pension Age (NMPA) 55

Officers with at least 2 years' qualifying service can retire from NPA with immediate access to their pension (or NMPA, but subject to actuarial reduction).

Retirement Age (continued)

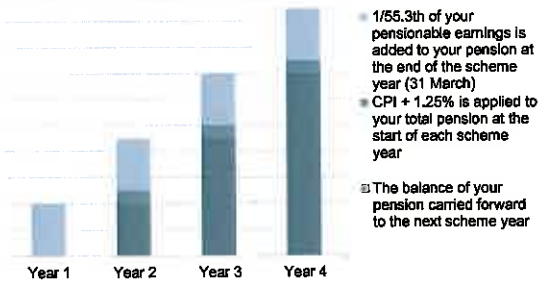
- Officers cannot retire and receive a pension before NMPA other than on the grounds of ill-health.
- Officers leaving before NMPA and with at least 2 years service will receive a deferred pension that will become payable at their individual State Pension Age (SPA).

The Pension Calculation

- For every year of pensionable service, you will accrue an earned pension equivalent to 1/55.3th of your Pensionable Earnings for that year.
- This goes into a 'pot' of earned pension, which builds up each year as more is added.
- The accrued earned pension in the 'pension pot' is uprated each year in line with CPI + 1.25%.

The Pension Calculation (continued)

How your pension builds up



The Pension Calculation - example

A 30 year old Active Member works full-time and earns £21,000 per year. His/her earned pension accrued over his/her first Scheme Year as an Active Member is calculated as follows:

Year 1

Pensionable Earnings over the year: £21,000
 Earned Pension account at end of Year 1: £379.75 (= £21,000 x 1/55.3th)

The Pension Calculation - example (continued)

Year 2

Assume that in the next year, the member's Pensionable Earnings have increased by 1% to £21,210, and that over the last year price inflation (as measured by CPI) increased by 2%. His/her total pension in the second Scheme Year will then be calculated as follows:

As s/he has remained an Active Member, his/her accrued earned pension account from the previous year will increase in line with CPI + 1.25% at the start of the Scheme Year (as CPI growth was 2%, this would result in an increase of 3.25%),

Increased Year 1 earned pension account: £392.09 (= £379.75 x 1.0325)

The Pension Calculation – example (continued)

His/her accrued earned pension over Year 2 is then calculated as per Year 1:

Pensionable Earnings over the year: £21,210 (= £21,000 × 1.01)
 Addition to earned pension account: £383.54 (= £21,210 × 1/65.3th)

His/her total earned pension accrued at the end of Year 2 is the sum of the increased Year 1 earned pension account and the earned pension accrued over the second year:

Total earned pension account at end of Year 2: £775.63 (= £392.09 + £383.54)

This process continues for each Scheme Year during which s/he remains an Active Member.

The Pension Calculation – example (continued)

Year 30

If his/her Pensionable Earnings continue to grow at 1% per year, and CPI growth stays at 2% per year throughout his/her career his/her total earned pension account at the end of year 29 will be £20,146.80.

Increased Year 29 earned pension account: £20,801.57 (= £20,146.80 × 1.0325)

His/her accrued earned pension in Year 30 will then be calculated as follows:

Pensionable Earnings over the year: £28,024.58 (= £21,000 × 1.01²⁹)
 Addition to earned pension account: £506.77 (= £28,024.58 × 1/65.3th)
 Total earned pension account at end of Year 30: £21,308.34
 (= £20,801.57 + £506.77)

The Pension Calculation – example (continued)

- Once the pension has been brought into payment it will increase in line with CPI every April throughout retirement.

Commutation

At retirement, officers have the option to commute pension in exchange for a lump sum.

- The maximum lump sum that can be paid is 25% of the 'cash value' of the annual pension at retirement.
- The maximum amount that can be commuted is based upon GAD factors.
- The commutation rate is £12 of lump sum for every £1 of annual pension given up.

Commutation (continued)

Using figures from the previous example:

- Annual pension at retirement: £21,308.34
- Max amount to be commuted: £7,607.08 (= £21,308.34 × 35.7%)
- Max lump sum: £91,284.93 (= £7,607.08 × 12)
- Residual annual pension: £13,701.26 (= £21,308.34 – £7,607.08)

Ill-health Retirement

Two potential tiers:

- Lower tier ill-health pension
 - You are declared permanently medically unfit for the ordinary duties of a member of the police force, but not permanently medically unfit for any regular employment.
- Enhanced upper tier ill-health pension
 - You are declared permanently medically unfit for the ordinary duties of a member of the police force and also permanently medically unfit for any regular employment.

Early Leavers

- Officers leaving with less than 2 years service may be entitled to a refund of their contributions.
- Officers leaving before NMPA and with at least 2 years service will receive a deferred pension that will become payable at their individual State Pension Age (SPA).
- May be able to transfer your accrued pension benefits to another Defined Benefit pension scheme.

Unpaid Leave

- Your accrual of pension may be affected by periods of unpaid leave. You can elect to pay the contributions that would otherwise have been due for the following periods of leave:
 - Unpaid adoption leave;
 - Unpaid maternity leave;
 - Unpaid parental leave;
 - Unpaid maternity support leave;
 - Unpaid adoption support leave; &
 - Unpaid sick leave of 6 months or less.

Unpaid Leave (continued)

- You must notify the Pensions Office of your wish to pay contributions for unpaid periods within 3 months of your return to work.
- The contributions must be paid within 6 months of the date you are informed of the amount to be paid.
- Contributions cannot be paid in respect of unpaid career breaks.

Protection for your Family

- Partner's pension – payable to spouse / civil partner / co-habiting partner (subject to completion of necessary declaration)
- Children's pension – eligible children under the age of 23 may qualify for a pension.
- Lump sum death grant – 3x Final Pay

Increasing your Benefits

- You may opt to make added pension payments in order to increase:
 - Your retirement benefits for a period of service; or
 - Your retirement benefits and death benefits for a period of service.
- Added pension payments can be made by:
 - Periodical payments; or
 - A lump sum payment.
- The maximum amount of added pension that can be purchased is £6,500.00. This limit is reviewed annually by HM Treasury.

Annual Allowance / Tax Relief

- Annual Allowance - £40,000
- Pensions Input Period 01 April to 31 March
- Excess over allowance is taxable
- Carry forward 3 years of unused allowance
- Responsibility of officer to report details of any excess to HMRC
- Pensions Input Amount provided with Annual Benefit Statement

Useful Links

- **Member's Guide to the Police Pension Scheme 2015**

<https://www.gov.uk/government/publications/the-police-pensions-scheme-2015-members-guide>

- **The Pensions Advisory Service (TPAS)**

<https://www.pensionsadvisoryservice.org.uk>

Summary

- **Basic Benefit Entitlement**
- **Commutation**
- **Ill Health Retirement**
- **Early leavers**
- **Unpaid Leave**
- **Survivor Benefits**
- **Added Pension**
- **Annual Allowance**

