

## **Police Pension Scheme Reform**

### **Overview of the offer**

Following constructive discussions in the Police Negotiating Board, the Home Secretary has published a Reform Design Framework (RDF) document on the core parameters for reforms to the police pension scheme. The contents of this document relate to that document published on 4 September. Further discussions will take place on certain the details of the reforms with a view to the new scheme design being in place in 2015.

The core parameters for the new scheme are:

- a career average pension scheme design;
- a provisional accrual rate of  $1/55.3^{\text{th}}$  (equivalent to around 1.81%) of pensionable earnings each year, subject to agreement on outstanding issues;
- there will be no cap on how much pension can be accrued;
- a revaluation rate of active members' benefits in line with the Consumer Prices Index (CPI) + 1.25%;
- pensions in payment and deferred benefits to increase in line with CPI;
- average member contributions of 13.7% from April 2015;
- flexible retirement from the scheme's minimum pension age of 55, built around the scheme's Normal Pension Age of 60 – for all active members aged 55 or more at retirement, 2015 scheme benefits taken before Normal Pension Age will be actuarially reduced with reference to the 2015 scheme's Normal Pension Age, rather than the deferred pension age (ie state pension age). Those members' benefits will continue to be paid after age 60 at that actuarially reduced level;  
All other members will have their 2015 scheme benefits actuarially reduced on a cost neutral basis from the scheme's deferred pension age.
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- the Normal Pension Age and the age from which flexible early retirement is available will be subject to regular review. These reviews will consider the increasing State Pension Age and any changes to it, alongside evidence from interested parties, including staff associations and employers. It will consider if the Normal Pension Age of 60 remains relevant, taking account of the economical, efficient and effective management of the police service, the changing profile of the workforce and the occupational demands of, and fitness standards for, police officer roles;
- this regular review will be informed by scheme data and experience;
- late retirement factors for members retiring from active service after

Normal Pension Age such that scheme benefits will be actuarially increased with reference to the scheme's Normal Pension Age;

- a deferred pension age equal to the individual's State Pension Age;
- optional lump sum by commutation at a rate of £12 for every £1 per annum of pension foregone in accordance with HMRC limits and regulations;
- abatement in existing schemes to continue;
- ill-health retirement benefits to be based on the arrangements in the 2006 scheme;
- all other ancillary benefits to be based on those contained in the 2006 scheme;
- members rejoining after a period of deferment of less than 5 years can link new service with previous service, as if they had always been an active member;
- members transferring between public service schemes would be treated as having continuous active service;
- an employer contribution cap and floor, as set out in the Reform Design Framework.

## Accrued rights protection guarantee

There will be full statutory protection for accrued rights for all members who are moved to the reformed scheme (i.e. on 1 April 2015 or at the end of tapered protection) as follows:

- a. all benefits accrued under final salary arrangements will be linked to the members' final salary, in accordance with the rules of the members' current schemes, when they leave the reformed scheme.
- b. full recognition of a members' expectation to double accrual for service accrued under the Police Pension Scheme 1987 ('the 1987 scheme'), so that a members' full continuous pensionable service upon retirement will be used to calculate an averaged accrual rate to be applied to service accrued under the 1987 scheme.
- c. members of the 1987 scheme will be able to access their 1987 scheme benefits when they retire at or after that scheme's ordinary pension age (i.e. from 30 years' pensionable service; age 50 with 25 or more years pensionable service; or the member's voluntary retirement age<sup>1</sup>), subject to abatement rules for that scheme. Pensionable service for the purpose of calculating the ordinary pension age will include any continuous pensionable service accrued under both the 1987 scheme and the 2015 scheme.
- d. members of the Police Pension Scheme 2006 ('the 2006 scheme') will be able to access their benefits under that scheme when they retire at or after that scheme's normal pension age (i.e. age 55).
- e. members will continue to have access to an actuarially assessed commutation factor (i.e. those used to calculate lump sums) for benefits accrued under the 1987 scheme.

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<sup>1</sup> Age 55 for all constables and sergeants, and all federated and superintending ranks in the Metropolitan Police; age 57 for deputy assistant commissioners and commanders in the Metropolitan Police; and age 60 for all other inspectors and superintendents, and the commissioner, deputy commissioner and assistant commissioners of the Metropolitan Police.