

The New Police Pension Scheme

Frequently Asked Questions

A. Questions relevant to existing police officers

- A1. Are the current scheme regulations going to be changed so that pensions cannot be paid before age 55?

No. The earliest retirement ages in the current scheme will not change. Officers who are members of the current scheme on 5 April 2006 will continue to have the right to retire at age 50 if they have 25 years' service (or at age 48½ if they have 30 years' service) and this will be the case as long as they remain in the current scheme.

- A2. Will a two-tier system of ill-health pensions be introduced in the current scheme?

No. The present scale of benefits will continue to apply to all those medically retired under the current Police Pension Scheme.

- A3. If I am a member of the current scheme, and I take a career break which finishes after April 2006, which pension scheme do I join when I return to work?

If you are taking an approved career break, you will continue in membership of the current scheme. However, if you were simply to leave the police service and then rejoin the force after 5 April 2006, you would have to join the new pension scheme. The period of your career break cannot count as pensionable service.

- A4. Will there be compulsory retirement ages based on rank in the new scheme? If there are changes, will the current scheme be amended in line?

Compulsory retirement ages under the new scheme will, at least initially, be the same as in the current scheme. There is a need for review in this area which results from age discrimination law, not from changes to pensions, and the details of any changes still have to be worked out and put to the PNB. The existing compulsory retirement ages by rank are subject to review and may change before the end of 2006. Whatever is decided, the same compulsory retirement ages will apply both to the current scheme and the new scheme.

- A5. Existing officers will have a choice to move across to the new scheme – will there be a time limit for making a decision?

Yes. The time limit, and the start and end dates for the "transfer window" have not yet been finally decided, but it is likely to be a three-month period commencing in Autumn 2006. It is planned to have detailed information about the new scheme available to all officers well in advance of the start of the transfer window. We are also considering at present exactly what information each officer will receive at the start of the transfer window in the form of individual personal projections of benefits in both schemes, so

that all existing officers will be able to make an informed choice about whether or not to transfer across.

A6. Why would an existing officer want to move from the old to the new scheme?

The benefits in the new scheme may be attractive to some officers, depending on their individual circumstances, e.g.

- lower contribution rate;
- improved death in service lump sum death grant;
- lifelong benefits for surviving spouses and civil partners, regardless of remarriage or cohabitation;
- benefits for other partners, also payable for life (subject to the officer and partner satisfying certain conditions and completing the necessary documentation);
- even build-up of pension rights (uniform accrual) throughout one's service (instead of double accrual after 20 years' service), which may be better for late joiners.

Officers will need to consider their individual circumstances carefully before making any decision. Police authorities will be able to answer questions and give information to help you to decide, but they are not allowed to give financial advice (so they cannot advise you on which course of action to take).

A7. So why won't all officers want to move to the new scheme?

Many officers will find some of the features of the new scheme less attractive than the current scheme, e.g.

- the increase in the earliest retirement age to 55;
- increase in the time it takes to accrue a full pension from 30 to 35 years' pensionable service;
- smaller lump sum for those who can commute a quarter of their pension under the current scheme;
- smaller survivor benefits for spouses, civil partners and children.
- the introduction of a two-tier system of ill-health benefits;
- the single accrual rate will not be such an attraction for those officers who expect to benefit from double accrual after 20 years.

A8. I have read that the Government is planning to reconsider its proposed changes to public sector pension schemes. Will this affect the New Police Scheme?

The new scheme will have a deferred pension age of 65, which is in line with the normal pension age in the new forty-year schemes being introduced elsewhere in the public sector.

A9. If I use the transfer window to move from the current scheme to the new scheme, how will my years of service in the old scheme be credited to the new scheme?

There will be a conversion rate giving service credits for officers transferring from the current scheme to the new scheme. There will be a sliding scale of conversion rates based on the relative accrual rates of the two schemes and the age of entry. Full details will be available before April 2006.

A10. I have opted out of the current scheme – can I re-join the current scheme after April 2006?

No. You can re-join the current scheme up to and including 5 April 2006. After that date, you are eligible only to join the new scheme in the same way as anyone who joins the service. The terms on which you do so, and your ability to transfer any pensionable service from the current scheme to the new, will depend on your individual circumstances.

A11. If I opt out of the current scheme on or after 6 April 2006, what happens if I wish to re-join?

You can only join the new scheme. Again, the terms on which you join, including your ability to transfer any pensionable service from the current scheme to the new, will depend on your individual circumstances.

A12. If I am a member of the current scheme and intend to stay in that scheme, is there anything that I need to do before April 2006?

It is possible for a few officers who are very senior or who have other very large pension benefits outside the police scheme to exceed the new HM Revenue and Customs (HMRC) "lifetime allowance". If these circumstances apply to you, you may want to take action to protect your pension position. You have until April 2009 to register for protection with HMRC. For example, the lifetime allowance in 2006/07 is £1,500,000 and would be exceeded if an officer had built up rights to a pension in the Police Pension Scheme of more than £75,000 a year. Force pensions administrators have written to all senior officers giving further information.

B. Questions about the new scheme

B1. What are the main features of the new scheme?

- Like the current scheme, it is a “final salary” scheme, which means that your pension is calculated as a proportion of your “final pensionable pay” which is generally earnings in your last year of service as a member of the scheme.
- The pension that you will receive depends on your pensionable service, which for most officers will be the length of service in the police force for which they have paid pension contributions. Approved part-time working is counted as pensionable service on a pro-rata basis.
- The maximum pension that you can receive is half final pensionable pay, and is payable when you have the maximum possible pensionable service of 35 years.
- A tax free lump sum of four times’ pension will be paid to you in addition to your pension.
- Your pension is subject to tax, but it will not be reduced when you start to receive any State Pension to which you may be entitled.
- Your pension is increased in April each year in relation to increases in retail prices
- As well as paying a pension to you, the scheme will also pay benefits to certain other people if you die (whether you die in service or after you have retired); pensions for surviving spouses and partners are payable for life.
- It is possible for a pension to be paid to a partner who is neither a spouse nor a civil partner, but only if specific conditions are met.
- The earliest age at which you can normally retire is 55. You must retire before your compulsory retirement age unless a special arrangement has been agreed by your police authority.
- It is possible to retire early on the grounds of ill-health if specific conditions are satisfied.
- You can pay more money to buy additional pension benefits in the police scheme (if you are not already entitled to receive a maximum pension); you can also make you own independent arrangements for a separate personal pension.
- The normal contribution rate is 9.5% of pensionable pay. If you are ineligible for an ill-health pension and similar benefits, your contribution rate is reduced to 6%.
- You can opt out of the scheme and opt back in again, but if you opt out a second time you cannot re-join.

B2. Will my pensionable service build up more quickly after I have 20 years’ service?

No – this is a major difference from the current scheme. Pensionable service will increase at exactly the same rate throughout your police career irrespective of how much has been built up so far.

B3. If I am a serving officer in the new scheme and have 35 years' pensionable service but do not want to retire immediately, what happens?

You can remain in the scheme until 55 or any later age at which you retire and continue to pay pension contributions at the normal rate. This will give your family continued cover for the lump sum death grant, enable you to increase your pension in line with increases in your final salary and give you a continued right to retire at any time after age 55 with an immediate pension.

Alternatively, you can opt out of the new scheme, in which case you would cease to pay contributions, but there would be a number of implications which you would need to consider carefully. You would no longer be eligible for the lump sum death grant, for example, and payment of your pension would be deferred to age 65 – see Part D below.

B4. If I leave the police service with an entitlement to a deferred pension, do I have to wait until I am 65 (if that is confirmed) to receive it?

You do if you want to receive the full amount. The new scheme does allow a deferred pension to be paid from age 55 with “actuarial reduction” (to compensate for the fact that it will be paid earlier and for a longer period) but the reduction could be very considerable. The earlier the pension is paid, the greater the reduction. Your police authority will be able to give you an indication of the likely level of reduction.

B5. How will the two-tier ill-health retirement system work?

It is based on two levels of disability:

- permanent inability to perform the ordinary duties of a member of the force (which can lead to a standard ill-health pension)
- permanent inability to undertake any regular employment (which can lead to a standard ill-health pension plus an enhanced top-up ill-health pension).

The level of disability will be determined following a medical examination.

Even if you are determined to be permanently disabled it does not automatically mean that you will be retired on the grounds of ill-health. Your police authority will consider your overall capabilities to see whether there are alternative duties that you could undertake whilst remaining a police officer.

Ill-health pensions are payable immediately, based on your pensionable service for standard ill-health retirement, and on enhanced service for enhanced ill-health retirement. The effect of enhancement is to count up to half of the service that you would have been able to undertake between the date of ill-health retirement and your 55th birthday.

B6. Why would I be ineligible for ill-health benefits?

When you join the police service, or rejoin it after a break, or apply to rejoin the new Police Pension Scheme, you may be required to have a medical examination. This is free of charge on initial appointment to the police service, but you will have to pay for it if you re-join the scheme after opting out. If, on the basis of the medical opinion, the police authority determines that the likely cost of paying an ill-health pension or similar benefits to you would be disproportionately high, you will be allowed to join the pension scheme but will not be entitled to receive an ill-health pension. (Exactly the same arrangements apply to the existing Police Pension Scheme). Your contribution rate will be reduced from 9.5% to 6%.

B7. Will there be something equivalent to the present “additional sixtieths” arrangements in the new scheme?

Yes, there will be a facility which will be referred to as “added years”. You will be able to buy up to five “added years” of pensionable service (provided always that this does not increase your total pensionable service to more than 35 years).

B8. Will there be an AVC arrangement like the current scheme?

No. New public sector pension schemes in general do not offer in-house AVC arrangements now that low-cost stakeholder pensions are generally available.

Officers should be aware that the new pension tax arrangements from 6 April 2006 will allow them to take out a personal pension in addition to their police pension and that they will (normally) be able to pay up to the whole of their taxable income as pension contributions and obtain tax relief. It follows that although there is no scheme AVC there will be much more flexibility to make additional pension arrangements outside the police scheme if officers wish.

C. Questions about survivor pensions in the New Police Pension Scheme

C1. What pensions will my survivors receive if I die?

There are three categories of adult survivors who can receive pension benefits after the death of a member of the NPPS: spouses, civil partners and in certain cases unmarried partners who are not in a civil partnership. The last category is dealt with in more detail in Question C2 below.

Any adult survivor to whom a pension is payable will receive a pension of half of your pension entitlement if you die while in receipt of a pension, or after leaving service without a transfer value having been paid, or if you have opted out of the scheme. If you die in service, then unless you have opted out the adult survivor pension is half what you would have had if you had been retired on ill health grounds with an enhanced top-up ill-health pension.

The pension will be reduced if your spouse or partner is more than twelve years younger than you. The pension may be withheld if you married or formed a civil partnership within six months prior to your death.

A surviving child may be eligible for a pension of a quarter of your pension entitlement, usually payable only up to the age of 18 unless he/she is in full-time education. If you leave one or two eligible children, each will receive half of what an adult survivor would receive in the circumstances. If there are more than two eligible children then the amount for each will be a pension of half the entitlement that an adult survivor would have divided by the number of children. If the child receives income from training or employment then his/her pension will be reduced. All children's pensions cease on the child's 23rd birthday unless the child is disabled.

C2. I live with my partner but we are not married or in a civil partnership. Will he/she automatically receive a pension from the new scheme if I die?

No, this will not be automatic. You and your partner must have completed an appropriate declaration form and sent it to your police authority. Your partner will also have to complete a claim form following your death and may be asked to provide supporting information to confirm the declarations which you both made. The declaration must confirm that you are cohabiting, that your relationship is exclusive and long-term, that your partner is financially dependent on you (or you are financially interdependent) and that neither of you is married to or is a partner of anyone else. A pension will only normally be paid to a partner if you have been cohabiting for at least two years, but the police authority may exercise discretion to pay a pension to a partner in a shorter relationship.

You do not have to wait for two years before you complete the declaration form – you are encouraged to complete one as soon as you believe that you are in a long-term committed relationship. It is your responsibility to keep this up-to-date if your circumstances change.

C3. Will there be a temporary increase in the rate of pension payable to a widow or child for the first 13 weeks, like the current scheme?

This is not part of the new scheme as currently drafted. If there is a future general policy decision which states that this should become a normal feature of public sector pension schemes, the position will be reconsidered.

C4. If I die in service, is there a lump sum payable?

Yes, if you have not opted out of the scheme there is a lump sum death grant of three times your pay, and you are able to nominate a person that you would wish to receive it. If you do not nominate anyone, and you have no spouse, civil partner or other partner, the grant will be paid to your estate.

D. Questions about opting out of the New Police Pension Scheme

D1. Can I opt out of the scheme at any time?

You will be automatically admitted to the new pension scheme when you join the force but you can opt out at any time. If you do this within three months of joining the force your decision will be backdated to your date of appointment and any pension contributions that you have paid will be refunded to you. If you do opt out, you may re-join the scheme but if you opt out a second time you will not be able to rejoin again.

If you do opt out, it is entirely up to you whether you make alternative pension arrangements or do nothing. (This may change in the future if the Government alters the law to compel pension saving).

You are recommended to take independent financial advice before making any decisions and you are reminded that your police authority is unable to give financial advice – it can provide information about pension matters but cannot advise you as to what you should do.

D2. If I join the scheme, build up a number of years of pensionable service, opt out of the scheme or subsequently leave the police service, what happens to my pension?

If you have at least two years' qualifying service, you will be entitled to a "deferred pension", which means that you will receive a police pension when you are 65 based on your pensionable service in the police.

You may be able to transfer your police pension rights into another pension scheme, if you join another scheme.

D3. If I opt out after completing 35 years' pensionable service and subsequently leave employment, when is my pension paid?

Your deferred pension will be paid at age 65, even if you have 35 years' pensionable service.

D4. If I join the scheme, build up a number of years of pensionable service, opt out of the scheme and become disabled whilst I am still serving and have to retire, what happens to my pension?

If you cannot perform the ordinary duties of a member of the force you will not be entitled to a standard ill-health pension. If you become incapable of any regular employment, you will be entitled to immediate payment of a deferred pension but this will only be based on your actual pensionable service with no enhancement.

D5. If I join the scheme, build up a number of years of pensionable service, opt out of the scheme and die in service, what happens to any pension payable to my survivors?

There will be no lump sum death grant payable to your survivors. An adult survivor (a spouse or partner) will be entitled to a pension based on the deferred police pension that you would have received at 65.