

# POLICE PENSION CHANGES FROM 2022



**What's happening with Police Pensions**

December 2021

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# Introduction

## 1. Background

In April 2015, the coalition government introduced reformed public service pension schemes. The changes followed a fundamental structural review by the Independent Public Service Pension Commission, chaired by Lord Hutton of Furness.

The key elements of the reforms involved moving public service scheme members to reformed schemes with benefits calculated on a career average rather than a final salary basis. This allowed scheme designs to provide pensions to low and middle earners working a full career that are at least as good, if not better than under the legacy schemes. Additionally, to reflect improvements in life expectancy and the need to rebalance working lives with the average number of years spent in retirement, the Normal Pension Age (NPA) was increased to the State Pension Age. However, reflecting the nature of the work undertaken, the police and firefighters' scheme were given a lower NPA of 60 with the option to take at age 55 with an actuarial reduction.)

## 2. Transitional Protection

As part of these changes, protection was provided to those members of police pension schemes who were within fourteen years of their normal pension age as at April 2012<sup>1</sup>, meaning that they would be allowed to remain in their legacy scheme for all, or a period of, the remedy period (2015-2022). This policy was referred to as transitional protection.

In December 2018, the Court of Appeal found this transitional protection to be discriminatory against younger members in the judicial and firefighters' pension schemes, as transitional protection was only offered to older scheme members. The government accepted that this applied across all the public sector pension schemes – including the police scheme.

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<sup>1</sup> To note, the 1987 police pension scheme England and Wales have no Normal Pension Age as such. Individual members can have a pension age based on their length of service and linked to, but not necessarily dependent on, age, or they can have a pension age that depends on their rank. This term NPA is used here as shorthand, and for these police schemes means the different ages as used in the design of the original transitional protection.



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## 3. Remedy

To remedy the discrimination, HM Treasury held an [open consultation](#) to consider the potential options to remove the discrimination. Following the close of the consultation in October 2020, it was announced in February 2021, that affected members will receive a 'deferred choice' of which pension schemes benefits they would prefer to take during the remedy period at the point they retire. Where members are already receiving pensions, they will be given a choice as soon as practicable.

The Public Service Pensions & Judicial Offices Bill<sup>2</sup> (PSPJO) was introduced to Parliament in July 2021. The Police Pension Scheme is now required to implement the scheme level changes as required by the Bill.

Separately, the Home Office, as responsible authority for the police schemes, is therefore undertaking a consultation<sup>3</sup> which will address the Prospective Remedy Changes, including moving all members to the reformed scheme 'the 2015 scheme' from 1 April 2022 and closing the legacy schemes to future accrual from 31 March 2022. From 1 April 2022, all those who continue in service will do so as members of the reformed schemes, regardless of age, meaning all members will be treated equally in terms of which pension scheme they are a member of.

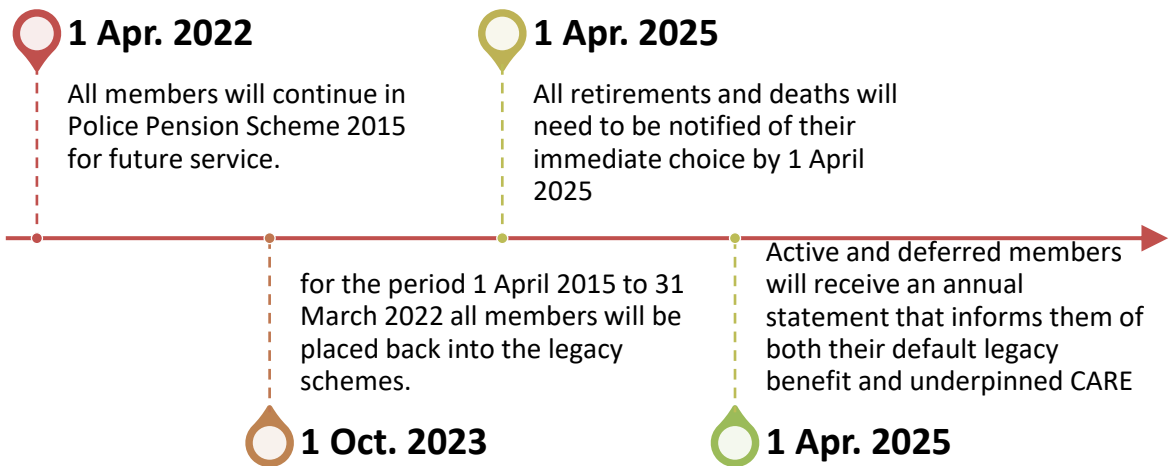
There will be an additional consultation in due course to address the Retrospective Remedy Changes covering the Remedy Period, April 2015 – March 2022.

## 4. Timeline

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<sup>2</sup> <https://bills.parliament.uk/bills/3032>

<sup>3</sup> [Amendments to police pension schemes in England and Wales 2022 - GOV.UK \(www.gov.uk\)](#)



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## 5.Disclaimer


The information provided in this document is intended to provide helpful information but does not constitute financial advice. It is based on the expected legislation in train under the PSPJO bill and subject to secondary legislation laid by the Home Office and cannot be treated as a complete and authoritative statement of the law. In the event of any dispute the appropriate legislation will prevail.




# So, what does this mean for me?

## 6. Eligibility

Check, are you eligible for remedy? To be eligible you need to meet certain criteria.

 **Eligible**

- You need to have been a member (or eligible to be a member) in April 2012 and have pensionable service during the Remedy Period

 **Not eligible**

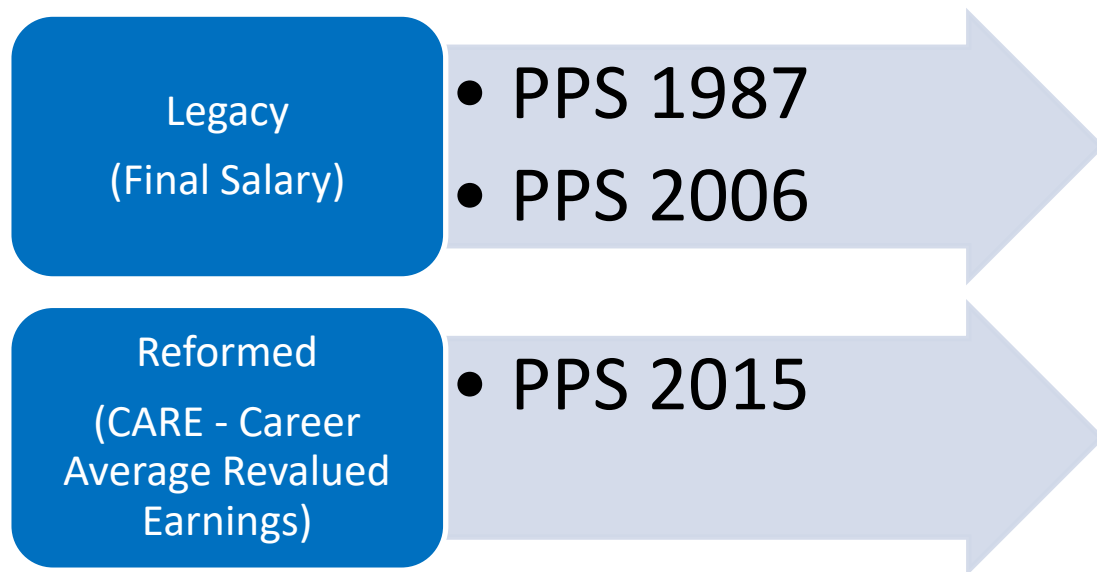
- If you joined between 1 April 2012 and 31 March 2015 you are not in scope for Remedy

**If you are not eligible for remedy, because you joined your Police force later than 1 April 2012 this document is not relevant for you.**

## 7. What is a Legacy or Reformed scheme?

Remedy introduces a new terminology, the final salary schemes of the 1987 and 2006 scheme are referred to as 'Legacy schemes'

The new Career Average Revalued Earnings (CARE) scheme introduced in 2015 is referred to as a 'Reformed scheme'.



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## 8. What scheme did you accrue benefits in during the period 1 April 2015 to 31 March 2022?

The scheme you accrued benefits in during the remedy period will depend on whether you originally qualified as a Protected, Taper or Unprotected member.

Fully protected = Legacy	Transitional Protected = Mixed service of Legacy and Reformed	Unprotected = Reformed scheme
<ul style="list-style-type: none"><li>• 10 years or less from Normal Pension Age at 1 April 2012</li><li>• Remained in 1987 or 2006 legacy scheme until 31 March 2022</li><li>• Service after 1 April 2022 is built up in 2015 scheme</li></ul>	<ul style="list-style-type: none"><li>• 10 - 14 years from Normal Pension Age at 1 April 2012</li><li>• Transitioned to 2015 scheme between 1 April 2015 to 31 March 2022</li><li>• Service after 1 April 2022 is built up in 2015 scheme</li></ul>	<ul style="list-style-type: none"><li>• More than 14 years from Normal Pension Age at 1 April 2012</li><li>• Transitioned to the 2015 scheme on 1 April 2015</li><li>• Service after 1 April 2022 is built up in 2015 scheme</li></ul>

## 9. What happens at 1 April 2022

All public servants who continue in service from 1 April 2022 onwards will do so as members of the reformed 2015 scheme.

Legacy schemes will be closed in relation to service after 31 March 2022, closing the remedy period during which members in scope have a choice of benefits.

This is known as the prospective remedy. The changes are being made into law through the Public Service Pensions and Judicial Offices Bill, which is due to come into force on 1 April 2022.

### Protected Members

You will move to the 2015 scheme from 1 April 2022 and build up further benefits in the 2015 Scheme from April 2022.





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### **Taper Protected Members**

There is no immediate change to your benefits. Under existing law all taper members will have transferred into the 2015 scheme by 31 March 2022

### **Unprotected Members**

There is no immediate change to your benefits. You will continue to build up further benefits in the 2015 Scheme from April 2022.

When you retire after October 2023 you will be able to choose to between your legacy (1987/2006) scheme benefits and scheme 2015 benefits for the Remedy Period 1 April 2015 to 31 March 2022, this applies to all members eligible for remedy and is known as 'Deferred Choice'.

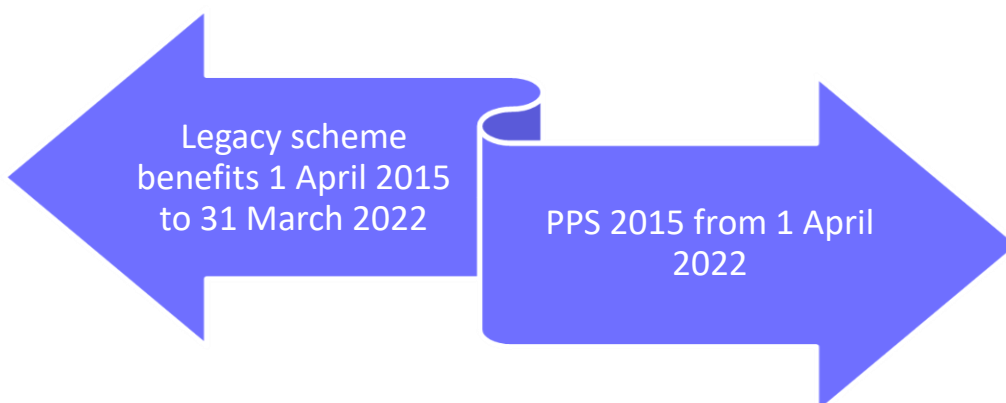
If you are retiring between now and October 2023, you may be able to make a choice at the point of your retirement. If this is not possible, you will retire with the benefits already accrued and there will be an option exercise later. If you are owed improved benefits, these will be paid with interest.

## **10. What happens at 1 October 2023**

From a future date, likely to be October 2023<sup>4</sup>, all eligible members will be placed back in their relevant Legacy Scheme in respect of their service in the Remedy Period – April 2015 to 31 March 2022.

This is known as the retrospective remedy.

Home Office are yet to draft and consult on the regulations that will move members back into the legacy scheme. These regulations have to be in-force by 1 October 2023 to comply with the bill.

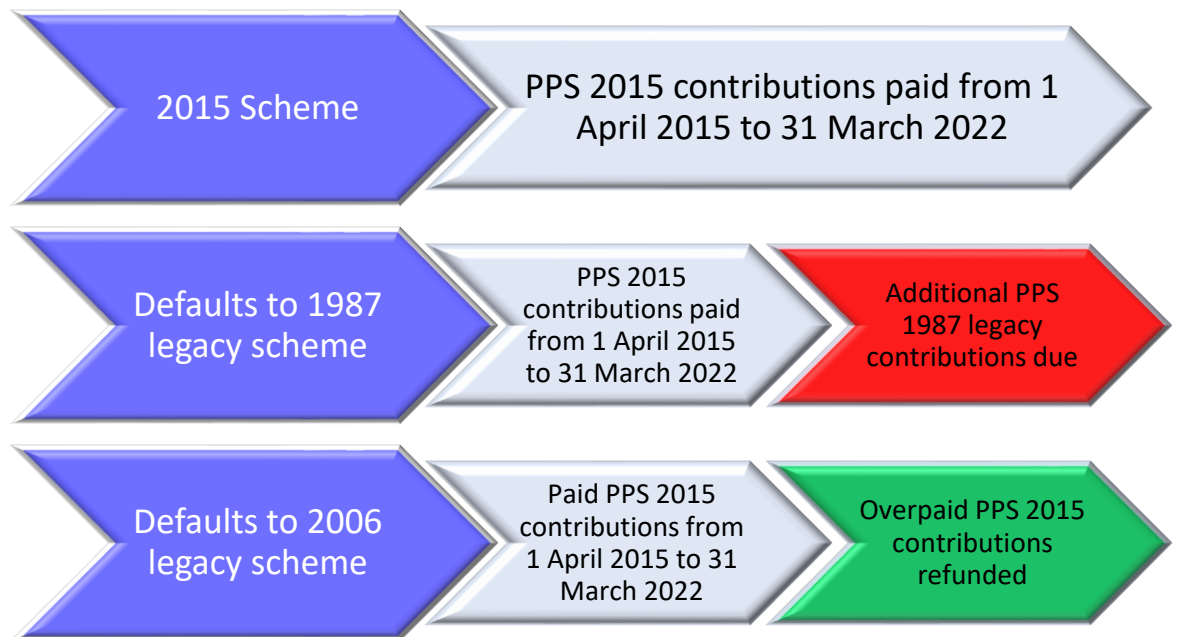


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<sup>4</sup> Subject to Home Office consultation



# 11. Contribution Adjustments



Because of the different levels of member contributions, those reverting to the 1987 scheme will owe contributions; those reverting to 2006 will be due a refund of contributions. Details of how these will be administered are still being worked out by Home Office, but there will be options and time to pay.

Table 1: PPS 2015 Contributions

<i>Annualised Rate of Pensionable Earnings</i>	<i>Current PPS 15 Member Contribution Rate</i>
£27,000 or less	12.44%
More than £27,000 but less than £60,000	13.44%
£60,000 or more	13.78%

Contributions payable to the PPS 06 are between 1% and 1.44% lower and those payable to the PPS 87 are between 0.81% and 1.81% higher.

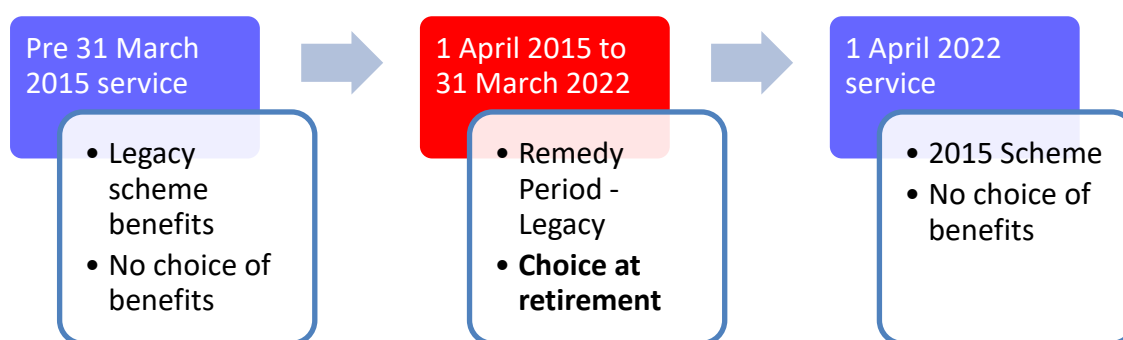


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## 12. Choice at retirement date (after 1 October 2023)

At 1 October 2023 your benefits accrued in the remedy period will be automatically reverted to legacy scheme benefits, you will then be given a choice when you retire to choose reformed benefits for that period.

The choice you will make at retirement, will be for the benefits accrued during the remedy period (1 April 2015 to 31 March 2022) only.



At the point of their retirement, members will be able to choose whether to leave the benefits in respect of the Remedy Period in the Legacy Scheme, or whether to convert those benefits to 2015 benefits. At this point the value of the benefits of both schemes accrued during the Remedy Period will be clear.

## 13. Retirements before October 2023

If you are retiring between now and October 2023 your benefits will be calculated as normal on the benefits you have accrued in the reformed scheme as the remedy won't have been implemented yet. You will then get a retrospective choice on your benefits from 2015 to 2022 after October 2023 when the remedy is implemented. If you are owed improved benefits, these will be paid with interest.

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## 14. What is Immediate Detriment?

Police Pension Authorities require the following legislation to bring the remedy arrangements into law

- Primary legislation in the form of Part 1, Chapter 1 of the [Public Service Pensions and Judicial Offices Bill](#), which comes into force no later than 1 October 2023 to remedy the discrimination between 1 April 2015 and 31 March 2022 by moving members back to the legacy scheme for the remedy period.
- Secondary regulation amendments which make specific amendments to the Police Pension Schemes in keeping with the primary legislation. These are expected to be consulted in late summer/autumn 2022 in a three-month consultation
- Changes to the finance act, via an expected tax bill that will be retrospective from 1 April 2022 that will align tax treatment to the remedy period. The draft bill is expected to be published in summer/autumn 2022.

Police Pension Authorities are clear that the bill provides remedy to members who will be returned to the legacy schemes for the remedy period, however under the bill this does not happen until 1 October 2023.

Immediate Detriment is where a Police Pension Authority remedies the benefits accrued in the remedy period **before the law** is in place based only on section 61 & 62 of the equality act which requires scheme managers to not discriminate.

On 29 November 2021 Home Office and HMT [withdrew](#) previously issued Immediate Detriment guidance. Without replicating the guidance in full in this document, the key reason for withdrawal of the guidance was uncertainty on the power of section 61 to support correction of immediate detriment cases before the new legislation is in place, particularly with regards to tax. There remain unanswered questions on the risk to members and to forces on the effect of implementing immediate detriment based solely on the powers of the equality act without the underlying regulations having been brought into force.

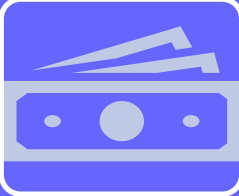
If a Police Pension Authority uses Immediate Detriment to pay benefits before the legislation is in place, the benefits paid to the member and possibly any tax paid will need to be revisited once the bill comes into force after 1 October 2023.

Immediate Detriment remains a decision for individual scheme managers.




## 15. How will my legacy scheme pension be calculated?

Legacy Scheme benefits aren't 'frozen' at a point in time. There are 2 important features which mean your accrued legacy scheme benefits keep growing:



### On-going Final Salary Link

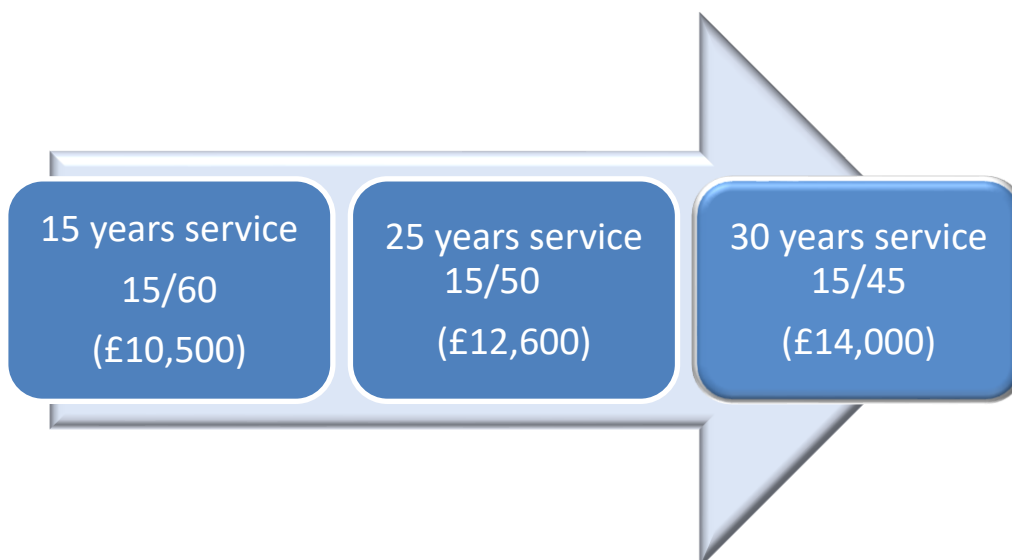
- Your legacy pension will continue to be updated in line with your final salary up until the point of retirement.
- If you remain in pensionable service, your pension will be based on your highest final pensionable pay in the last 3 years of your service in the future, not your pensionable pay in 2022



### On-going Double Accrual

- Your PPS 87 pension will be calculated such that you can still attain an overall accrual rate of 1/45, on this part of your pension membership, assuming you complete 30 years' scheme membership

Example of increasing accrual



- Based on a final salary of £42,000
- Any pension accrued in the PPS 15 will be paid in addition to these pension amounts, but is payable only from age 55 as a minimum (normal pension age = 60)



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## 16. Will I have to work until 60 to take my pension?

**No.**

- Benefits built up in Legacy Schemes (1987 and 2006) prior to April 2015 or a subsequent transition date will remain in the Legacy Scheme.
- A high proportion of scheme members will have membership of more than one pension scheme, referred to as 'mixed membership'.
- Members with Legacy Scheme membership will be able to take their legacy scheme benefits in the same way as before and at the same time.

## 17. So, what are my options?

**Those with 1987 scheme membership can take their 1987 benefits:**

- At any time after age 50 with at least 25 years' pensionable service – but, if you take benefits before age 55 or achieving 30 years' service, commutation of your pension into a lump sum will be limited to 2.25x your pension and you won't maximise the benefits of weighted accrual and final salary link outlined above.
- On attaining 30 years' service
  - but, if either of the above occur before age 55, you won't be able to access any 2015 scheme benefits built up since 2022.
- From age 55, when you can access both 1987 and 2015 benefits immediately (2015 benefits subject to an actuarial reduction for taking benefits early at a rate of around of 5 % each year before age 60)
  - If you are an Inspector or higher with under 30 years' service, you will need to continue in service until you complete 30 years or age 60 to take your pension.

**Those with 2006 scheme membership can take their benefits:**

- From age 55, when you can access both 2006 and 2015 benefits immediately
  - 2015 benefits subject to an actuarial reduction for taking benefits early at a rate of around of 5 % each year before age 60



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## 18. It's not worth being in the 2015 scheme for only a couple of years – should I opt out?

- If you leave the 2015 scheme (opt out) while remaining in service, you become a deferred member of both your legacy scheme and your reformed scheme
- A deferred pension in the 1987 scheme is payable from age 60. It may be paid earlier if you become permanently disabled from performing the ordinary duties of a police officer.
- If you leave service before you qualify to take your pension (ie minimum of 25 years' service, 30 years' service or age 55), then your deferred 1987 pension will be paid from age 60.
- If you leave service or opt out before the age of 50 with at least 25 years' service, then your deferred 1987 pension will be paid from age 50.
- Pension Contributions attract tax relief. A basic rate tax-payer paying contributions of £300 will pay £60 more in tax if they opt out.
- A lump sum death grant of three times pensionable pay is paid while a member of the 2015 scheme. If you opt out while continuing to work as a Police Officer you will not be eligible for a lump sum death grant if you were to die in service.

## 19. What about other issues?

- Ill health benefits and death in service benefits will be in accordance with 2015 scheme provisions but will consider Legacy scheme membership.
- Special provisions will be made for any pensions or service transferred into schemes in the Remedy Period and any added pension benefits purchased.



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- Some members may face additional pensions tax changes because of being placed into the Legacy scheme for up to 7 years. HMRC are planning special provisions to deal with these complexities and to avoid disadvantaging members affected.





## 20. Summary of Scheme Features

Scheme	Accrual rate	Max Pension	Lump Commutation	Sum/	Pension Age	Deferred Pension Age	Death service cover	in
<b>Legacy</b>								
1987	Initial 20 yrs - 1/60	2 ÷ 30 Final Pay before commutation	Max 25% pension value based on actuarial factors	Sum/	Age 55 <sup>5</sup>	60	2x pay	
	Last 10 yrs - 2/60				Restricted commutation = 2.25x pension with pension reduced			
2006	1/70	1/2 Final Pay	4x pension paid in addition to pension (not commuted pension)		Age 55	65	3x pay	
<b>Reformed</b>								
2015	1/55.3	No maximum	Max 25% pension value Commutation of pension at 1:12 rate	Sum/	Age 60	State Pension Age	3x pay	
					Available actuarially reduced from age 55			

<sup>5</sup> Different pension age for Inspectors and above who have not completed 30 years' service.

## 21. Retirement Options

		Legacy (1987/ 2006 schemes)	Reformed (2015)		
Early leavers		<p>Members can leave service at any time and become a deferred member.</p> <p>It may be possible to transfer your accrued benefits in the police scheme into another occupational pension scheme, or you can take it from the scheme's deferred pension age.</p>			
	1987 Scheme Only: Age 50 with at least 25 years' service but under 30 years	<p>Members of the 1987 scheme can choose to remain in service until at least age 50 and completion of 25 years' service, then take their 1987 scheme pension.</p> <p>But the amount of the cash lump sum you can take is restricted to 2.25x the pension you get at that age &amp; service. And you forego the additional benefits of the final salary link and weighted accrual which increase the value of your legacy 1987 scheme pension.</p> <p>If you left service or opted out before age 50 with at least 25 years' service and a deferred pension, this can be brought into payment from age 50.</p>	<p>You won't be able to access any 2015 benefits before age 55.</p>	<p>If you leave service before age 55 and claim your 1987 benefits on leaving, you can claim 2015 benefits from age 55, but these will be reduced from state pension age.</p>	<p>So, if you take 1987 benefits before age 55 and claim 2015 benefits from age 55, the reduction in those benefits will be much larger than if you had remained in service to age 55 and claimed benefits as an 'active retirement' (see below).</p>
		Legacy (1987/ 2006 schemes)	Reformed (2015)		



1987 Scheme Only: 30 years' service	Take 1987 scheme benefits and commute 25% of pension value for lump sum	You won't be able to access any 2015 benefits before age 55.	If you leave service before age 55 and claim your 1987 benefits on leaving, you can claim 2015 benefits from age 55, but these will be reduced from your state pension age.	If you reach 30 years' service at or after age 55, you can take 2015 benefits actuarially reduced from age 60.	The reduction to the amount payable is roughly 5% for each year that you retire before 60 (the actual reduction is based on actuarial calculations which are updated periodically).
1987 and 2006 Schemes: Age 55 <sup>6</sup>	Take 1987 scheme benefits and commute 25% of pension value for lump sum Take 2006 scheme benefits and automatic lump sum	Take 2015 benefits actuarially reduced from age 60			
1987 and 2006 Schemes: Age 60	Take 1987 scheme benefits and commute 25% of pension value for lump sum <sup>7</sup> Take 2006 scheme benefits and automatic lump sum. No enhancement for taking 2006 benefits later.	Take 2015 benefits			

<sup>6</sup> Different (higher) normal pension ages apply for Inspectors & above who don't have 30 years' service in the 1987 scheme. Normal pension age is 55 for all ranks in the 2006 Scheme

<sup>7</sup> Commutation factors in the 1987 scheme decrease with age in the 1987 Scheme. This means you get a reduced lump sum in exchange for 25% of your pension as you get older, reflecting that you are giving up a lower amount of pension in exchange for your lump sum because you'll be receiving your pension for fewer years.

