

POLICE PENSION SCHEME 2015 FREQUENTLY ASKED QUESTIONS (FAQS)

Prepared by the PFEW Research and Policy Support Team, 27th March 2015

This document is designed to answer Frequently Asked Questions (FAQs) about the Career-Average Revalued Earnings Police Pension Scheme 2015 (“CARE 2015 Scheme”). The Government set out the intention and overarching framework for this scheme in the Reform Design Framework of September 2012.

In keeping with other public sector pension changes, this is a Defined Benefits career average scheme, and replaces the previous Defined Benefits final salary schemes. The Government is not required to negotiate on this scheme: only to consult. The Police Federation of England and Wales has engaged in these consultations fully, to represent the interests of our members, and to maintain an up to date awareness of developments, so that we can be best placed to provide information as it becomes available from the Home Office.

The FAQs are aimed at existing members of the Police Pension Scheme (PPS) 1987 and the New Police Pension Scheme (NPPS) 2006. Many people will move across to the CARE 2015 Scheme between 1 April 2015 and 31 March 2022 and therefore have service in both schemes.

We cannot give members advice about their individual financial circumstances, including pensions. However, we believe that for members the new CARE 2015 Scheme will deliver a good package of benefits that is better than that provided by other public sector schemes. We believe that it is extremely unlikely that members will be able to match those benefits for the same cost by the use of private individual arrangements. Any officer thinking of opting out should carefully consider the fact that this would cause them to lose out on a number of valuable benefits.

We have worked with the Home Office to try to ensure the scheme is as fit for purpose as possible, and ready by the date they have been required to implement it, which is 1 April 2015. However, the Home Office have clearly experienced some difficulties in drafting the Regulations and Members’ Guide. We believe there may be some practical difficulties that arise in the early days of the scheme, including the fact that we feel forces may find it difficult to give detailed information. But this is NOT the same as the scheme not being a sound choice financially. If you have concerns regarding the information available or other detail please let us know at pensions@polfed.org

These FAQs are not exhaustive. We anticipate that we will need to supplement these with further information over the coming months. Please look on our website for updates.

**Andy Fittes
General Secretary
Police Federation of England and Wales**

This is the second version of these FAQs. They have been updated to take account of the queries raised by members and this has led to us making various changes including the addition of a new Section 8 aimed at dealing with Common Misconceptions. New sections and questions have been added in purple. These FAQs are based on our best understanding of the position as at 27 March 2015. The precise position depends on the exact terms of the Police Pensions Regulations 2015, which were laid on 5 March 2015.

The Home Office also issued on 6 March a Members' Guide to the Police Pension Scheme 2015.

Links to the Regulations and the Members' Guide can be found in Section 7, Sources of Further Information.

We are, with the help of our advisers, still in the process of examining these documents to fully and accurately ascertain the final position in relation to certain matters and we will add to, and expand on, these FAQs further as soon as we are able.

We hope that members find the information in these FAQs useful in informing them about the new scheme. However, this document is not and is not intended to be a comprehensive guide to the CARE 2015 Scheme or the Transitional Protection arrangements. PFEW cannot provide members with individual financial advice, including on pensions. Members should not make any decisions on the basis of information contained in this document without first seeking confirmation of the details of the impact of the changes on their personal circumstances from the force pensions' administrator and/or their own specific legal or financial advice.

Any member considering opting out should read the information in Section 5 of this FAQ document and seek independent financial advice before making any decisions.

We do not intend to provide a pensions calculator. We will work with the Home Office over time to ensure that the calculator they provide covers all relevant personal circumstances (e.g. part-time working). At the moment we do not believe this to be the case.

From 1 April 2015 there will also be a greater focus on the governance arrangement for public service pension schemes. The Scheme Advisory Board (SAB) of which PFEW is a member, will be responsible for providing advice (on request) to the Home Secretary on the desirability of any changes to the police pension schemes. The SAB will also provide advice (on request or otherwise) to a scheme manager (generally the chief officer) or to a local police pension board (whose role it is to assist the scheme manager) in relation to the effective and efficient administration and management of the schemes.

At a local level scheme managers will be able to join together to form a single pension board that will cover more than one scheme if they consider that to be the most appropriate arrangement. HOC 16/2014 contains further information.

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1. LEGAL CHALLENGES

1.1. Are there legal challenges to the changes?

We have sought leading counsel's advice on whether there are legal challenges available to us to stop the CARE 2015 Scheme being introduced or to prevent it being applied to existing members. The answer is that there is no challenge available to us. We have considered all possible avenues, but in particular:

i) Section 2, Police Pensions Act 1976

The CARE 2015 Scheme is governed by the Public Service Pensions Act 2013. The 2013 Act avoids the protections contained within section 2 of the Police Pensions Act 1976 by requiring future pensions to be paid under the 2013 Act (except where transitional arrangements apply). This means that no legal challenge under section 2 of the Police Pensions Act 1976 can be made.

ii) Age discrimination

We are advised that the changes are likely to be regarded as justifiable on the ground of age discrimination, in part because of the tapering provisions.

iii) Legitimate expectation, mis-selling and human rights

We have been closely advised by our lawyers as to all potential avenues for challenge, including legitimate expectation, mis-selling and human rights. We have been clearly advised that such arguments will not prevent the Government from making the changes. It is also most unlikely that individual claims for compensation for mis-selling will succeed. For further information please see our previous FAQ document on Mis-selling and Similar Claims:

http://www.polfed.org/documents/081112_Mis-selling_FAQ_PolicePensions.pdf

2. TRANSITIONAL PROTECTION ARRANGEMENTS

Serving members will fall into one of the three categories below:

- i) Those who benefit from **Full Transitional Protection**, who will not move into the CARE 2015 Scheme;
- ii) Those who benefit from **Tapered Protection**, who will automatically move into the CARE 2015 Scheme at some point after 1 April 2015; and
- iii) Those who do not have any transitional protection, who will automatically move into the CARE 2015 Scheme when it is introduced on 1 April 2015.

2.1 Do I fall within Full Transitional Protection?

Some PPS 1987 and NPPS 2006 members will be able to remain in those schemes and not move across to the CARE 2015 Scheme. These members have Full Transitional Protection and they fall into this category because, on 1 April 2012, they were either:

- in PPS 1987 or NPPS 2006 and had 10 years or less to age 55; or
- in PPS 1987 and had 10 years or less to age 48 and were also 10 years or less from a maximum, unreduced 30 year pension.

Part-time service is treated as full-time service for the purposes of calculating eligibility for Full Transitional Protection. This is separate to the calculation of Pensionable Service, which is still calculated on a pro-rata basis while a member works part-time. As an example:

An officer who on 1 April 2012 had 15 years' full time service and 5 years' part-time service who had been in the PPS 1987 throughout would have a total of 20 years' service. S/he would therefore have Full Transitional Protection and would not join the CARE 2015 Scheme. (If his or her part-time service averaged 20 hours a week, s/he would have 17.5 years' Pensionable Service at 1 April 2012.)

2.2 What does Full Transitional Protection mean?

As well as not moving to the CARE 2015 Scheme, members with Full Transitional Protection will see no change in when they can retire, nor any decrease in the amount of pension they receive. However, if a member opts out their protection is likely to be adversely affected, in many cases, seriously so. Any member considering opting out should seek confirmation of the implications of doing so from their pensions' administrator and take independent financial advice before doing so.

2.3 I fall within the Full Transitional Protection category. Can I choose to move to the CARE 2015 Scheme?

No, this will not be possible. However, a member who has been opted out of PPS 1987 or NPPS 2006 for over five years can join the CARE 2015 Scheme.

2.4 Will the contribution rates change in the PPS 1987 and NPPS 2006 on 1 April 2015?

The Home Office has said that there will be no change to the current PPS 1987 and NPPS 2006 contribution rates before 2019. Member contribution rates will then be dependent on the outcome of the next police pension schemes' actuarial valuation exercise.

2.5 What happens if I'm entitled to Full Transitional Protection and I take (or remain on) a career break from 1 April 2015?

As long as the career break is an unpaid leave career break under the determination at Annex OO for Regulation 33 of Police Regulations 2003, it will have no impact on your Full Transitional Protection. You will return to your current scheme when you return from the career break.

2.6 Why is qualification for Full Transitional Protection and Tapered Protection decided on 1 April 2012 rather than on 1 April 2015 when the CARE 2015 Scheme commences?

In November 2011 the Chief Secretary to HM Treasury, Danny Alexander, made a statement on the reform of public service pensions generally in which he announced protection for scheme members closest to retirement, specifically those 10 years or less from retirement on 1 April 2012.

As the Full Transitional Protection arrangements announced by the Government were with effect from 1 April 2012, the Tapered Protection arrangements naturally also took effect from this date.

Anyone who has Full Transitional Protection will not move across to the CARE 2015 Scheme, and therefore Questions 2.7 to 2.13 which follow are not relevant to them.

2.7 How did the Tapered Protection provisions come about?

In March 2012 the Home Secretary issued her proposals for the police CARE 2015 Scheme and those proposals included the 10 year Full Transitional Protection provision. However, no tapering of protection was proposed, therefore leaving

members with a potential “cliff edge” where just one day could mean the difference between Full Transitional Protection and no protection.

PFEW took the decision to engage in the consultation process for the new scheme in order to try and influence the Government and improve its proposed terms. As a result of this process important concessions were obtained. One of these was an improvement in the Transitional Protection arrangements so that: i) Full Transitional Protection was extended to PPS 1987 members aged 38 or over and 10 years or less from a maximum 30 year pension; and ii) Tapered Protection was introduced for those within four years of Full Transitional Protection.

It is worth remembering that whilst the introduction of Tapered Protection removed the “cliff edge” effect of the 10 year protection, it was never going to be the case that protection was extended indefinitely or to everyone as the Government had already made it absolutely clear that the new CARE 2015 Scheme would not apply only to new members. Members of all public service schemes (except those entitled to Full Transitional Protection) would be moving to CARE schemes and the Government was not prepared to make an exception for police officers.

2.8 Do I fall within Tapered Protection?

Members who are within 4 years of qualifying for Full Transitional Protection fall into the “Tapered Protection” category. This applies to Active Members:

- i) in the PPS 1987 and the NPPS 2006 who on 1 April 2012 were aged between 41 and 45 years;
- ii) in the PPS 1987 who on 1 April 2012 were 10 years or less from being able to retire on a maximum, unreduced pension and were aged between 34 and 38 years;
- iii) in the PPS 1987 who on 1 April 2012 were aged 38 or over (up to age 45) and were between 14 and 10 years from being able to retire on a maximum, unreduced 30 year pension;
- iv) in the PPS 1987 who on 1 April 2012 were aged less than 38 who were more than 10 years from being able to retire on a maximum, unreduced 30 year pension, where their age minus the years from being able to retire on a maximum, unreduced 30 year pension, was between 24 and 28 years.

Part-time service is treated as full-time service for the purposes of calculating eligibility for Tapered Protection. This is separate to the calculation of Pensionable Service, which is still calculated on a pro-rata basis while a member works part-time. As an example:

An officer who on 1 April 2012 had 8 years’ full time service and 10 years’ part-time service who had been in the PPS 1987 throughout would fall into Tapered Protection on the basis of having 18 years’ service. (If his or her part-

time service averaged 20 hours a week, s/he would have 13 years' Pensionable Service at 1 April 2012.)

2.9 What does Tapered Protection mean?

A member who is covered by Tapered Protection will continue to accrue Pensionable Service in their current scheme for a limited period of time after 1 April 2015. Once the member's Tapered Protection expires, they will be moved into the CARE 2015 Scheme. The underlying principle is that the closer a member is to qualifying for Full Transitional Protection, the more additional service s/he will be allowed to accrue in his or her existing scheme. This is intended to avoid what would otherwise be a "cliff edge" where a couple of days' service would make the difference between Full Transitional Protection and no protection. The minimum additional period in the current schemes will be 54 days and the last possible day of Tapered Protection will be 31 March 2022.

Members will have a two-part pension based on service in both the PPS 1987 or NPPS 2006 and the CARE 2015 Scheme. For further details see Section 3 of this document.

2.10 How can I work out how much Tapered Protection I am entitled to?

The Home Office's Reform Design Framework document contains four tapering tables at Annex A:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/117692/reform-design-framework.pdf

Firstly work out which table applies. It is possible for a member to be covered by tapers (i) and (iii) under Question 2.8, above. If a member does fall under two categories of Tapered Protection, then the more favourable one will apply.

If one of the first two tables at Annex A applies, find the appropriate row by reference to date of birth. If the third table applies, find the appropriate row by reference to service start date. If the fourth table applies, find the point where age and length of service meet.

Once that is done read across to the number of days of protection. Those will be the additional days in the PPS 1987/NPPS 2006 before moving to the CARE 2015 Scheme. The first three tables also include the date of transfer to the CARE 2015 Scheme.

Remember, if you are within two tables, the one which gives the longer period of Tapered Protection applies.

2.11 What happens if I work part-time during the Tapered Protection period?

There is no adjustment made for members who work part-time during the protection period. This means that if a member is entitled under Tapered Protection to remain in the PPS 1987 or the NPPS 2006 for two years after 1 April 2015, his/her protection will end on 1 April 2017, regardless of whether the officer works part-time or not.

PFEW argued that, for example, a member who was entitled to remain in PPS 1987 or NPPS 2006 for an additional two years and who worked an average of 20 hours per week should be entitled to remain in the old scheme for four years in order to accrue two additional years' Pensionable Service in that scheme. This would then have given the part-time member the same amount of additional Pensionable Service as an equivalent full-time member, but the Home Office would not change their position.

We will monitor the impact of this provision in practice after the introduction of the CARE 2015 Scheme.

2.12 I am entitled to Tapered Protection, can I move to the CARE 2015 Scheme during the Tapered Protection period?

No, members will not be able to move to the CARE 2015 Scheme during the Tapered Protection period.

2.13 What happens if I take (or remain on) a career break whilst entitled to Tapered Protection?

No adjustment will be made for members on career breaks. This means that if you are entitled under Tapered Protection to remain in PPS 1987 or NPPS 2006 for two years from 1 April 2015, your protection will end on 31 March 2017, even if you take a career break for some or all of the 1 April 2015 – 31 March 2017 period.

PFEW argued that a career break should pause the period of Tapered Protection. The Home Office rejected this argument.

We will monitor the impact of this provision in practice after the introduction of the CARE 2015 Scheme.

2.14 Can I transfer Pensionable Service from another pension arrangement into the PPS 1987 or NPPS 2006 to help me qualify for Full Transitional or Tapered Protection?

If you have benefits in another pension scheme you may be able to transfer those pension benefits into your current police scheme (PPS 1987 or NPPS 2006) and have it count towards the assessment for Transitional Protection.

In order for the transfer to count for the purposes of Transitional Protection you must have, on 1 April 2012, been either:

- an Active Member of PPS 1987 or NPPS 2006; or
- a serving police officer who had opted out of PPS 1987 or NPPS 2006 and has subsequently joined/re-joined the NPPS or are intending to do so before 1 April 2015.

If this applies to you and you would like to know if a transfer of previous pension rights into the PPS 1987 or NPPS 2006 could count towards Transitional Protection, you should contact your pension administrator as soon as possible by email or letter, saying that you are interested in transferring the benefits relating to your previous employment into your current police pension scheme. Although transfers in normally take about six weeks, and the original Home Office position was that this process must be completed before a member moved into the CARE 2015 Scheme, we have secured an “amnesty” with the Home Office, so that members who started this process before their transition date (1 April 2015, or later if entitled to Tapered Protection) will be able to have their transferred-in benefits count towards the assessment of the application of Transitional Protection in their existing police scheme.

For further information see JBB Circulars 2/2015 and 6/2015.

2.15 I have previously transferred Pensionable Service from another pension arrangement into the PPS 1987 or NPPS 2006. Will this count towards whether I qualify for Full Transitional Protection or Tapered Protection?

Yes. Before making your decision to make a transfer in you will have been informed of the amount of Pensionable Service (not necessarily a day for day equivalent) in PPS 1987 or NPPS 2006 which the transfer would purchase. If you went ahead with the transfer then you will have been credited with this additional period of Pensionable Service in the PPS 1987/NPPS 2006 and this will count in the same way as your actual Pensionable Service in the PPS 1987 or NPPS 2006 towards your qualification for Full Transitional Protection or Tapered Protection.

2.16 I don't fall into either Full Transitional Protection or Tapered Protection. What happens to me on 1 April 2015?

If you do not qualify for Full Transitional Protection or Tapered Protection you will automatically move into the CARE 2015 Scheme on 1 April 2015. Your pension will then be made up of two parts based on service in both PPS 1987 or NPPS 2006 and the CARE 2015 Scheme. See Section 3 of this document for further information.

2.17 I don't fall into either Full Transitional Protection or Tapered Protection and am currently on a career break. What happens when I return to service after 1 April 2015?

You will automatically go into the CARE 2015 Scheme. You will retain your pre-2015 accrued benefits and your pension will be made up of two parts based on service in both PPS 1987 or NPPS 2006 and the CARE 2015 Scheme. See Section 3 of this document for further information.

2.18 Am I able to buy-back time (Pensionable Service) spent on a career break so that it can count towards Full Transitional Protection or Tapered Protection?

No, time spent on a career break cannot be bought back for pension purposes. For further information see Home Office Circular 33/2003:

<http://webarchive.nationalarchives.gov.uk/20130315044536/http://www.homeoffice.gov.uk/about-us/corporate-publications-strategy/home-office-circulars/circulars-2003/033-2003/>

3. INFORMATION FOR MEMBERS WITH BOTH PPS 1987 or NPPS 2006 AND CARE 2015 SCHEME SERVICE

3.1 When I move into the CARE 2015 Scheme (either on 1 April 2015 or when my Tapered Protection ends), what happens to my accrued PPS 1987 service?

Your accrued rights in the PPS 1987 will be protected in the following ways:

- the PPS 1987 pension will be calculated by reference to the final salary rules of that scheme i.e. calculated by reference to the final salary at the time of retirement (“Final Final” Salary) and not by reference to your salary at the point you move into the CARE 2015 Scheme;
- the accrual rate will not simply be 60^{ths}, but instead will be weighted to reflect the expectation of double accrual. This is known as “Weighted Accrual” – see Question 3.2 for further details;
- the PPS 1987 scheme pension can be accessed at the age/service point which applies in the PPS 1987 – see below for further details.

However, it is important to note that:

- these rights could be severely affected if you opt out (before or after moving into the CARE 2015 Scheme). If you are considering opting out you should seek confirmation of the implications of doing so from your pensions’ administrator and take independent financial advice before doing so; and
- the PPS 1987 pension can only be accessed by retiring. It will not be possible to take your PPS 1987 pension and continue to serve as a police officer.

3.2 How does Weighted Accrual work?

Weighted Accrual is a positive feature of the Transitional Protection arrangements which is intended to address the expectation of PPS 1987 members to Double Accrual (i.e. each year counting for 2/60^{ths}) in the last 10 years.

The formula adopted means that the PPS 1987 service will have applied to it the average Accrual Rate that would have applied if the member’s entire Pensionable Service (PPS 1987 and the CARE 2015 Scheme) had been in the PPS 1987. This is a more beneficial formula than just using 60^{ths}.

Currently under the PPS 1987:

- A member who serves for 20 years or less will have an Accrual Rate of 60^{ths};
- A member who serves for 30 years will, because of double accrual, have an average Accrual Rate of 45^{ths} (as 40/60^{ths} is the same as 30/45^{ths});
- A member who serves for between 20 and 30 years will have an average Accrual Rate somewhere between 45^{ths} and 60^{ths}.

The Weighted Accrual formula replicates the position in relation to the average Accrual Rate and applies that to the members' PPS 1987 service. The formula is:

$$\begin{aligned} & \text{PPS 1987 pension} = \text{no. years' service in the PPS 1987 Scheme} \\ & \times \\ & \text{Weighted Accrual rate} \\ & \times \\ & \text{Final Final Salary} \end{aligned}$$

The Weighted Accrual rate is:

$$\begin{aligned} & \text{Years that were or would have been at Single Accrual rate} \times 1/60^{\text{th}} \\ & + \\ & \text{Years that were or would have been at Double Accrual rate} \times 2/60^{\text{ths}} \\ & \text{Divided by} \\ & \text{Total number of years' service} \end{aligned}$$

NB. No more than 30 years' service can count towards the Weighted Accrual rate.

As an example:

An officer who works full-time throughout his or her service and who joins the CARE 2015 Scheme after 18 years' service in PPS 1987 and who remains in the CARE 2015 Scheme for at least 12 years, will be entitled to a PPS 1987 pension calculated as 18/45^{ths} of their Final Final Salary, as opposed to 60^{ths}. That would be in addition to their CARE 2015 Scheme pension.

An officer who has had part-time service will benefit from Weighted Accrual in the same way they would have done if that service had been full-time. As an example:

An officer who works part-time during their service and who joins the CARE 2015 Scheme after 18 years' service in PPS 1987 and who remains in the CARE 2015 Scheme for at least 12 years, will also be entitled to a PPS 1987 pension calculated on the basis of 45^{ths} of their Final Final Salary as opposed to 60^{ths}. The amount of pension will be calculated on a pro-rated basis. For example, if the officer worked 50% hours for the whole of their PPS 1987 service, the PPS 1987 pension would be 9/45^{ths}. Again that would be in addition to their CARE 2015 Scheme pension.

3.3 I've moved into the CARE 2015 Scheme. When can I access my PPS 1987 pension?

At the same age/service point that would have applied in PPS 1987. Therefore:

- Immediately after 30 years' Pensionable Service; or
- From age 50 with at least 25 years' Pensionable Service; or

- From your voluntary retirement age as per Regulation A4 of the Police Pensions Regulations 1987. This will be age 55 for constables, sergeants and MPS inspecting ranks and age 60 for the inspecting ranks outside the MPS.

However, this is dependent on continuing to be a member of the CARE 2015 Scheme and the pension cannot be paid before retirement from the force.

3.4 Can I take my PPS 1987 pension and continue to serve?

No, PPS 1987 pensions will not be paid before retirement from the force.

3.5 What will happen if I have PPS 1987 service and move into the CARE 2015 Scheme but decide to retire before age 55 to access my PPS 1987 pension?

You will have two pensions as follows:

- The PPS 1987 pension, based on PPS 1987 service to 1 April 2015 plus any additional Tapered Protection service, will become payable (if you retire) at the same age/service point it would have done under PPS 1987 (e.g. immediately on 30 years' service, from age 50 with 25 years' service etc.).

The PPS 1987 pension will be based on the Final Final Salary at the point of retiring and on the basis of Weighted Accrual.

- The CARE 2015 Scheme pension will become a Deferred Pension payable from State Pension Age. However, you can choose to have your Deferred Pension paid early (but not before you reach the age of 55). If you choose to do this your Deferred Pension will be actuarially reduced on account of early payment before your State Pension Age (see Question 4.9 above).

3.6 What will happen if I move into the CARE 2015 Scheme from the PPS 1987 and then retire at/after age 55, but before age 60?

Your PPS 1987 pension will be payable in the same way as in the previous question.

However, the CARE 2015 Scheme pension can be taken immediately, with Actuarial Reduction calculated from age 60 (rather than from State Pension Age). If the CARE 2015 Scheme pension is not taken immediately it will be payable from State Pension Age.

3.7 What does Actuarial Reduction mean?

Where a pension is paid early, it is paid at a lower level to reflect the fact that it is paid for longer. The intention is that the actuarially assessed value of the pension entitlement is the same.

3.8 If my pension is Actuarially Reduced, is the reduction permanent?

Yes, it is permanent. The reduction does not stop when the member reaches the age from which the reduction is calculated. However, the reduction will not apply to any survivor benefits which become payable.

3.9 What difference would the Actuarial Reduction make to my pension?

The Home Office has indicated that while it is not possible to give a fixed formula, a general “rule of thumb” is between 4% and 5% reduction for each year that the pension is taken early.

Any member considering taking an Actuarially Reduced pension would need to obtain a precise calculation from their pensions’ administrator before reaching a final decision.

3.10 What about commutation of lump sums under the PPS 1987?

Under the rules of the PPS 1987 members can permanently exchange (“commute”) part of their pension for a cash lump sum. The lump sum is tax free and its value is based on age-based commutation factors prepared by the scheme actuary. In most circumstances members can commute up to 25% of their gross annual pension for a lump sum. However, in certain circumstances commutation is limited to 2.25x the gross annual pension.

The PPS 1987 rules will still apply to the commutation of the PPS 1987 pension. This means that:

- The PPS 1987 pension will be calculated with Weighted Accrual and using the Final Final Salary at the point of retirement, as appropriate;
- Whether a member can commute 25% of that pension or a sum limited to 2.25x his/her gross annual pension will depend (as now) on his or her circumstances;
- For the purpose of determining whether a member has sufficient service to be able to commute 25% rather than 2.25x pension, time spent in the CARE 2015 Scheme will count. (NB This does not mean that any of the CARE 2015 Scheme pension will be commuted on PPS 1987 terms); and
- The PPS 1987 commutation factors will continue to be on the basis of actuarial tables prepared from time to time by the scheme actuary.

As an example:

A member who joins the CARE 2015 Scheme with 18 years' Pensionable Service in PPS 1987 and who remains in the CARE 2015 Scheme for 12 years (full-time), will be entitled on retirement to a PPS 1987 pension of 18/45^{ths} of Final Final Salary and will be able to commute up to 25% of that PPS 1987 pension. The commutation will be on the basis of the actuarial factors in effect at the time of commuting. The CARE 2015 Scheme pension, including any commutation of that pension, will be payable in addition in accordance with the rules of the CARE 2015 Scheme.

For the purpose of assessing whether an officer with part-time service meets the service threshold, part-time service counts as full-time service. This does not affect the fact that part-time Pensionable Service will be assessed on a pro-rata basis. As an example:

A member who joins the CARE 2015 Scheme with 18 years' Pensionable Service in PPS 1987 and who remains in the CARE 2015 Scheme for 12 years, serving part-time throughout the PPS 1987 service (based on an average of 20 hours per week) will be entitled to a PPS 1987 pension of 9/45^{ths} of Final Final Salary and will be able to commute up to 25% of that pension. The commutation will be on the basis of the actuarial factors in force at the time of commuting. The CARE 2015 Scheme pension, including any commutation of that pension, will be payable in addition in accordance with the rules of the CARE 2015 Scheme.

3.11 When I move into the CARE 2015 Scheme, what happens to my accrued NPPS 2006 service?

Your accrued rights in the NPPS 2006 will be protected in the following ways:

- The NPPS 2006 pension and lump sum will be calculated by reference to the final salary rules of that scheme i.e. calculated by reference to the final salary at the time of retirement ("Final Final" Salary) and not by reference to your salary at the point you move into the CARE 2015 Scheme;
- The NPPS 2006 scheme pension can be accessed at 55.

However, it is important to note that:

- The ability to access the pension at the age 55 point depends on remaining in the CARE 2015 Scheme once you are moved over to it; and
- The NPPS 2006 pension can only be accessed by retiring. It will not be possible to take your NPPS 2006 pension and continue to serve as a police officer.

3.12 Can I take my NPPS 2006 pension and continue to serve as a police officer?

No, NPPS 2006 pensions will not be paid before retirement.

3.13 What will happen if I retire at age 55 to access my NPPS 2006 pension?

Your NPPS 2006 pension will come into payment based on NPPS 2006 service to 1 April 2015 plus any additional Tapered Protection service. It will be based on your Final Final Salary at the point of retiring.

You can also access your CARE 2015 Scheme pension immediately, with Actuarial Reduction calculated from age 60 (rather than State Pension Age). However, if the CARE 2015 Scheme pension is not taken immediately, it will be deferred until State Pension Age.

3.14 What happens if I have PPS 1987 or NPPS 2006 service, but I am ill health retired from the CARE 2015 Scheme?

The provisions for ill health pensions in these circumstances are complex, but if you have service in the PPS 1987 or NPPS 2006 and are ill health retired from the CARE 2015 Scheme, your pension will be calculated using a “two pot” approach which recognises the service under, and accrued benefits of, both schemes.

If you are a former member of PPS 1987 this means that you would get the total of:

- (a) Your entitlement to an ill health pension under the CARE 2015 Scheme; and either
- (b) the ill-health pension you would have had if you had been ill health retired on your last day in PPS 1987; or
- (c) if better, the PPS 1987 pension that would have been payable on retirement from the PPS 1987, applying Weighted Accrual to that PPS service.

If you are a former member of NPPS 2006 this means that you would get the total of:

- (a) Your entitlement to an ill health pension under the CARE 2015 Scheme; and
- (b) The lower tier ill health pension (and lump sum) you would have been entitled to in NPPS 2006.

In calculating whether for the purposes of the CARE 2015 Scheme you have 5 years' service (which is relevant for the calculation of any upper-tier ill health pension):

- (a) If you are a former member of PPS 1987, only service in the 2015 CARE Scheme counts; and
- (b) If you are a former member of NPPS 2006, service in both the NPPS 2006 and CARE 2015 Schemes counts.

This means that any former member of the PPS 1987 or NPPS 2006 who is medically retired whilst a member of the CARE 2015 Scheme should be no worse off than if he or she had been medically retired on his or her last day in the PPS 1987 or NPPS 2006. While the precise position will depend on individual circumstances, such members should be better off, as they will have accrued further benefits under the CARE 2015 Scheme.

4. THE CARE 2015 SCHEME

4.1 What is a CARE scheme and how is it different to the PPS 1987 and NPPS 2006 Schemes?

CARE stands for Career Average Revalued Earnings and a CARE scheme is a different type of Defined Benefit Scheme than the PPS 1987 and NPPS 2006. Under the CARE 2015 Scheme for each year of your active membership you will earn a fraction of your Pensionable Earnings for that year as a pension. The pension accrued for that year is then revalued for each subsequent year until you retire. Your final pension will be the total of all the resulting amounts accumulated throughout your period as an Active Member. That amount is payable to you for life.

The major difference between the 2015 CARE Scheme and the PPS 1987 or NPPS 2006 is that under those arrangements for every year of your Pensionable Service to retirement or earlier date of leaving you accrue a fraction but the resulting total of fractions is multiplied by your salary when you retire or leave the scheme rather than by your salary figure for each separate year. Also there is no revaluation applied under PPS 1987 or NPPS 2006 whilst you remain an Active Member.

4.2 How do benefits accrue?

For each Scheme Year (1st April to 31st March) during which you are an Active Member of the scheme and paying contributions, you will accrue 1/55.3 of your Pensionable Earnings towards your pension during that Scheme Year. At the end of the Scheme Year the pension you have earned during that Scheme Year becomes a separate element of the pension you build up for your period of Active Membership.

During the next Scheme Year you will accrue a further element of pension which will again be 1/55.3 of your Pensionable Earnings for that Scheme Year. However, during that second Scheme Year, the element of pension earned for the first Scheme Year will be revalued by the movement in the Consumer Prices Index (CPI) in the year to the preceding September, plus 1.25%. So if the movement in the CPI is 1%, that element of pension earned during the first Scheme Year will be increased by 2.25%.

Each element of pension built up in each Scheme Year during your period of Active Membership will continue to be increased on a compound basis in this manner until you cease to be an Active Member.

NB If for any year during which you remain an Active Member the movement in the CPI is negative, then this will also affect the amount by which all the elements of pension which you have built up are treated for that year, e.g. if the movement in the CPI is -1%, then this will be offset against the additional 1.25% which will mean the elements of pension are increased by 0.25% for that year.

In the unlikely event that CPI fell by a greater figure than -1.25% then the elements of your pension built up would be reduced for that year, e.g. if CPI movement was

-2% then the reduction would be -0.75%.

4.3 What are my Pensionable Earnings?

Basic salary, London weighting and increases in pay on temporary salary and temporary promotion all count towards your Pensionable Earnings. Allowances are not pensionable and do not count.

4.4 How do benefits retain their value?

If you leave the CARE 2015 Scheme because you leave the police force or you opt-out of active membership of the scheme (with at least two years of Qualifying Service) and you do not or cannot take an immediate pension then you will become a deferred member entitled to Deferred Pension from the scheme payable from your State Pension Age. For each year between when you leave and when you start to receive your Deferred Pension, the pension you have built up will be increased by the movement in the CPI.

NB In relation to the indexation of deferred benefits (and pensions in payment), if the movement in the CPI for any year is negative, then the increase will be zero; no negative adjustments will be made.

4.5 Is there a maximum number of years for which I can build up my pension?

No, unlike in the existing schemes under which you are limited (to 30 years' Pensionable Service in PPS 1987 and to 35 years' Pensionable Service in NPPS 2006) you are not restricted in this way in the CARE 2015 Scheme. As long as you are an Active Member and continue to pay contributions you can continue to build up your pension.

There are HMRC tax rules which limit the value of the pension you can build up in any tax year and over your lifetime without paying tax. These are called the annual allowance (currently £40,000 as at March 2015) and the lifetime allowance (currently £1.25 million as at March 2015 but reducing to £1m from 6 April 2016). If you think you may be affected by these limits, you should contact your force pensions' administrator to establish the details of your personal situation.

4.6 What contributions do I pay?

The amount of contributions you pay depends upon the level of your Pensionable Earnings as follows:

- If your Pensionable Earnings do not exceed £27,000 (Tier 1) then you pay 12.44% of your Pensionable Earnings;

- If your Pensionable Earnings are more than £27,000 but less than £60,000 (Tier 2), then you pay 13.44% of your Pensionable Earnings; and
- If your Pensionable Earnings are £60,000 or more (Tier 3) then you pay 13.78% of your Pensionable Earnings.

To assess the tier to which a part-time member belongs, full-time equivalent Pensionable Earnings apply.

When you join (other than automatically on 1 April or at the end of your Tapered Protection period) or re-join the scheme you may be asked to undertake a medical examination and in certain circumstances you may only be admitted to membership on the basis that you do not have access to ill-health benefits. If your membership is restricted in this way then you will pay lower contributions as follows:

- Tier 1 - 9.94% of Pensionable Earnings;
- Tier 2 - 10.94% of Pensionable Earnings; and
- Tier 3 - 11.28% of pensionable Earnings.

The Home Office has said that there will be no change to these contribution rates before 2019. Member contribution rates will then be dependent on the outcome of the next police pension schemes' actuarial valuation exercise.

4.7 When can I retire?

The Normal Pension Age under the scheme is age 60, but you can retire from active membership at any time from age 55 if you wish to do so. However, if you retire before age 60 and take your pension immediately then your pension will be reduced to take account of early payment before age 60. The reduction will be calculated on an actuarial basis but typically would be between 4% and 5% for each year by which your pension commences before age 60. If you retire before 60 and do not take your pension immediately it will be payable from State Pension Age.

NB - In order to trigger the payment of your pension from the CARE 2015 Scheme it is necessary to "claim" your pension. This is the case for any pension payable under the CARE 2015 Scheme. Therefore, if you are considering retiring it is vitally important that you contact your force's pensions' administrator as soon as possible to ensure that you are provided with and complete the necessary paperwork to "claim" your pension.

4.8 Can I delay my retirement past the Normal Pension Age (NPA) of age 60 and, if so, what happens to my pension?

Yes, if you delay your retirement until after the NPA of age 60 you can continue to accrue pension and your pension will be increased on an actuarial basis to take account of its commencement after NPA.

4.9 I have a Deferred Pension under the scheme, when does that become payable?

If you leave the police force or cease to be an Active Member by opting-out (and do not opt back in within 5 years), are under the NPA of 60 and have at least two years of Qualifying Service, you will become entitled to a Deferred Pension. Unless you choose to transfer your benefits out to another pension arrangement your Deferred Pension will be retained within the scheme, will increase each year by the movement in the CPI and will become payable from your State Pension Age.

State Pension Age (SPA) is the age at which you become eligible to the state pension. Currently the SPA for men is 65. For women born on or after 6 April 1950 and before 6 December 1953 SPA is somewhere between 60 and 65 depending upon their date of birth. SPA for men and women will be equalised at 65 by November 2018. From December 2018 the SPA for both men and women will start to increase reaching 66 by October 2020. It will then increase to 67 between 2026 and 2028. A further subsequent increase of SPA to 68 is also planned.

Provided you have reached age 55 you can choose to have your Deferred Pension paid early. However, if you do this it will be actuarially reduced on account of early payment prior to your SPA. Please note that the Actuarial Reduction can be substantial and is permanent.

Your Deferred Pension will be paid early without any Actuarial Reduction if you become permanently medically unfit for any regular employment (an annual average of 30 hours a week).

4.10 Am I able to take a cash lump sum at retirement?

Yes, you may choose to permanently exchange or “commute” part of the pension you have built up under the CARE 2015 Scheme for a tax free lump sum. If you do this then for every £1 of pension you give up you will be paid a lump sum of £12. You cannot commute more than 25% of your annual pension. Please note that any decision to commute must be taken before the date of your retirement and that your force pensions’ administrator will need you to complete appropriate paperwork in order to record that decision.

4.11 Is the ill health retirement process in the CARE 2015 Scheme different to the process in the PPS 1987 and NPPS 2006?

The ill health retirement process in the CARE 2015 Scheme is very similar to the process under the PPS 1987 and NPPS 2006, but there are some differences. As with the NPPS 2006 there are two tiers for ill health pensions.

Ill health pensions under the CARE 2015 Scheme are payable to an eligible member who is ill health retired. To be eligible you must not be excluded from ill health

benefits and you must have 2 years' Qualifying Service (unless your condition/injury was caused by an injury on duty).

You can only be medically retired if the doctor who you are referred to for consideration, the Selected Medical Practitioner (SMP), or a Police Medical Appeal Board (PMAB), determines that you are permanently medically unfit for performing the ordinary duties of a member of the force. The term "permanently disabled" has changed to "permanently medically unfit" in the CARE 2015 Scheme, but the meaning remains the same. Permanent in this context means until Normal Pension Age (60), or death if that is earlier. However, the chief officer can decide to retain you in the force rather than medically retire you.

If the SMP or PMAB determines that you are permanently medically unfit for the ordinary duties of a member of the force and the chief officer decides to retire you, you will be entitled to an ill health pension. Remember that you must claim the pension – it will not be paid to you automatically (see Question 4.7, above).

4.12 How is the CARE 2015 Scheme element of my ill health pension calculated?

NB. Remember that if you have previous PPS 1987 or NPPS 2006 service your ill health pension will be calculation on a "two pot" basis – see Question 3.14 for further information. What is set out below is the calculation of the element provided under the CARE 2015 Scheme.

As with the NPPS 2006, the CARE 2015 Scheme has two tiers of ill health retirement pension – a lower tier and an enhanced upper tier.

If you are determined by the Selected Medical Practitioner (SMP) or Police Medical Appeal Board (PMAB) to be permanently medically unfit from performing the ordinary duties of a member of the force and the chief officer decides to retire you, you will be entitled to a lower tier pension. This means that you will receive your accrued CARE 2015 Scheme pension, payable immediately with no reduction for the fact that it is being paid before Normal Pension Age (60).

If the SMP also determines that you are permanently medically unfit from performing any regular employment (i.e. an average of 30 hours per week), then you will **also** be entitled to an enhanced upper tier pension. The level of the enhancement depends on whether you have at least 5 years' service and the calculation is as follows:

- If you have less than 5 years' service, you will receive the lesser of:
 - 3x your accrued CARE 2015 Scheme pension; or

- Half the service from the date of your ill health retirement to Normal Pension Age (60) x 1/55.3 x Final Pay

e.g. if you are aged 40 when you are ill health retired and your Final Pay is £40,00, the calculation will be:

$$(60 - 40 = 20 \div 2) 10 \times 1.55.3 \times £40,000$$

= upper tier pension of £7,233

- For the purpose of assessing whether you have 5 years' service:
 - service in PPS 1987 does not count; but
 - service in NPPS 2006 does count.
- If you have more than 5 years' service you will receive half the service from the date of your ill health retirement to Normal Pension Age (60) x 1/55.3 x Final Pay.
- If you have worked part-time during your service then the calculation from the date of your ill health retirement to Normal Pension Age is adjusted on a pro rata basis to reflect the proportion of your actual service which was part-time.

As well as being paid immediately, your ill health pension will be index-linked annually, based on CPI, to help it keep its value.

4.13 If I die whilst an Active Member will a lump sum become payable?

Yes, if you die whilst you are an Active Member, a lump sum death grant of three times your Pensionable Earnings at the date of your death will be paid to:

- Your surviving Spouse or Civil Partner
- If you have no Spouse or Civil Partner, at the discretion of the Police Pension Authority, to a Declared Partner (see Glossary)
- If you have no Spouse, Civil Partner or Declared Partner, at the discretion of the Police Pension Authority, to a person nominated by you
- Otherwise, to your legal personal representative (usually the executor of your will) to form part of your estate.

If you wish to nominate a potential recipient of the lump sum death grant in the event of you dying without leaving a Spouse, Civil Partner, or Declared Partner, you should contact your force's pensions' administrator.

An existing declaration under the NPPS 2006 will be treated as having been made for the purpose of the CARE 2015 Scheme as well.

4.14 If I die, what benefits are payable to my surviving dependants?

Survivors' pensions may become payable to your Spouse, Civil Partner or Declared Partner (adult survivors) and also to Eligible Children that survive you. What is payable will depend upon whether you are an Active Member, a Deferred Member, or have started to receive your pension. Any pension that becomes payable to an adult survivor is payable for life and any pension payable to a child will be payable until the child ceases to be an Eligible Child.

j) Pension payable to adult survivor

If you die whilst an Active Member with at least two years of Qualifying Service, an adult survivor's pension will become payable equal to 50% of the pension you would have received if you had retired as a result of becoming permanently medically unfit for any regular employment (an annual average of 30 hours a week) on the date of your death.

If you die whilst receiving a pension from the scheme or whilst entitled to a Deferred Pension, your adult survivor will receive a pension of 50% of your pension entitlement at the date of your death.

Any pension payable to an adult survivor will be reduced by 2.5% for each year by which your adult survivor is more than 12 years younger than you. If you married or formed a civil partnership less than six months before your death, the Police Pension Authority has discretion to withhold the payment of an adult survivor's pension.

A Declared Partner is someone with whom you have a long term relationship but who is not your Spouse or Civil Partner. In order to count as a Declared Partner and potentially qualify for an adult survivor's pension, you and your partner must have submitted a joint declaration to the Police Pensions Authority (forms are available from your force's pensions administrator). These forms can be submitted at any time.

The discretion of the Police Pension Authority on these matters is final, but you will need to confirm that the following apply and supporting evidence may be required:

- You have lived together for a period during which your partner has been financially dependent upon you or there has been financial interdependence between you;
- It is a committed relationship intended to continue indefinitely;
- There is mutual responsibility for each other's welfare;
- Neither of you is married or in a civil partnership and neither of you is a Declared Partner of anyone else; and

- You agree to inform the Police Pension Authority if the relationship ends.

If you die, in order to be considered for the receipt of an adult survivor's pension, your Declared Partner will need to submit a claim confirming that the above conditions were still met at the date of your death. Cohabitation for at least two years will normally be required for payment of an adult survivor's pension to a Declared Partner but the Police Pension Authority has discretion over this.

ii) Pensions payable to Eligible Children

If you die whilst an Active Member, whilst in receipt of a pension from the scheme or whilst entitled to a Deferred Pension, each of your Eligible Children will become entitled to a pension.

An Eligible Child is:

- Your natural child, stepchild or adopted child; and
- Any other child who, at the date of your death, was dependent upon you either financially or as a result of disability.

A child remains an Eligible Child until s/he reaches the age of 19 unless:

- S/he is in full-time education on a course of at least one year's duration, in which case s/he will remain an Eligible Child whilst full-time education continues but not beyond his or her 23rd birthday; or
- S/he was dependent upon you at the date of your death due to permanent mental and/or physical disablement in which case s/he will remain an Eligible Child for life.

If you are survived by one or two Eligible Children each will receive a pension equal to 25% of your pension entitlement at the date of your death. If more than two Eligible Children survive you then the pension each Eligible Child receives will be 50% of your pension entitlement at the date of your death divided by the number of Eligible Children.

For these purposes your pension entitlement is:

- for a pensioner the annual pension you are receiving at the date of death;
- for a deferred member, the Deferred Pension you would have received had it come into payment at the date of your death;
- for an Active Member with at least two years of Qualifying Service, it is the pension that would have been payable had you retired on the grounds of being permanently medically unfit for any regular employment (an annual average of 30 hours a week) at the date of your death.

In circumstances where an Eligible Child receives remuneration from employment or training his or her pension may be reduced.

4.15 Is it possible for me to buy extra benefits under the scheme?

Yes, you can choose to make extra payments to increase:

- Your retirement benefits for a period of service; or
- Your retirement benefits and the benefits payable on your death (other than the lump sum death grant) for a period of service.

You can make the extra payments periodically or, provided you have been an Active Member of the 2015 CARE scheme for at least twelve months, as a lump sum. This option can be exercised more than once but lump sum payments can only be made once every Scheme Year.

HM Treasury limits the amount of extra pension that can be bought. For the Scheme Year 1 April 2015 to 31 March 2016 the maximum pension that can be purchased is £6,500 per annum. This limit is likely to increase in line with CPI.

There are HMRC tax rules which limit the value of the pension you can build up in any tax year and over your lifetime without paying tax. These are called the annual allowance (currently £40,000 as at March 2015) and the lifetime allowance (currently £1.25 million as at March 2015 but reducing to £1m from 6 April 2016). If you think you may be affected by these limits, you should contact your force's pension administrator to establish the details of your personal situation.

4.16 Is it possible for me to accrue benefits under another pension arrangement whilst I am a member of the 2015 CARE scheme?

Yes, you are able to do this, but remember there are HMRC tax rules which limit the value of the pension you can build up in any tax year and over your lifetime without paying tax. These are called the annual allowance (currently £40,000 as at March 2015) and the lifetime allowance (currently £1.25 million as at March 2015 but reducing to £1m from 6 April 2016). If you think you may be affected by these limits, you should contact your force's pensions' administrator to establish the details of your personal situation.

5. OPTING OUT

5.1 Is opting out a good idea?

While each member must make his or her own decisions, our view is that in most cases opting out is likely to be a very bad idea, resulting in adverse financial consequences.

Anyone considering opting out of any of the police schemes should carefully consider the fact that this would cause them to lose out on a number of valuable benefits. We cannot give members advice about their individual financial circumstances, including pensions. However, we believe that the police schemes, including the new CARE 2015 Scheme, will continue to deliver a good package of benefits that is better than that provided by other public sector schemes. Also, we believe that it is extremely unlikely that members will be able to match those benefits for the same cost by the use of private individual arrangements. The precise implications of opting out will depend on the individual circumstances of a member including factors such as: age; length of Pensionable Service; the scheme they are in; and any rights they have to Full Transitional or Tapered Protection.

Before making any decision about whether to opt out of membership of any of the police schemes, including the new CARE 2015 Scheme, we strongly recommend members take their own independent financial advice.

NB The provisions dealing with opting out of the police pension schemes and whether or not all, or some, of the Transitional Protections are lost on doing so are extremely complex and were the subject of lengthy discussions with the Home Office. We are still awaiting final clarification and will update you as soon as we are able to do so.

5.2 If I become a member of the CARE 2015 Scheme but subsequently opt-out before I have been an Active Member for two years, do I get a refund of contributions from the CARE 2015 Scheme?

Receipt of a refund is only possible where you have completed less than two years of Qualifying Service (see Glossary of Terms). Qualifying Service is not necessarily the same as your Pensionable Service. If you have moved into the CARE 2015 Scheme from PPS 1987 or NPPS 2006 it is highly unlikely that you will have less than two years of Qualifying Service and will be able to take a refund.

5.3 I am due to become a member of the CARE 2015 Scheme on 1 April 2015 (or later following the expiry of my period of Tapered Protection under PPS 1987 or NPPS 2006). What are the advantages of remaining a member rather than opting out?

The advantages include:

- You will build up benefits towards your retirement in an arrangement which is sponsored by and underwritten by the Government.
- You receive tax relief on the contributions which you pay.
- Your employer pays substantial contributions towards providing your benefits under the scheme. These are only payable into the CARE 2015 Scheme, the employer will not contribute towards any individual arrangement taken out by you.
- The pension you have built up under the CARE 2015 Scheme will be revalued each year at the more generous rate of CPI + 1.25% (Deferred Pensions are revalued at CPI).
- As an Active Member you will be able to access your benefits at an earlier age than would be the case if you opted out and became a deferred member (Deferred Pensions from the CARE 2015 Scheme are payable from State Pension Age).
- If you become permanently medically unfit and have to retire from the force earlier than planned, the scheme provides benefits to support you.
- If you die whilst a Active Member benefits are provided for your surviving dependants.
- If you have benefits accrued under PPS 1987 or NPPS 2006, the calculation of those benefits will continue to be based on your Final Final Salary (i.e. when you eventually leave the CARE 2015 Scheme).
- If you have benefits accrued under PPS 1987 you will continue to benefit from the provision of Weighted Accrual.

NB In respect of the last two bullet points above, further details are provided in Section 3 covering members with both PPS 1987/NPPS 2006 and CARE 2015 Scheme service.

5.4 What is Automatic Enrolment, and how will it affect me?

The Government has introduced legislation designed to encourage people to make provision for their retirement and which means that employers are obliged to enrol their employees into workplace pension schemes. This legislation applies to police officers and the CARE 2015 Scheme will, from 1 April 2015, be the arrangement into which officers (other than those who remain members of PPS or NPPS under the Transitional Protection arrangements) are auto-enrolled.

If you choose not to join the CARE 2015 Scheme or have opted out of it, you will be automatically enrolled (or re-enrolled) into active membership on a three year cycle (this may vary slightly). If, when you are automatically enrolled or re-enrolled into the CARE 2015 Scheme, you still do not want to be a member, you will need to opt out

of active membership within one month and this will be backdated from the automatic re-enrolment date.

6. ADDITIONAL INFORMATION

6.1 Pension Benefit Statements

We are aware that, because the regulations for the CARE 2015 Scheme were only laid on 5th March 2015, pensions' administrators have been unable to provide pension benefit statements which cover benefits in the CARE 2015 Scheme. Now the regulations have been laid the administrators should be able to begin to process statements.

However, there should currently be no issue with administrators providing a benefits statement for any member in Full Transitional Protection. Following correspondence from PFEW on the matter, the Home Office wrote to pensions' administrators last November to clarify that "...in situations such as these, where it is possible to determine the benefits that an officer will be receiving because s/he will not be entering the CARE scheme, the officer should be provided with a forecast."

We know that the lack of pension benefit statements for those members who will move into the CARE 2015 Scheme is extremely frustrating as it impacts on members' ability to plan for their future. Members may also need to provide a pension benefit statement to a court in respect of divorce proceedings or to a bank in respect of a mortgage application. With regards to mortgage applications, we have made contact with the Council of Mortgage Lenders (CML) which is looking into this issue for us.

We have also raised the general issue of the availability of statements through the Scheme Advisory Board to try and ensure that there is consistency between forces and that the issue of their availability is dealt with as soon as possible.

6.2 Restrictions on Transfers-out of the Police Pension Schemes from April 2015

From 6 April 2015 the Government intends to restrict transfers out of unfunded, Defined Benefit, public service pension schemes – such as the police pension schemes – to schemes from which it is possible to acquire a right or entitlement to flexible benefits.

This change is progressing through Parliament via the Pensions Schemes Bill 2014-15. The Bill defines "flexible benefits" as:

- a) a money purchase benefit;
- b) a cash balance benefit; or
- c) a benefit, other than a money purchase benefit or cash balance benefit, calculated by reference to an amount available for the provision of benefits to or in respect of the member (whether the amount so available is calculated by reference to payments made by the member or any other person in respect of the member or any other factor).

This means that transfers to Defined Contribution schemes will no longer be permitted.

Transfers to other Defined Benefit pension schemes will not be affected. The position in respect of members transferring to a Qualified Recognised Overseas Pension Scheme (QROPS) has not yet been confirmed. However, the same restriction is expected to apply.

For more information on this change and the deadlines which may apply for making a transfer to a Defined Contribution pension scheme, please contact your force pensions' administrator.

7. SOURCES OF FURTHER INFORMATION

- Police Pensions Regulations 2015:
<http://www.legislation.gov.uk/id/uksi/2015/445>
- Members' Guide to the Police Pension Scheme 2015:
<https://www.gov.uk/government/publications/the-police-pensions-scheme-2015-members-guide>
- Home Office Circular 16/2014:
<https://www.gov.uk/government/publications/circular-0162014-police-pensions-scheme-governance-arrangements>
- Home Office Circular 14/2013:
<https://www.gov.uk/government/publications/circular-0142013-further-information-on-long-term-police-pension-reform>
- Home Office Reform Design Framework document:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/117692/reform-design-framework.pdf
- PFEW FAQs:
 - http://www.polfed.org/documents/HOC_on_long_term_pension_reform_FAQ_19_November_2013.pdf
 - http://www.polfed.org/documents/081112_Mis-selling_FAQ_PolicePensions.pdf
 - http://www.polfed.org/documents/Pension_QA_document_140912.pdf

8. COMMON MISCONCEPTIONS

8.1 Is it true that the final pension I get under the CARE 2015 Scheme will be nowhere near as good as that which I would have accrued if I had remained a member of the PPS 1987 or the NPPS 2006?

The precise position depends very much on the circumstances of the individual. A CARE Scheme pension is different to a final salary one like the PPS 1987 or NPPS 2006. For instance, a final salary pension tends to favour those who are promoted as the pension is based on pay in the last years of service in the scheme. By contrast, a CARE Scheme accrues pension based on the member's pay in each year of service and so the difference may not be as significant for someone who remains a constable throughout their career.

The table below provides an idea of the pension and lump sum which could be accrued under the PPS 1987, NPPS 2006 and CARE 2015 Scheme. The example, for illustrative purposes only, is based on an officer who joins now at age 25, serves for 30 years as a constable and retires at age 55. In order to simplify the comparison, all calculations are based on the current salary scale for new joiners: obviously this will change over time.

Only the CARE 2015 Scheme is affected by CPI and CPI can go up or down. Under the CARE 2015 Scheme a member could work longer and accrue a larger pension than shown here. The CARE 2015 Scheme pension and lump sum figures are reduced by 5% each year to reflect the fact that the officer stops working before the scheme's Normal Pension Age of 60 (total reduction of 25%). As a comparison, a member who joins now at age 30 and served for 30 years in the CARE 2015 Scheme would instead receive the amount in italics at the Normal Pension Age of 60:

| | Retiring age 55 | | | Retiring at age 60 | | |
|----------------|-----------------|---------|------------------|--------------------|------------------|------------------|
| | PPS | NPPS | CARE (2% CPI) | CARE (1% CPI) | CARE (2% CPI) | CARE (1% CPI) |
| Cash sum | £127,285 | £63,864 | £68,532 | £58,902 | (£91,371) | (£78,536) |
| Yearly pension | £18,627 | £15,966 | £17,132 | £14,725 | (£22,843) | (£19,633) |

Table: 8.1: Illustrative calculations of PPS 1987, NPPS 2006, and CARE 2015 Schemes, based on current pay scale for Constables.

For members who already have significant accrual in PPS 1987 or NPPS 2006, who are moving across into the CARE 2015 Scheme and who are unlikely to seek promotion, the difference will be even less significant. This is, in part, because their accrued PPS 1987/NPPS 2006 pension is protected by the application of Final Final Salary and for PPS 1987 members, Weighted Accrual.

8.2 Do I have to decide whether or not to join the CARE 2015 Scheme by 1 April 2015?

No, this is not the case.

Even if you are automatically moved across into membership of the CARE 2015 Scheme on 1 April 2015, you can still choose to opt out of membership of the CARE 2015 Scheme at any time thereafter. Opting out of the CARE 2015 Scheme after 1 April 2015 rather than by 1 April 2015 will not make a significant difference to your position, all it means is that you will have accrued some benefits in the CARE 2015 Scheme as well as under your existing scheme. Remember that choosing to become and remain an Active Member of the CARE 2015 Scheme has a number of significant advantages. **Before making any decision about whether or not to become or remain an Active Member of the CARE 2015 Scheme you should read Section 5 above and it is strongly recommended that you clarify your individual position with your force pensions' administrator and take your own independent financial advice.**

8.3 Could PFEW not have stopped the introduction of the CARE 2015 Scheme?

No.

In March 2012 PFEW was a constituent part of the Staff Side of the now disbanded Police Negotiating Board (PNB). The Home Secretary wrote to the Independent Chair of the PNB in March 2012 with her proposals for the CARE 2015 Scheme. This was in accordance with her statutory obligation to **consult** with the PNB about the new scheme. There was no statutory obligation for her to **negotiate** with PNB about the terms of the proposal as pensions were not subject to arbitration in the same way as pay and other negotiable conditions of service.

Bearing in mind that it was always within the power of the Home Secretary to impose the original terms of the proposal Staff Side, including PFEW, chose to engage in the consultation process in order to try and influence the Government and obtain an improved proposal for its members. In the course of the consultation and subsequent discussions Staff Side managed to obtain significant and valuable concessions and improvements including the right to retire at 55 (with actuarial reduction) and Tapered Protection.

PFEW also took legal advice as to whether or not it was possible for them to mount a legal challenge to the introduction of the CARE 2015 Scheme, but the advice was that such a challenge would not be successful (see Section 1 above for further details).

8.4 It's not worth me being a member of the CARE 2015 Scheme I'd get more for my money elsewhere, wouldn't I?

In reaching a decision about matters such as this, it is vitally important that you make a decision based on facts, sound individual advice (including independent financial advice) and by making the correct comparisons.

Remember that the Government has already made the decision that members of **all** public service schemes (except those entitled to Full Transitional Protection) would be moving to CARE schemes and was not prepared to make an exception for police officers. This decision was not going to be reversed and PFEW was not in a position to stop the change happening. Bearing all of this in mind, in reaching any decision about whether or not to join or remain a member of the CARE 2015 Scheme, it is not appropriate to compare what you will accrue in the CARE 2015 Scheme with what you would have accrued had you been able to remain a member of your existing scheme until retirement.

However, in reaching such a decision, it is appropriate to compare the value of the benefits you would accrue if you were to become and remain an Active Member of the 2015 CARE Scheme with the value of what you might be able to obtain by using the money you would otherwise pay in contributions to the CARE 2015 Scheme for an alternative purpose.

Clearly, the answer to this question will depend on individual circumstances and to some extent educated guesses as to what might happen in the future. As already stated above PFEW cannot give members advice about their individual circumstances and strongly recommend that members check their position with their force pensions' administrator and take independent financial advice before reaching any decision.

However, in reaching any decision it will be worth you bearing the following points in mind:

- The pension contributions you make to the CARE 2015 Scheme are taken out of your gross income before it is assessed for income tax. Therefore you receive tax relief on those contributions. If you contribute to an alternative individual pension arrangement you may also receive tax relief on your contributions. However, this will not be the case for many alternative forms of investment outside a pension arrangement, e.g. stocks and shares and buy to let.
- If you contribute to the CARE 2015 Scheme then your employer will also be meeting a substantial proportion of the significant cost of the benefits provided. Your employer will not contribute to any other alternate individual pension arrangement you take out or to any other form of investment you undertake. So effectively, in not joining or in opting out of membership of the CARE 2015 Scheme, you are choosing not to receive part of the overall remuneration package offered to you as a police officer and there will be less money available to you to try and secure benefits of an equivalent value to those provided by the CARE 2015 Scheme.
- The CARE 2015 Scheme is Government sponsored and backed, making it an extremely safe way to provide for your retirement because the Government bears the risk of promising the benefits. Remember that in any individual pension arrangement you enter into, you are the sole contributor and this means that you alone pay all of the expenses and fees. As any individual pension arrangement will be a Defined Contribution Scheme, it is also you who will bear all of the risk of any fluctuations in the markets and, should stocks shares and other investments reduce in value, you alone will bear the

brunt of that. It will also be you alone that bears all of the risk in relation to any other individual investments you make, e.g. falls in the property market.

As well as the above mentioned financial aspects to non-membership of the CARE 2015 Scheme you should also remember that if you fall ill or die, you and your dependants will not have access to the generous ill health and death benefits provided by the CARE 2015 Scheme for Active Members.

8.5 If I join the CARE 2015 Scheme having been in PPS 1987, when I eventually retire will I only be able to commute pension for cash on a 12 for 1 basis?

No, it doesn't work like that. Only the pension you have accrued under the CARE 2015 Scheme is commuted on the basis of £12 of lump sum for every £1 of pension given up. The pension you have built up under PPS (including the effect of the application of Final Final Salary and Weighted Accrual, if applicable) will be commuted on the basis of the actuarial factors applicable under PPS 1987 at the time the commutation takes place (see Question 3.10 above for further details). Please note that the actuarial factors are regularly reviewed and are subject to adjustment by the scheme actuary (currently the Government Actuary's Department) in order to maintain actuarial neutrality.

8.6 If I am ill health retired after becoming a member of the CARE 2015 Scheme the benefits I receive will be much less generous won't they?

No, if you have been a member of PPS 1987 or NPPS 2006, move into the CARE 2015 Scheme and are then ill health retired (regardless of whether or not you were certified as permanently disabled before or after the date you became a member of the CARE 2015 Scheme) your benefits will be calculated on a "two pot" basis which recognises service under, and accrued benefits of, both schemes.

The "two pot" basis means that:

If you are a former member of PPS 1987 you would get the total of:

- (a) Your entitlement to an ill health pension under the CARE 2015 Scheme; and
either
- (b) the ill-health pension you would have had if you had been ill health retired on your last day in PPS 1987; or

- (c) if better, the PPS 1987 pension that would have been payable on retirement from the PPS 1987, applying Weighted Accrual to that PPS service.

If you are a former member of NPPS 2006 you would get the total of:

- (c) Your entitlement to an ill health pension under the CARE 2015 Scheme;
and
- (d) The lower tier ill health pension (and lump sum) you would have been entitled to in NPPS 2006.

For further details see Question 3.14.

9. NEXT STEPS

In producing these FAQs we have done our best to try and anticipate the sort of questions our members will want to have answered. Clearly, what we have produced is not the full story. Unfortunately, despite our best endeavours, there are still some areas where we require further clarification from the Home Office before we feel able to communicate with you in detail. Equally, we anticipate that as the CARE 2015 Scheme and the arrangements for Transitional Protection start to operate, there may be some practical issues associated with implementation, that will need further attention.

Consequently, we intend to issue further and/or updated FAQs and other communication material to keep you informed as the situation develops. We would like to make this process as worthwhile and helpful to you as we can. Therefore, in order to help us to target our efforts, we would welcome your assistance.

We have established a mailbox at pensions@polfed.org for you to let us know what subject matter you would like us to cover in further FAQs, and whether you experience any difficulties once the CARE 2015 Scheme is implemented.

Not only will this enable us to target future communication but it will alert us to particular issues which we may need to raise with the Home Office.

However, in providing us with your thoughts, please remember that we cannot answer individual queries, carry out calculations or provide financial advice.

GLOSSARY OF TERMS

| | |
|-------------------------------|--|
| Accrual Rate | The rate at which pension builds up with increases of pensionable service |
| Active Member | A serving officer who is contributing to one of the police pension schemes and accruing benefits under that scheme in respect of current service |
| Actuarial Reduction | A reduction in pension benefits, applied when the pension is taken early, to recognise that the pension is in payment earlier and will therefore be paid for longer |
| CARE Scheme | A Career-Average Revalued Earnings scheme is a form of Defined Benefits pension scheme whereby the pension is based on Pensionable Earnings throughout a career, instead of at or near retirement |
| CARE 2015 Scheme | The Police Pension Scheme 2015 |
| Career Break | A period of unpaid leave under the determination at Annex OO for Regulation 33 of Police Regulations 2003 |
| Civil Partner | A person of the same sex with whom you have formed the legal relationship of civil partnership by registration |
| CPI | The Consumer Prices Index; a measure of inflation |
| Declared Partner | In the CARE 2015 Scheme this term refers to someone with whom an Active Member lives and has an exclusive, committed and long-term relationship, but who is not the member's Spouse or Civil Partner and with whom the member has completed an appropriate declaration |
| Deferred Pension | A benefit relating to the past service of members of one of the police pension schemes who are no longer Active Members but have not yet retired |
| Defined Benefit Scheme | A scheme in which the benefits are defined in the scheme rules or regulations and accrue independently of the contributions payable and investment returns (where applicable). Most commonly, the benefits are related to members' earnings and the length of Pensionable Service at |

the date of retirement or leaving. Final salary and CARE schemes come under this category

| | |
|-------------------------------------|---|
| Defined Contribution Scheme | A scheme in which a member's benefits are determined by the value of the pension fund at retirement. The fund, in turn, is determined by the contributions paid into it in respect of that member and any investment returns. Also known as a 'money purchase' scheme |
| Double Accrual | A feature of the Police Pension Scheme 1987 whereby service accrues at the rate of 1/60 th for the first 20 years of Pensionable Service, but accrual then doubles to 2/60 ^{ths} for the last ten years |
| Eligible Child or Children | In the CARE 2015 Scheme, a child who is the member's natural child, stepchild or adopted child or any other child who was dependent on the member (either financially or by reason of disability) at the time of the member's death. This extends to a posthumous child if the child's mother is pregnant with the child at the time of the member's death, including the situation where the member is the mother and dies in childbirth |
| Final Final Salary | Police Pension Scheme (PPS) 1987 and New Police Pension Scheme (NPPS) 2006 members who join the CARE 2015 Scheme will have their PPS and NPPS benefits calculated by reference to their final salary at the point of retirement and not by reference to their final salary when they move into the CARE 2015 Scheme |
| Final Pay | In relation to a continuous period of Pensionable Service under the CARE 2015 Scheme means the greater of the amount of a member's Pensionable Earnings payable in respect of the 12 months ending with the last day of Pensionable Service or the amount of a member's Pensionable Earnings payable in respect of any Scheme Year in the 10 years before the last active Scheme Year |
| Full Transitional Protection | A protection which enables Police Pension Scheme 1987 and New Police Pension Scheme 2006 members to remain in those schemes and therefore not become members of the Police Pension Scheme 2015. Members with Full Transitional Protection will see no change in when |

they can retire nor any decrease in the amount of pension they receive

New Police Pension Scheme (NPPS) 2006

The pension scheme established by the Police Pensions Regulations 2006

Normal Pension Age

The age at which a pension, other than a Deferred Pension or ill health pension, is usually paid. The Police Pension Scheme 1987 has various pension ages. The Normal Pension Age in the New Police Pension Scheme 2006 is 55. The Normal Pension Age in the CARE 2015 Scheme is 60

Pensionable Earnings

In relation to the CARE 2015 Scheme, elements of earnings which are pensionable and on which pension contributions are paid. Pensions are calculated under the CARE 2015 Scheme by reference to Pensionable Earnings. Pensionable Earnings currently include Basic salary, London weighting, increase in pay on temporary promotion or temporary salary (but not the acting up allowance) and Competency Related Threshold Payments (the latter to be phased out by April 2016)

Pensionable Service

The service which counts in the calculation of a pension and during which pension contributions are made or are deemed to have been made. Under the CARE 2015 Scheme there is no maximum length of pensionable service

Police Pension Authority

Typically the Chief Constable or the Commissioner of the Metropolitan Police Service. Responsible for the local administration of the police pension schemes

Police Pension Scheme (PPS) 1987

The pension scheme established by the Police Pensions Regulations 1987

Police Pension Scheme 2015

The Pension Scheme established by the Police Pensions Regulations 2015

Qualifying Service

Service or employment which qualifies a member to receive a pension. Generally this is calendar length of service in the police for which pension contributions are payable, plus any service arising from previous service or employment which has been transferred in

| | |
|--------------------------------|---|
| Scheme Advisory Board | From 1 April 2015 the Police Advisory Board for England & Wales will act as the Scheme Advisory Board (SAB) for the three police pension schemes. The SAB will be responsible for providing advice (on request) to the Home Secretary on the desirability of any changes to the scheme(s). The SAB will also be able to provide advice (on request or otherwise) to a scheme manager (generally the chief officer) or to a local police pension board (whose role it is to assist the scheme manager) in relation to the effective and efficient administration and management of the schemes |
| Single Accrual | An accrual rate which builds up evenly for every year of Pensionable Service |
| Spouse | The person to whom a member is married (includes same sex marriage) |
| State Pension Age | The age at which an individual can claim his or her state pension |
| Tapered Protection | The protection which allows a Police Pension Scheme 1987 or New Police Pension Scheme 2006 member to remain in that scheme beyond 1 April 2015. When Tapered Protection ceases, the member moves into the CARE 2015 Scheme |
| Transitional Protection | The protection afforded to members of the Police Pension Scheme 1987 and the New Police Pension Scheme 2006 who were closest to retirement on 1 April 2012, as a consequence of the introduction of the CARE 2015 Scheme. Transitional Protection is provided either as Full Transitional Protection or Tapered Protection |
| Scheme Year | Applicable to the CARE 2015 Scheme only. A period of one year beginning with 1 April and ending on 31 March |
| Weighted Accrual | A formula to allow Police Pension Scheme (PPS) 1987 members who are transferred to the Police Pension Scheme 2015 to benefit from the expectation of Double Accrual. The effect of the formula is that the average accrual rate which would have applied, if the member's entire pensionable service (PPS 1987 and CARE 2015 Scheme) had been in the PPS 1987, is applied to the PPS 1987 service |