The Police Pension Scheme 2015

Administrators' Guide

Administrators Guidance

This guide is intended to explain some additional details in simpler language than is used in the regulations, although it must be remembered that nothing in this guide can override the regulations.

Contents

Governance (see HO circular 16/2014)
Scheme Manager (regulations 9 & 10)

Each police force must have a scheme manager to manage and administer the police pension schemes. The scheme manager is defined to be the police pension authority for that force – in most cases the chief officer. Due to the nature of a CARE scheme, there are more instances where there are requirements on the scheme manager than previously have been specifically outlined for a police pension authority. However, as with previous schemes, the scheme manager can delegate any functions under the regulations (including the power to delegate).

Police Pension Board (regulations 13 - 16)

A new concept for the police schemes is that of a Police Pension Board. A scheme manager must set up a Police Pension Board to assist the scheme manager. Scheme managers can join together to form arrangements for a single pension board that will cover more than one scheme. The Police Pension Board will be a route for administrators to raise certain issues, though the processes will depend on the scheme manager's decision about the terms of reference for the board.

Scheme Advisory Board and Responsible Authority (regulations 18 - 20)

The Responsible Authority is the Home Secretary (set out in the Public Service Pensions Act 2013), who is responsible for the scheme and establishing a scheme advisory board (SAB). The SAB is the Police Advisory Board of England and Wales. The SAB is responsible for providing advice to the Home Secretary (at the Home Secretary's request) on the desirability of any changes to the scheme. The SAB can provide advice (on request or otherwise) to a scheme manager or to a police pension board in relation to the effective and efficient administration and management of this scheme.

Pension Accounts (part 5 of the regulations)
A new feature for the CARE scheme are pension accounts. More information is needed to be able to calculate a pension under CARE – pension accounts provide a way to manage the information needed each year and perform the necessary calculations. On moving between forces, details of the pension account(s) for that member will need to be given to the receiving force (see regulation 12).

In the accounts, club transfers are kept separately from other elements of the member's pension as they have their own revaluation rate (that which applies to the relevant club scheme). This does mean that you will need to check the revaluation rates of those schemes on a regular basis and ensure the correct revaluation rate is applied to each pension amount.

There are four types of account:

> *Active member's account* – this deals with members who are paying into the scheme, i.e. police officers who are not opted-out. Officers on unpaid leave (career breaks no matter how long; all other unpaid leave provided the gap is

no more than 5 years) will still be active members, but their account won't be credited with any pension unless they elect to buy-back some or all of that unpaid leave. Being able to buy-back depends on the type and length of unpaid leave.

Deferred member's account – this deals with members who have left the police or opted-out. Where a member is on unpaid leave (except an agreed career break) of more than 5 years, they become a deferred member. Where a deferred member re-joins or opts in after a gap in pensionable service of 5 years or less, the deferred account has to be closed and an active account re-established. Where such a gap is more than 5 years, the member's already built-up pension remains in the deferred account and a new active account is set up for any pension they build up after the gap in pensionable service. Deferred pensions are payable directly from the deferred account.

Retirement account – this deals with the pensions in payment where an active member retires directly from service without becoming a deferred member. It provides a mechanism to pay these pensions.

Pension credit member's account – this deals with a pension credit member's rights and the pension that is payable. This is totally separate from any other accounts an individual might hold under the scheme.

It is possible to have a "dual capacity member" with more than one of these accounts, particularly in the case of pension credit member's accounts.

There are also various types of additions/deductions that can be made to the accounts:

Age addition – active members' accounts only. This allows for an actuarial increase to apply for a scheme year (or part of a scheme year) where a member works beyond the normal pension age. This is applied at the beginning of the next scheme year.

Assumed age addition – this applies to active and deferred accounts. This allows for an actuarial increase to apply for part of a scheme year (at least a month) where the member works beyond the normal pension age or state pension age (as appropriate), but leaves pensionable service before the end of the scheme year.

Commutation amount – this applies to deferred, retirement and pension credit member accounts. Commutation allows a member to exchange some of their pension (essentially up to a quarter) for a lump sum when they start to draw their pension. For the 2015 scheme, the commutation rate is £12 lump sum for every £1 pension given up.

Early payment reduction – this applies to deferred, retirement and pension credit member accounts. It allows the member to take an actuarially reduced pension before NPA or SPA as appropriate. Deferred and retiring members

are able to buy out the reduction at retirement by making a lump sum payment into the scheme.

Late payment supplement – deferred members' accounts only. This allows for an actuarial increase to apply for a scheme year (or part of a scheme year) where a member works beyond the state pension age.

Members moving between police forces

Where members move between police forces no transfer value needs to be paid. This includes transfers between England & Wales forces and either Scotland or Northern Ireland (see regulations 194 - 196).

However, because CARE needs more information to be able to calculate a pension, when an officer moves forces the administrator will have to provide a member's pension account details to the new administrator (see regulation 12).

Pension Sharing

GAD guidance will be issued on pension sharing in the 2015 scheme.
For members with rights in more than one of the 1987, 2006 and 2015 police pension schemes, we expect that a pension sharing order should be applied proportionate to relevant benefits in each scheme, together with the formation of separate pension debits and credits.

Transfer value/pension sharing calculations

GAD guidance will be issued to enable the calculation of transfers in, transfer values and pension sharing credits/debits.

Transitional Arrangements (see schedule 4 of the regulations)
Full Protection

Any officer who was a member or eligible member of the scheme who was:

- age 45 or over on 1.4.2012 (2006 and 1987 scheme)

- age 38 or over with 20 or more years' service in the 1987 scheme on 1.4.2012. (1987 scheme only)

Here, the service in the 1987 scheme is calendar years' of pensionable service (so a part-time member would be treated the same as a full-time member of the same age who has been in service over the same period).

Tapered Protection

Any officer who was a member or eligible member of the scheme who on 1.4.2012:

- was aged at least 41, but had not reached age 45. (2006 and 1987 scheme)

- had at least 20 years' service in the 1987 scheme and was aged at least 34, but had not reached 38. (1987 scheme only)

- was aged at least 38, but had not reached 45, and had at least 16 but less than 20 years' service in the 1987 scheme. (1987 scheme only)

- had less than 20 years' service in the 1987 scheme and had not reached age 38, and the sum of their age in years and years' service is at least 54 but less than 58. (1987 scheme only)

As with full protection, the service in the 1987 scheme is calendar years' of pensionable service (so a part-time member would be treated the same as a full-time member of the same age who has been in service over the same period). The tapered protection period for each member is determined by the tapered protection tables are set out in reform design framework (https://www.gov.uk/government/publications/police-pension-reform-design-framework) and in HOC 14 of 2013 (https://www.gov.uk/government/publications/circular-0142013-further-information-on-long-term-police-pension-reform). The end dates of tapered protection are between 24 May 2015 and 31 March 2022 inclusive.
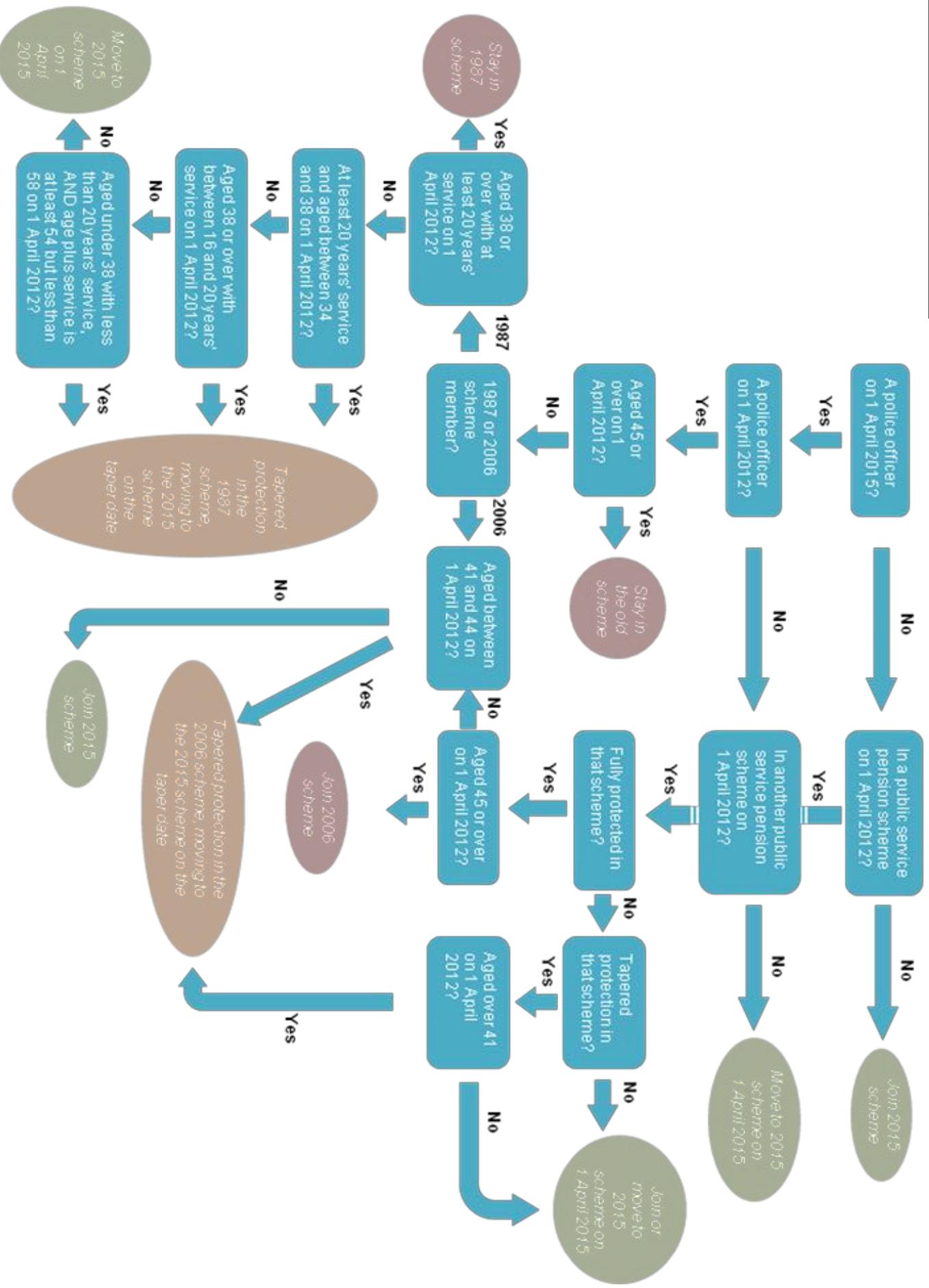

Former public service pension scheme members

Members with previous pensionable service in another public service pension scheme (ie, Civil Service, NHS, Teachers, Local Government, Firefighters, Armed Forces) and who qualified for protection (full or tapered) in that scheme may be eligible for protection in the 2006 scheme.

Most members who qualified for full protection in these schemes will have been aged 45 or over on 1 April 2012, as the normal pension ages in those schemes is typically at least age 55. Similar consideration applies to those with tapered protection, and it is worth noting that no public service scheme has tapering for longer than 4 years (some are only 3.5 years and some do not have any tapering at all).

Further guidance on how movers between these schemes are affected has been provided by HM Treasury in conjunction with the Cabinet Office's revised public sector transfer club guidance (see the Public Sector Transfer Club Memorandum at http://www.civilservicepensionscheme.org.uk/members/public-sector-transfer-club/). This will include guidance on how to account for members who have a right to a final salary link – qualifying public service final salary benefits that are transferred after 1 April 2015 will transfer into the 2006 scheme and have a final salary link.

A police officer on 1 April 2015?

Yes → A police officer on 1 April 2012?

Yes → Aged 45 or over on 1 April 2012?

No → 1987 or 2006 scheme member?

1987 → 1987 scheme member

2006 → Aged between 41 and 44 on 1 April 2012?

Yes (Aged 45 or over) → Stay in the old scheme

Aged 38 or over with at least 20 years' service on 1 April 2012?

Yes → Stay in 1987 scheme

No → At least 20 years' service and aged between 34 and 38 on 1 April 2012?

No → Aged 38 or over with between 16 and 20 years' service on 1 April 2012?

No → Aged under 38 with less than 20 years' service, AND age plus service is at least 54 but less than 58 on 1 April 2012?

No → Move to 2015 scheme on 1 April 2015

Yes (Aged 38 or over with at least 20 years' service) ; Yes (At least 20 years' service and aged between 34 and 38) ; Yes (Aged 38 or over with between 16 and 20 years') → Tapered protection in the 1987 scheme, moving to the 2015 scheme on the taper date

Yes (Aged under 38...) → Tapered protection in the 1987 scheme, moving to the 2015 scheme on the taper date

2006: Aged between 41 and 44 on 1 April 2012?

No → Aged 45 or over on 1 April 2012?

Yes → Join 2006 scheme

No → Tapered protection in the 2006 scheme, moving to the 2015 scheme on the taper date

Yes → Tapered protection in the 2006 scheme, moving to the 2015 scheme on the taper date

No (from Aged 45 or over on 1 April 2012?) → Join 2015 scheme

No (A police officer on 1 April 2012?) → In another public service pension scheme on 1 April 2012?

Yes → Fully protected in that scheme?

Yes → Stay (Aged 45 or over)

No → Tapered protection in that scheme?

Yes → Aged over 41 on 1 April 2012?

Yes → Tapered protection in the 2006 scheme, moving to the 2015 scheme on the taper date

No → Join or move to 2015 scheme on 1 April 2015

No (Tapered protection in that scheme?) → Join or move to 2015 scheme on 1 April 2015

No (In another public service pension scheme on 1 April 2012?) → Move to 2015 scheme on 1 April 2015

No (A police officer on 1 April 2015?) → In a public service pension scheme on 1 April 2012?

Yes → (Fully protected in that scheme?)

No → Join 2015 scheme

7

Calculating pensions for members with transitional protection
Full protection members – these members are paid under the old scheme rules.

Tapered protection members – if a member retires while still in tapered protection, the benefits are paid under the old scheme rules. Typically this will be in cases of ill-health retirement, though it is possible for a member in the 1987 scheme to retire with 25 years' service at age 50 or over during the tapering period. Once a member has moved to the 2015 scheme the calculation will be in two parts, just as for a member who moves on 1.4.2015.

Members with pre-2015 scheme accrued rights and 2015 scheme service – the pre-2015 scheme accrued rights part (1987 scheme or 2006 scheme as appropriate) is calculated on the basis of the service accrued up until the date the member moves and the final salary at the point they actually retire. Members with 1987 service will also have the weighted accrual rate calculation applied. The 2015 scheme part is calculated according to the rules of that scheme.

The examples below are designed to illustrate some of the options a member with pre-2015 scheme accrued rights and 2015 scheme service will have. Worked examples are available at https://www.gov.uk/government/publications/police-pension-reform-worked-examples and using the online calculator (https://www.gov.uk/government/publications/pension-reform-calculator).

Example 1

A 1987 scheme member, born on 10 April 1974 (age 37 years 11 months at 1 April 2012), has 18 years and 10 months' service on 1 April 2012, and therefore qualifies for tapered protection, with a protection end date of 14 March 2020 (when he will have 26 years 10 months service in the 1987 scheme). After this date, the member joins the 2015 scheme.

Retirement at age 50

On the member's 50th birthday, he will have spent more than 30 years within the police pension schemes, and will therefore be eligible to retire from the 1987 scheme with an unreduced pension, with a weighted accrual rate of 1/45. He will not be able to access his 2015 scheme pension as he has not reached the minimum retirement age of 55, His 2015 scheme pension will remain in his deferred account until he reaches State Pension Age.

Retirement at age 55

On the member's 55th birthday, he will be able to retire from both the 1987 scheme and 2015 scheme. His 1987 scheme pension will be paid unreduced, but his 2015 scheme pension will be actuarially reduced to allow for its early payment.

Retirement at age 60

On the member's 60th birthday, he will be able to retire with unreduced pensions from both the 1987 scheme and 2015 scheme.

Example 2

A 2006 scheme member, born on 20 February 1988 is 24 years old on 1 April 2012, and therefore does not qualify for protection. He joins the 2015 scheme on 1 April 2015.

Retirement at age 55

On the member's 55th birthday, he will be able to retire from both the 2006 scheme and 2015 scheme. His 2006 scheme pension, based on service up to 1 April 2012 and salary at retirement, will be paid unreduced, but his 2015 scheme pension will be actuarially reduced to allow for its early payment.

Retirement at age 60

On the member's 60th birthday, he will be able to retire with unreduced pensions from both the 2006 scheme and 2015 scheme.

Calculating ill-health pensions with transitional protection

This affects members who have accrued rights in one of the 1987/2006 scheme *and* 2015 scheme service. Ill-health pensions are technically paid from the 2015 scheme until Normal Pension Age, but the value of the pension is calculated as below.

2006 scheme accrued rights – members receive the pension they have accrued under the 2006 scheme (which is the same as the lower-tier ill-health pension) and an ill-health pension from the 2015 scheme. If they are eligible for the upper-tier pension, that is calculated under the 2015 scheme regulations. The determination of the enhancement depends on the length of service in the 2006 scheme plus that in the 2015 scheme.

1987 scheme accrued rights – members will receive the ill-health pension under the 1987 scheme they would have received had they been ill-health retired on the day before they moved into the 2015 scheme and an ill-health pension from the 2015 scheme, with an underpin to ensure that they receive the pension based on their accrued service in the 1987 scheme (with the weighted accrual rate) if it is more favourable. If they are eligible for the upper-tier pension from the 2015 scheme, the enhancement is calculated solely on the basis of the 2015 scheme service.

Example 1: 1987 non-protected member

A 39 year old officer with 17 years of service (of which 15 years were in the 1987 scheme and the remaining 2 years in the 2015 scheme) retires on the grounds of ill-health. His pensionable salary at retirement is £35,000 per year.

Outcomes are shown for the cases where he retires on lower and upper tier ill-health.

Retirement earned pension in respect of service in the 2015 scheme
He has a retirement earned pension of £1,300 per year.

Ill-health pension in respect of his service in the 1987 scheme
He is entitled to a pension of around £12,800 per year = (7 + 15) x 1/60 x £35,000 based on his salary at retirement, his service in the 1987 scheme, and the method for determining an ill-health pension under the 1987 scheme regulations.

Lower tier ill-health

The total pension payable on lower tier ill-health retirement is his 2015 scheme retirement earned pension plus his pension in respect of his service in the 1987 scheme (calculated above).

His total pension payable immediately is around £14,100 per year (=£1,300 + £12,800).

Upper tier ill-health

The total pension payable on upper tier ill-health is the sum of the lower tier benefit (calculated above) and the enhanced upper tier ill-health pension.

His aggregate period of service is 2 years – for a former 1987 member this is just his 2015 service. As this is less than 5 years, the enhanced upper tier ill-health pension will be the lesser of:

a) £1,300 x 3 = £3,900 per year

b) $(\dfrac{£35,000}{55.3} \times \dfrac{60 - 39}{2})$ = £6,600 per year.

His total pension payable immediately is around £18,000 per year (=£1,300 + £12,800 + £3,900).

Commutation
At retirement, the officer has the option to commute pension for lump sum at a rate of £12 of lump sum for every £1 of pension given up.

Single source ill-health payments
The above pensions are paid from the 2015 scheme until he reaches age 55, thereafter the pension in respect of his 1987 service (less a proportion of any commutation amount) will become payable from the 1987 scheme.

Example 2: 1987 non-protected member

A 39 year old officer with 21 years of service (of which 15 years were in the 1987 scheme and the remaining 6 years in the 2015 scheme) retires on the grounds of ill-health. His pensionable salary at retirement is £35,000 per year.

Outcomes are shown for the cases where he retires on lower and upper tier ill-health.

Retirement earned pension in respect of service in the 2015 scheme
He has a retirement earned pension of £4,000 per year.

Ill-health pension in respect of his service in the 1987 scheme
He is entitled to a pension of around £12,800 per year = (7 + 15) x 1/60 x £35,000 based on his salary at retirement, his service in the 1987 scheme, and the method for determining an ill-health pension under the 1987 scheme regulations.

Lower tier ill-health

The total pension payable on lower tier ill-health retirement is his 2015 scheme retirement earned pension plus his pension in respect of his service in the 1987 scheme (calculated above).

 His total pension payable immediately is around £16,800 per year (=£4,000 + £12,800).

Upper tier ill-health

The total pension payable on upper tier ill-health is the sum of the lower tier benefit (calculated above) and the enhanced upper tier ill-health pension.

His aggregate period of service is 6 years – for a former 1987 member this is just his 2015 service. As this is greater than (or equal to) 5 years, the enhanced upper tier ill-health pension will be:

$$(\frac{£35,000}{55.3} \times \frac{60-39}{2}) = £6,600 \text{ per year.}$$

His total pension payable immediately is around £23,400 per year (=£4,000 + £12,800 + £6,600).

Commutation
At retirement, the officer has the option to commute pension for lump sum at a rate of £12 of lump sum for every £1 of pension given up.

Single source ill-health payments
The above pensions are paid from the 2015 scheme until he reaches age 55, thereafter the pension in respect of his 1987 service (less a proportion of any commutation amount) will become payable from the 1987 scheme.

Example 3: 2006 non-protected member

A 30 year old officer with 8 years of service (of which 6 years were in the 2006 scheme and the remaining 2 years in the 2015 scheme) retires on the grounds of ill-health. His pensionable salary at retirement is £30,000 per year.

Outcomes are shown for the cases where he retires on lower and upper tier ill-health.

Retirement earned pension in respect of service in the 2015 scheme
He has a retirement earned pension of £1,100 per year.

Retirement earned pension and lump sum in respect of service in the 2006 scheme
He has a retirement earned pension of around £2,600 per year (= 6 x 1/70 x £30,000) and a lump sum of around £10,300 (=6 x 4/70 x £30,000).

Lower tier ill-health

The total pension payable on lower tier ill-health retirement is his retirement earned pension in respect of his service in the 2006 and 2015 schemes.

His total pension payable immediately is around £3,700 per year (=£1,100 + £2,600).

He will also receive the lump sum of around £10,300.

Upper tier ill-health

The total pension payable on upper tier ill-health is the sum of the lower tier pension (calculated above) and the enhanced upper tier ill-health pension.

His aggregate period of service is 8 years – for a former 2006 member this is the sum of his 2006 service and his 2015 service. As this is greater than (or equal to) 5 years, the enhanced upper tier ill-health pension will be:

$$(\frac{£30,000}{55.3} \times \frac{60-30}{2}) = £8,100 \text{ per year.}$$

His total pension payable immediately is around £11,800 per year (=£3,700 + £8,100).

He will also receive the lump sum of £10,300.

Commutation
At retirement, the officer has the option to commute pension for lump sum at a rate of £12 of lump sum for every £1 of pension given up.

Single source ill-health payments
The above pensions and lump sum are paid from the 2015 scheme until he reaches age 55. Thereafter the pension in respect of his 2006 service (less a proportion of any commutation amount) will become payable from the 2006 scheme.

Example 4: 2006 non-protected member

A 30 year old officer with 12 years of service (of which 6 years were in the 2006 scheme and the remaining 6 years in the 2015 scheme) retires on the grounds of ill-health. His pensionable salary at retirement is £30,000 per year.

Outcomes are shown for the cases where he retires on lower and upper tier ill-health.

Retirement earned pension in respect of service in the 2015 scheme
He has a retirement earned pension of £3,400 per year.

Retirement earned pension and lump sum in respect of service in the 2006 scheme
He has a retirement earned pension of around £2,600 per year (= 6 x 1/70 x £30,000) and a lump sum of around £10,300 (=6 x 4/70 x £30,000).

Lower tier ill-health

The total pension payable on lower tier ill-health retirement is his retirement earned pension in respect of his service in the 2006 and 2015 schemes.

 His total pension payable immediately is around £6,000 per year (=£3,400 + £2,600).

He will also receive the lump sum of around £10,300.

Upper tier ill-health

The total pension payable on upper tier ill-health is the sum of the lower tier pension (calculated above) and the enhanced upper tier ill-health pension.

His aggregate period of service is 12 years – for a former 2006 member this is the sum of his 2006 service and his 2015 service. As this is greater than (or equal to) 5 years, the enhanced upper tier ill-health pension will be:

$(\dfrac{£30,000}{55.3} \times \dfrac{60-30}{2})$ = £8,100 per year.

His total pension payable immediately is around £14,100 per year (=£6,000 + £8,100).

He will also receive the lump sum of around £10,300.

Commutation
At retirement, the officer has the option to commute pension for lump sum at a rate of £12 of lump sum for every £1 of pension given up.

Single source ill-health payments
The above pensions and lump sum are paid from the 2015 scheme until he reaches age 55. Thereafter the pension in respect of his 2006 service (less a proportion of any commutation amount) will become payable from the 2006 scheme.

Example 5: 2006 non-protected member

A 30 year old officer with 4 years of service (of which 3 years were in the 2006 scheme and the remaining 1 year in the 2015 scheme) retires on the grounds of ill-health. His pensionable salary at retirement is £30,000 per year.

Outcomes are shown for the cases where he retires on lower and upper tier ill-health.

Retirement earned pension in respect of service in the 2015 scheme
He has a retirement earned pension of £500 per year.

Retirement earned pension and lump sum in respect of service in the 2006 scheme
He has a retirement earned pension of around £1,300 per year (= 3 x 1/70 x £30,000) and a lump sum of around £5,100 (=3 x 4/70 x £30,000).

Lower tier ill-health

The total pension payable on lower tier ill-health retirement is his retirement earned pension in respect of his service in the 2006 and 2015 schemes.

 His total pension payable immediately is around £1,800 per year (=£500 + £1,300).

He will also receive the lump sum of around £5,100.

Upper tier ill-health

The total pension payable on upper tier ill-health is the sum of the lower tier pension (calculated above) and the enhanced upper tier ill-health pension.

His aggregate period of service is 4 years – for a former 2006 member this is the sum of his 2006 service and his 2015 service. As this is less than 5 years, the enhanced upper tier ill-health pension will be the lesser of:

a) £1,800 x 3 = £5,400 per year

b) $(\dfrac{£30,000}{55.3} \times \dfrac{60-30}{2}) = $ £8,100 per year.

His total pension payable immediately is around £7,200 per year (=£1,800 + £5,400).

He will also receive the lump sum of around £5,100.

Commutation
At retirement, the officer has the option to commute pension for lump sum at a rate of £12 of lump sum for every £1 of pension given up.

Single source ill-health payments
The above pensions and lump sum are paid from the 2015 scheme until he reaches age 55. Thereafter the pension in respect of his 2006 service (less a proportion of any commutation amount) will become payable from the 2006 scheme.

Example 6: 2006 non-protected member

A 30 year old officer with 6 years of service (of which 3 years were in the 2006 scheme and the remaining 3 years in the 2015 scheme) retires on the grounds of ill-health. His pensionable salary at retirement is £30,000 per year.

Outcomes are shown for the cases where he retires on lower and upper tier ill-health.

Retirement earned pension in respect of service in the 2015 scheme
He has a retirement earned pension of £1,700 per year.

Retirement earned pension and lump sum in respect of service in the 2006 scheme
He has a retirement earned pension of around £1,300 per year (= 3 x 1/70 x £30,000) and a lump sum of around £5,100 (=3 x 4/70 x £30,000).

Lower tier ill-health

The total pension payable on lower tier ill-health retirement is his retirement earned pension in respect of his service in the 2006 and 2015 schemes.

His total pension payable immediately is around £3,000 per year (=£1,700 + £1,300).

He will also receive a lump sum of £5,100.

Upper tier ill-health

The total pension payable on upper tier ill-health is the sum of the lower tier pension (calculated above) and the enhanced upper tier ill-health pension.

His aggregate period of service is 6 years – for a former 2006 member this is the sum of his 2006 service and his 2015 service. As this is greater than (or equal to) 5 years, the enhanced upper tier ill-health pension will be:

$$(\frac{£30,000}{55.3} \times \frac{60-30}{2}) = £8,100 \text{ per year.}$$

His total pension payable immediately is around £11,100 per year (=£3,000 + £8,100).

He will also receive the lump of around £5,100.

Commutation
At retirement, the officer has the option to commute pension for lump sum at a rate of £12 of lump sum for every £1 of pension given up.

Single source ill-health payments
The above pensions and lump sum are paid from the 2015 scheme until he reaches age 55. Thereafter the pension in respect of his 2006 service (less a proportion of any commutation amount) will become payable from the 2006 scheme.