

Police Pension Scheme: Reform Design Framework

This document sets out the framework for the parameters to govern new police pension scheme design in England and Wales, to be introduced from April 2015 ('the 2015 scheme'). This sets out the Government's final position on the main elements of scheme design, following discussions between the Government and partners in the Police Negotiating Board. Further work will take place on the detail of the scheme on the basis of this framework.

Accrued rights protection guarantee

1. There will be full statutory protection for accrued rights for all members as follows:
 - a. all benefits accrued under final salary arrangements will be linked to the member's final salary, in accordance with the rules of the member's current schemes, when they leave the reformed scheme.
 - b. full recognition of a member's expectation of double accrual for service accrued under the Police Pension Scheme 1987 ('the 1987 scheme'), so that a member's full continuous pensionable service upon retirement will be used to calculate an averaged accrual rate to be applied to service accrued under the 1987 scheme.
 - c. members of the 1987 scheme to be able to access their 1987 scheme benefits when they retire at that scheme's ordinary pension age (i.e. from 30 years' pensionable service; age 50 with 25 or more years' pensionable service; or the member's voluntary retirement age¹), subject to abatement rules for that scheme. Pensionable service for the purpose of calculating the ordinary pension age will include any continuous pensionable service accrued under both the 1987 scheme and the 2015 scheme.
 - d. members of the Police Pension Scheme 2006 ('the 2006 scheme') to be able to access their benefits under that scheme when they retire at that scheme's normal pension age (i.e. age 55).
 - e. members will continue to have access to an actuarially assessed commutation factor for benefits accrued under the 1987 scheme.

Transitional protection

2. There will be statutory based transitional protections for certain categories of members, as follows:
 - a. all active 2006 scheme members who, as of 1 April 2012, have 10 years or less to their current Normal Pension Age (i.e. age 55) will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current Normal Pension Age. This protection will be achieved by the member remaining in their current scheme until they retire.
 - b. all active 1987 scheme members who, as of 1 April 2012, have 10 years or less to age 55 or have 10 years or less to age 48 and are 10 years or less from a maximum unreduced pension, will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current Normal Pension Age. This protection will be achieved by the member remaining in their current scheme until they retire.
 - c. there will be a further period of tapered protection for up to 4 years for scheme members. Members who are within 4 years of qualifying for transitional protection, as of 1 April 2012, will have limited protection so that on average for every month

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

closer to qualifying for transitional protection they gain about 53 days of protection. The period of protected service for any member under these tapering arrangements will have finished by 31 March 2022. At the end of the protected period, they will be transferred into the 2015 scheme arrangements. Further details on how the tapered protection will apply can be found at **Annex A**.

Main scheme design parameters for a new scheme design

3. The main parameters of the new scheme design from 2015 are set out below.

Discussions will continue on a number of areas set out in **Annex B**.

- a. a pension scheme design based on career average revalued earnings;
- b. a provisional accrual rate of 1/55.3 of pensionable earnings each year, subject to agreement on the outstanding issues set out in Annex B;
- c. there will be no cap on how much pension can be accrued;
- d. a revaluation rate of active members' benefits in line with the Consumer Prices Index (CPI) + 1.25%;
- e. pensions in payment and deferred benefits to increase in line with the Consumer Prices Index (CPI);
- f. average member contributions of 13.7% from April 2015. As announced by the Chief Secretary to the Treasury on 20 December, the Government will review the impact of the 2012-13 contribution changes, including the effect of membership opt-outs, before taking final decisions on how future increases will be delivered in 2013-14 and 2014-15, and in the 2015 scheme. Interested parties will have a full opportunity to provide evidence and their views to the Government as part of the review;
- g. flexible retirement from the scheme's minimum pension age of 55, built around the scheme's Normal Pension Age of 60 – for all active members aged 55 or more at retirement, scheme benefits taken before Normal Pension Age will be actuarially reduced with reference to the scheme's Normal Pension Age, rather than the deferred pension age;
- h. the Normal Pension Age of 60 will be subject to regular review, which will also consider the linked early retirement facility described at (g). These reviews will consider the increasing State Pension Age and any changes to it, alongside evidence from interested parties, including staff associations and employers. It will consider if the Normal Pension Age of 60 remains relevant, taking account of the economical, efficient and effective management of the police service, the changing profile of the workforce and the occupational demands of, and fitness standards for, police officer roles;
- i. this regular review will be informed by scheme data and experience;
- j. late retirement factors for members retiring from active service to be actuarially neutral from Normal Pension Age;
- k. a deferred pension age equal to the individual's State Pension Age;
- l. optional lump sum by commutation at a rate of £12 for every £1 per annum of pension foregone in accordance with HMRC limits and regulations;
- m. abatement in existing schemes to continue;
- n. ill-health retirement benefits to be based on the arrangements in the 2006 scheme;

- o. all other ancillary benefits to be based on those contained in the 2006 scheme;
 - p. members rejoining after a period of deferment of less than 5 years can link new service with previous service, as if they had always been an active member;
 - q. members transferring between public service schemes would be treated as having continuous active service;
 - r. an employer cost cap and floor, as described at **Annex C**.
4. For the purposes of the reform design process for 2015, the Government previously set out the gross cost ceiling of 28.0% and the net cost ceiling of 14.3%. Accompanying this framework is a report by the scheme actuary verifying that the expected cost of the proposed scheme design above is within the cost ceiling. This report has been prepared in accordance with the advice in the Government Actuary's Department's report of 7 October 2011: Cost ceilings for scheme level discussions: Advice on data, methodology and assumptions, with suitable adaptations to take account of scheme specific circumstances.
 5. The scheme design parameters have been reviewed by HM Treasury who have agreed the approach taken to risk management.
 6. This framework also covers arrangements for an employers cost cap and floor, and a 25 year guarantee (further information at **Annex C**).

Equalities considerations

7. The Home Office is giving due regard to equalities issues throughout the consideration of this policy and will continue to do so in developing the detail of the scheme. We are grateful to partners in the Police Negotiating Board for their initial thoughts on equalities matters, which has raised in particular the question of the treatment of officers with part-time service. We will address the treatment of officers with part-time service in forthcoming discussions with partners in the Police Negotiating Board, and we would welcome further engagement on equalities matters as potential issues become apparent. A full assessment of equalities issues will be available following further discussions and consideration of these issues, well ahead of implementation.

Tapered protection

1. Scheme members who, on 1 April 2012, are within 4 years of qualifying for transitional protection will continue to accrue additional pension in their existing schemes on a tapered basis. They gain about 53 days of protection in their existing schemes for every month they are above the lower limit that applies in their case, as set out in the tables below. The last possible day of protected service for any member will be 31 March 2022. This shall apply to active members:
 - in the **1987 scheme** and the **2006 scheme** who on 1 April 2012 are aged between 41 and 45 years;
 - in the **1987 scheme** who on 1 April 2012 are 10 years or less from being able to retire on a maximum, unreduced pension and are aged between 34 and 38 years.
 - in the **1987 scheme** who on 1 April 2012 are aged 38 or over (up to age 45) and are between 14 and 10 years from being able to retire on a maximum, unreduced pension;
 - in the **1987 scheme** who on 1 April 2012 are aged less than 38 who are more than 10 years from being able to retire on a maximum, unreduced pension, where their age minus the years from being able to retire on a maximum, unreduced pension, is between 24 and 28 years.

Once a member's tapered protection expires, they will be transferred into the 2015 scheme.

2. Members qualifying for tapered protection will be able to take their 'Part 1' pension at the age at which they were expecting, including any additional accrual they build up post 2015, subject to abatement rules. After members are transferred into the 2015 scheme, they will accrue their 'Part 2' pension in that scheme.

Tapering – 1987 and 2006 schemes, to age 45

Date of Birth		Age at 1 Apr 2012		Days of protection	Age at end of protection				Date of end of protection
					From		To		
From	To	year	month		year	month	year	month	
02/04/1967	01/05/1967	44	11	2557	54	11	55	0	31/03/2022
02/05/1967	01/06/1967	44	10	2504	54	8	54	9	06/02/2022
02/06/1967	01/07/1967	44	9	2450	54	5	54	6	14/12/2021
02/07/1967	01/08/1967	44	8	2398	54	3	54	4	23/10/2021
02/08/1967	01/09/1967	44	7	2343	54	0	54	1	29/08/2021
02/09/1967	01/10/1967	44	6	2289	53	9	53	10	06/07/2021
02/10/1967	01/11/1967	44	5	2237	53	6	53	7	15/05/2021
02/11/1967	01/12/1967	44	4	2182	53	4	53	5	21/03/2021
02/12/1967	01/01/1968	44	3	2130	53	1	53	2	28/01/2021
02/01/1968	01/02/1968	44	2	2076	52	10	52	11	05/12/2020
02/02/1968	01/03/1968	44	1	2021	52	7	52	8	11/10/2020
02/03/1968	01/04/1968	44	0	1971	52	5	52	6	22/08/2020
02/04/1968	01/05/1968	43	11	1916	52	2	52	3	28/06/2020
02/05/1968	01/06/1968	43	10	1864	51	11	52	0	07/05/2020
02/06/1968	01/07/1968	43	9	1810	51	8	51	9	14/03/2020
02/07/1968	01/08/1968	43	8	1757	51	6	51	7	21/01/2020
02/08/1968	01/09/1968	43	7	1703	51	3	51	4	28/11/2019
02/09/1968	01/10/1968	43	6	1649	51	0	51	1	05/10/2019
02/10/1968	01/11/1968	43	5	1596	50	9	50	10	13/08/2019
02/11/1968	01/12/1968	43	4	1542	50	7	50	8	20/06/2019
02/12/1968	01/01/1969	43	3	1489	50	4	50	5	28/04/2019
02/01/1969	01/02/1969	43	2	1435	50	1	50	2	05/03/2019
02/02/1969	01/03/1969	43	1	1381	49	10	49	11	10/01/2019
02/03/1969	01/04/1969	43	0	1332	49	8	49	9	22/11/2018
02/04/1969	01/05/1969	42	11	1278	49	5	49	6	29/09/2018
02/05/1969	01/06/1969	42	10	1225	49	2	49	3	07/08/2018
02/06/1969	01/07/1969	42	9	1171	48	11	49	0	14/06/2018
02/07/1969	01/08/1969	42	8	1118	48	9	48	10	22/04/2018
02/08/1969	01/09/1969	42	7	1064	48	6	48	7	27/02/2018
02/09/1969	01/10/1969	42	6	1010	48	3	48	4	04/01/2018
02/10/1969	01/11/1969	42	5	957	48	0	48	1	12/11/2017
02/11/1969	01/12/1969	42	4	903	47	10	47	11	19/09/2017
02/12/1969	01/01/1970	42	3	851	47	7	47	8	29/07/2017
02/01/1970	01/02/1970	42	2	796	47	4	47	5	04/06/2017
02/02/1970	01/03/1970	42	1	742	47	1	47	2	11/04/2017
02/03/1970	01/04/1970	42	0	693	46	11	47	0	21/02/2017
02/04/1970	01/05/1970	41	11	639	46	8	46	9	29/12/2016
02/05/1970	01/06/1970	41	10	586	46	5	46	6	06/11/2016
02/06/1970	01/07/1970	41	9	532	46	2	46	3	13/09/2016
02/07/1970	01/08/1970	41	8	480	46	0	46	1	23/07/2016
02/08/1970	01/09/1970	41	7	425	45	9	45	10	29/05/2016

Date of Birth		Age at 1 Apr 2012		Days of protection	Age at end of protection				Date of end of protection
From	To	year	month		From		To		
					year	month	year	month	
02/09/1970	01/10/1970	41	6	371	45	6	45	7	05/04/2016
02/10/1970	01/11/1970	41	5	319	45	3	45	4	13/02/2016
02/11/1970	01/12/1970	41	4	264	45	1	45	2	20/12/2015
02/12/1970	01/01/1971	41	3	212	44	10	44	11	29/10/2015
02/01/1971	01/02/1971	41	2	158	44	7	44	8	05/09/2015
02/02/1971	01/03/1971	41	1	103	44	4	44	5	12/07/2015
02/03/1971	01/04/1971	41	0	54	44	2	44	3	24/05/2015

Tapering – 1987 scheme before age 38, with 20+ years

Date of Birth		Age at 1 Apr 2012		Days of protection	Age at end of protection		Date of end of protection
From	To	year	month		From	To	
					years	years	
02/04/1974	01/05/1974	37	11	2557	47.92	48.00	31/03/2022
02/05/1974	01/06/1974	37	10	2504	47.69	47.77	06/02/2022
02/06/1974	01/07/1974	37	9	2450	47.46	47.54	14/12/2021
02/07/1974	01/08/1974	37	8	2398	47.23	47.31	23/10/2021
02/08/1974	01/09/1974	37	7	2343	47.00	47.08	29/08/2021
02/09/1974	01/10/1974	37	6	2289	46.77	46.84	06/07/2021
02/10/1974	01/11/1974	37	5	2237	46.54	46.62	15/05/2021
02/11/1974	01/12/1974	37	4	2182	46.31	46.38	21/03/2021
02/12/1974	01/01/1975	37	3	2130	46.08	46.16	28/01/2021
02/01/1975	01/02/1975	37	2	2076	45.85	45.93	05/12/2020
02/02/1975	01/03/1975	37	1	2021	45.62	45.69	11/10/2020
02/03/1975	01/04/1975	37	0	1971	45.40	45.48	22/08/2020
02/04/1975	01/05/1975	36	11	1916	45.16	45.24	28/06/2020
02/05/1975	01/06/1975	36	10	1864	44.94	45.02	07/05/2020
02/06/1975	01/07/1975	36	9	1810	44.71	44.79	14/03/2020
02/07/1975	01/08/1975	36	8	1757	44.48	44.56	21/01/2020
02/08/1975	01/09/1975	36	7	1703	44.24	44.33	28/11/2019
02/09/1975	01/10/1975	36	6	1649	44.01	44.09	05/10/2019
02/10/1975	01/11/1975	36	5	1596	43.78	43.87	13/08/2019
02/11/1975	01/12/1975	36	4	1542	43.55	43.63	20/06/2019
02/12/1975	01/01/1976	36	3	1489	43.32	43.41	28/04/2019
02/01/1976	01/02/1976	36	2	1435	43.09	43.17	05/03/2019
02/02/1976	01/03/1976	36	1	1381	42.86	42.94	10/01/2019
02/03/1976	01/04/1976	36	0	1332	42.64	42.73	22/11/2018
02/04/1976	01/05/1976	35	11	1278	42.41	42.49	29/09/2018
02/05/1976	01/06/1976	35	10	1225	42.18	42.27	07/08/2018
02/06/1976	01/07/1976	35	9	1171	41.95	42.03	14/06/2018
02/07/1976	01/08/1976	35	8	1118	41.72	41.81	22/04/2018
02/08/1976	01/09/1976	35	7	1064	41.49	41.57	27/02/2018
02/09/1976	01/10/1976	35	6	1010	41.26	41.34	04/01/2018
02/10/1976	01/11/1976	35	5	957	41.03	41.11	12/11/2017
02/11/1976	01/12/1976	35	4	903	40.80	40.88	19/09/2017
02/12/1976	01/01/1977	35	3	851	40.57	40.66	29/07/2017
02/01/1977	01/02/1977	35	2	796	40.34	40.42	04/06/2017
02/02/1977	01/03/1977	35	1	742	40.11	40.19	11/04/2017
02/03/1977	01/04/1977	35	0	693	39.90	39.98	21/02/2017
02/04/1977	01/05/1977	34	11	639	39.67	39.75	29/12/2016
02/05/1977	01/06/1977	34	10	586	39.44	39.52	06/11/2016
02/06/1977	01/07/1977	34	9	532	39.21	39.29	13/09/2016

Date of Birth		Age at 1 Apr 2012		Days of protection	Age at end of protection		Date of end of protection
From	To	year	month		From	To	
					years	years	
02/07/1977	01/08/1977	34	8	480	38.98	39.06	23/07/2016
02/08/1977	01/09/1977	34	7	425	38.74	38.83	29/05/2016
02/09/1977	01/10/1977	34	6	371	38.51	38.59	05/04/2016
02/10/1977	01/11/1977	34	5	319	38.29	38.37	13/02/2016
02/11/1977	01/12/1977	34	4	264	38.05	38.13	20/12/2015
02/12/1977	01/01/1978	34	3	212	37.83	37.91	29/10/2015
02/01/1978	01/02/1978	34	2	158	37.59	37.68	05/09/2015
02/02/1978	01/03/1978	34	1	103	37.37	37.44	12/07/2015
02/03/1978	01/04/1978	34	0	54	37.15	37.23	24/05/2015

Tapering – 1987 scheme before 20 years, aged 38+

Service start date		Yrs at 1 Apr 2012		Days of protection	Yrs at end of protection		Date of end of protection
From	To	year	month		From	To	
					years	years	
02/04/1992	01/05/1992	19	11	2557	29.92	30.00	31/03/2022
02/05/1992	01/06/1992	19	10	2504	29.69	29.77	06/02/2022
02/06/1992	01/07/1992	19	9	2450	29.46	29.54	14/12/2021
02/07/1992	01/08/1992	19	8	2398	29.23	29.31	23/10/2021
02/08/1992	01/09/1992	19	7	2343	28.99	29.08	29/08/2021
02/09/1992	01/10/1992	19	6	2289	28.76	28.84	06/07/2021
02/10/1992	01/11/1992	19	5	2237	28.54	28.62	15/05/2021
02/11/1992	01/12/1992	19	4	2182	28.30	28.38	21/03/2021
02/12/1992	01/01/1993	19	3	2130	28.08	28.16	28/01/2021
02/01/1993	01/02/1993	19	2	2076	27.84	27.93	05/12/2020
02/02/1993	01/03/1993	19	1	2021	27.62	27.69	11/10/2020
02/03/1993	01/04/1993	19	0	1971	27.39	27.48	22/08/2020
02/04/1993	01/05/1993	18	11	1916	27.16	27.24	28/06/2020
02/05/1993	01/06/1993	18	10	1864	26.93	27.02	07/05/2020
02/06/1993	01/07/1993	18	9	1810	26.70	26.78	14/03/2020
02/07/1993	01/08/1993	18	8	1757	26.48	26.56	21/01/2020
02/08/1993	01/09/1993	18	7	1703	26.24	26.32	28/11/2019
02/09/1993	01/10/1993	18	6	1649	26.01	26.09	05/10/2019
02/10/1993	01/11/1993	18	5	1596	25.78	25.86	13/08/2019
02/11/1993	01/12/1993	18	4	1542	25.55	25.63	20/06/2019
02/12/1993	01/01/1994	18	3	1489	25.32	25.40	28/04/2019
02/01/1994	01/02/1994	18	2	1435	25.09	25.17	05/03/2019
02/02/1994	01/03/1994	18	1	1381	24.87	24.94	10/01/2019
02/03/1994	01/04/1994	18	0	1332	24.65	24.73	22/11/2018
02/04/1994	01/05/1994	17	11	1278	24.42	24.50	29/09/2018
02/05/1994	01/06/1994	17	10	1225	24.19	24.27	07/08/2018
02/06/1994	01/07/1994	17	9	1171	23.96	24.04	14/06/2018
02/07/1994	01/08/1994	17	8	1118	23.73	23.81	22/04/2018
02/08/1994	01/09/1994	17	7	1064	23.49	23.58	27/02/2018
02/09/1994	01/10/1994	17	6	1010	23.26	23.34	04/01/2018
02/10/1994	01/11/1994	17	5	957	23.03	23.12	12/11/2017
02/11/1994	01/12/1994	17	4	903	22.80	22.88	19/09/2017
02/12/1994	01/01/1995	17	3	851	22.58	22.66	29/07/2017
02/01/1995	01/02/1995	17	2	796	22.34	22.42	04/06/2017
02/02/1995	01/03/1995	17	1	742	22.12	22.19	11/04/2017
02/03/1995	01/04/1995	17	0	693	21.90	21.98	21/02/2017
02/04/1995	01/05/1995	16	11	639	21.67	21.75	29/12/2016
02/05/1995	01/06/1995	16	10	586	21.44	21.52	06/11/2016
02/06/1995	01/07/1995	16	9	532	21.21	21.29	13/09/2016

Service start date		Yrs at 1 Apr 2012		Days of protection	Yrs at end of protection		Date of end of protection
From	To	year	month		From	To	
					years	years	
02/07/1995	01/08/1995	16	8	480	20.98	21.06	23/07/2016
02/08/1995	01/09/1995	16	7	425	20.74	20.83	29/05/2016
02/09/1995	01/10/1995	16	6	371	20.51	20.59	05/04/2016
02/10/1995	01/11/1995	16	5	319	20.29	20.37	13/02/2016
02/11/1995	01/12/1995	16	4	264	20.05	20.13	20/12/2015
02/12/1995	01/01/1996	16	3	212	19.83	19.91	29/10/2015
02/01/1996	01/02/1996	16	2	158	19.59	19.68	05/09/2015
02/02/1996	01/03/1996	16	1	103	19.36	19.44	12/07/2015
02/03/1996	01/04/1996	16	0	54	19.15	19.23	24/05/2015

Annex B

Areas for further discussion

1. The follow items remain to be discussed in detail with partners in the Police Negotiating Board:
 - a. contribution rates and structure in the 2015 scheme, and the distribution of years 2 and 3 of planned increases in the current schemes. This will follow the outcome of the review into membership opt-outs following 2012/13 increases in contributions;
 - b. contribution rates to be paid by members benefiting from transitional protection;
 - c. a detailed timetable, terms of reference, and process for reviewing the Normal Pension Age;
 - d. any further issues on equality considerations that may be raised;
 - e. arrangements to ensure compatibility between the 2015 scheme and recognised existing or future arrangements for police officers exiting the service before Normal Pension Age.

Employer cost cap and floor, opt out review, and 25 year guarantee

Employer cost cap and floor

1. An employer cost cap will be introduced to cover unforeseen events and trends that significantly increase scheme costs. The employer cost cap is intended to provide backstop protection to the taxpayer and will be based on cap and share principles. This means that changes to contribution rates due to 'member costs' will be controlled by the cap. Financial cost pressures, including changes to the discount rate, will be met by employers. The employer cost cap will be symmetrical so that, if reduction in member costs fall below a 'floor', members' benefits will be improved.
2. The cost cap will include the impact of changes in costs such as actual or assumed longevity, of careers or the age and gender mix of the workforce. These costs cover all schemes (old and new) and all types of service (past and future) of active, deferred and pensioner members. Changes in actual and assumed price inflation and the discount rate will be excluded from the cost cap.
3. Scheme valuations will take place periodically to assess how the cost of the scheme has increased or reduced. In the event that member costs drive the cost of the scheme above the cap or below the floor, there will be a period of consultation with relevant groups before changes are made to bring costs within the cap and floor. If agreement cannot be reached through consultation, the accrual rate will be adjusted as an automatic default.
4. The employer cost cap will be set at 2% above and the floor set at 2% below the employer contribution rates calculated following a full actuarial valuation ahead of the introduction of the new scheme design in 2015. Caps will not be based on cost ceilings.

Reviewing contribution levels and opt-out rates

5. The Government remains committed to securing in full the Spending Review savings of £2.3bn in 2013-14 and £2.8bn in 2014-15 from increased member contributions, and will consult formally on implementation in due course. The Government will review the impact of the 2012-13 contribution increases, including on opt-out, before taking final decisions on how future increases will be delivered. Interested parties will have the opportunity to provide evidence and views to the Government.

25 year guarantee

6. The Government has set out an offer on public service pensions that is fair and sustainable, and one that can endure for 25 years. This means that no changes to scheme design, benefits or contribution rates should be necessary for 25 years outside of the processes agreed for the cost cap. To give substance to this, the Government intends to include provisions on the face of the forthcoming Public Service Pensions Bill to ensure a high bar is set for future Governments to change the design of the schemes.

