Home Office

Amendments to The Police Pensions Regulations 2015 (S.I. 2015/445)

Proposed updates to member contribution structure

Government consultation

This consultation begins on 20 November 2024

This consultation ends on 29 January 2025

About this consultation

To:	This consultation is open to the public. We are particularly interested to hear from serving police officers and other members of the police sector in England and Wales
Duration:	From 20 November 2024 to 29 January 2025
Enquiries (including requests for the paper in an alternative format) to:	Post: Police Pensions Police Workforce and Professionalism Unit Home Office 6th Floor, Fry Building 2 Marsham Street London SW1P 4DF
How to respond:	Please respond by completing the **Word version of the consultation questions** and emailing the document to: policepensionspublicservicepensionsremedy@homeoffice.gov.uk You can also print out and post your response to: Police Pensions Police Workforce and Professionalism Unit Home Office 6th Floor, Fry Building 2 Marsham Street London SW1P 4DF If you are unable to access an electronic version of the documents, please write to the above address and a paper copy will be provided.
Response paper:	A response to this consultation exercise will be published by the Home Office on GOV.UK.

Table of contents

1. Background

1.1 Reformed public sector pension schemes were established by regulations made under section 3 of the Public Service Pensions Act 2013 ("the 2013 Act"). The reformed 2015 Police Pension Scheme in England and Wales (the "2015 Scheme") is set out in the Police Pensions Regulations 2015. Since 1 April 2022, the legacy 1987 and 2006 Police Pension Schemes are closed to future accrual, and since then all police officers in England and Wales have the option to join the 2015 Scheme.

1.2 The 2013 Act provides the Home Office with the authority to make regulations setting the member contribution rates and requires that any changes to these rates follow the specified process.

1.3 The Public Sector Pension reforms rebalanced taxpayer and member contributions, ensuring the schemes' costs are sustainable and fair in the long term. Meeting the member contribution yield in each valuation period is a vital aspect of the reformed scheme design. This mechanism prevents additional burdens on scheme employers, by identifying and addressing member contribution yield shortfalls.

1.4 HM Treasury has recently instructed all schemes to adjust member contributions as needed to meet the yield, as agreed when the reformed schemes were established. The contribution yields are outlined in the Reform Design Framework for the Police Pension Scheme in England and Wales, a policy that was set out in the Budget 2011. The key principles underpinning this framework remain valid.

1.5 Since 1 April 2012, there have been three tiers for member contribution rates for the police pension schemes, including the 2015 Police Pension Scheme when it was introduced. HM Treasury's instructions mean that the rates for the tiers need to be set to meet the overall member contribution target yield for the scheme.

1.6 Based on the current member contribution rate structure, the Government Actuary's Department (GAD)'s calculations project the yield for the police pension scheme over the 2020 valuation implementation period 2024 to 2027 to be 13.48% pa. This is 0.22% pa lower than the target member contribution yield of 13.7% pa. Therefore, the Home Office needs to take action to ensure that the member contribution structure is updated to attain the target yield.

1.7 While the yield is a fixed percentage, there are a range of approaches that could be taken to ensure that 13.7% is collected on average from across the whole scheme membership. The simplest method is to ask each member to contribute a flat rate of 13.7%. An alternative is to share out the 13.7% requirement across the workforce by setting a scale of rates for members, according to their pensionable earnings, in line with the three contribution tiers.

This approach is known as ‘tiered contributions’ and is the method adopted across most public service pension schemes.

1.8 Tiering has allowed the Police Pension Scheme to reduce potential financial barriers and encourage all police officers to participate in the generous pension scheme, which is a major component of the officer’s reward package and gives officers the opportunity to make good quality provision for their retirement.

1.9 Tiering has helped to deliver the following shared priorities that underpin the current approach to member contributions:

- including protections for the lower paid
- minimising the risk of opt-outs from the scheme across the whole membership
- ensuring that the scheme remains sustainable and a valuable part of the reward package and affordable to all members

1.10 Both the Home Office and the Police Pensions Scheme Advisory Board (SAB), comprising trade union and employer representatives, remain committed to these principles.

2. Introduction

2.1 Government policy is that steps must be taken by the responsible authority for each public service pension scheme to ensure that the contribution yield is met by appropriate adjustments to member contribution rates and/or tiers.

2.2 As the Police Pension Scheme has moved from a final salary to a career average revalued earnings (CARE) model, all active members have built up CARE benefits for service from 1 April 2022. To ensure the cost of the Police Pension Scheme is fairly distributed and affordable for all members, tiered contribution rates mean that higher earners pay proportionally more than lower earners to access the valuable benefits of the scheme.

2.3 Views are sought from all interested parties on proposed changes to member contributions, with a view to continuing to encourage participation in the Scheme.

2.4 This consultation is an opportunity to consider potential changes to the current contribution structure, which may include rates payable at each level, differences between rates in different tiers, pay tier boundaries, and the number of tiers. This ensures the scheme design is reflective of the current labour market and will meet the overall member contribution target yield for the scheme in each valuation round.

2.5 This consultation runs for a 10-week period commencing 20 November 2024 and closes on 29 January 2025. This is to allow sufficient time for scheme members, representative bodies, and others to consider and comment on the proposals. This consultation provides an opportunity for those affected by the changes, and representative bodies, to provide formal comments on the Home Office proposals.

2.6 We are seeking your views on amendments to the Police Pensions Regulations 2015 to:

- **Achieve the target yield over 1 October 2025 to 31 March 2027, and future valuation periods.**
- **Update the member contribution structure to encourage scheme participation and reduce opt-outs.**
- **Ensure the member contribution structure is administratively sustainable.**
- **Ensure we have given due regard to the Public Sector Equality Duty.**

2.7 The suitability of the member contribution structure adopted will be subject to ongoing review and may therefore change again in future years. Future changes may be required to ensure that the member contribution structure in place is still expected to meet the target yield and continues to be achieved in a way that is considered appropriate for the workforce.

2.8 GAD has provided support for this consultation, and you will find illustrations of the impact of different structures on example members' contributions and take-home pay in section 4 and in **appendix A**. The methodology used by GAD to calculate the expected member contribution yield is also summarised in **appendix B**.

3. Who do we want to hear from?

3.1 This consultation welcomes views from any member of the public but is specifically interested in the views of those serving or who have served in the police service, and any groups or individuals with an interest in the police sector in England.

3.2 A link to this consultation has been sent to the following groups:

- Police Federation of England and Wales
- Police Superintendents' Association
- Chief Police Officers' Staff Association
- Police Pension Scheme Advisory Board of England and Wales
- National Police Chiefs' Council
- Association of Police and Crime Commissioners
- National Association of Retired Police Officers
- Scheme Administrators
- Scheme Payroll Providers

4. Current Contribution Structure

4.1 In common with other public service pension schemes the Police Pension Scheme applies a tiered contribution approach. Pensionable pay thresholds for each are established and a contribution rate is set for each tier. The member pays a contribution rate based on their Full-Time Equivalent (FTE) pay.

4.2 Table 1 below sets out the current contribution structure, which gives an expected yield of 13.48% over 1 October 2025 to 31 March 2027.

Table 1

Tier	Annualised rate of pensionable earnings*	Contribution rate
1	£27,000 or less	12.44%
2	More than £27,000 but less than £60,000	13.44%
3	£60,000 or more	13.78%

*Full-Time Equivalent Pay

4.3 The pay thresholds on each of the tiers have not been revised since 1 April 2015 and therefore do not reflect the current pay scale. In particular, no members fall within the lowest paid tier. Table 2 below summarises the proportion of pay that sits in each tier in each future year of the implementation period.

Table 2

Tier	2025/26**	2026/27
1	Nil	Nil
2	88%	88%
3	12%	12%

**This relates to only a part year for 2025/26, assuming the new structure is implemented from 1 October 2025.

4.4 This example in Table 3 below takes the existing structure and increases the rate in each tier uniformly so that the projected yield over 1 October 2025 to 31 March 2027 (to 2 decimal places) is 13.70%.

Table 3

Tier	FTE / reference pay	Rate
1	£27,000 or less	12.66%
2	More than £27,000 but less than £60,000	13.66%
3	£60,000 or more	14.00%

4.5 The distribution of pay over 1 October 2025 to 31 March 2027 under the member contribution structure outlined in Table 3 is set out in Table 4 below.

Table 4

Tier	Proportion of pay in each tier over 1 October 2025 to 31 March 2027
1	Nil
2	88%
3	12%

4.6 Tables 5 and 6 examine the impact of this flat increase before and after tax relief on three example members (based on the rates of pay from 1 September 2024). Table 7 sets out the change in contributions relative to the existing structure for each example member in Table 5. The example member profiles considered are:

Table 5

Member	Role	Pay basis	FTE / reference pay	Actual pay	Assumed marginal rate of income tax*
1	Constable tier 1	Part-time	£29,907	£20,000	20%
2	Constable tier 7	Full-time	£48,231	£48,231	20%
3	Post-2013 Superintendent tier 4	Full-time	£95,025	£95,025	40%

Table 6

Member	Pay used to determine rate	Rate payable	Contributions paid			
			Before tax relief		After tax relief	
			Annual	Monthly	Annual	Monthly
1	£29,907	13.66%	£2,732	£228	£2,186	£182
2	£48,231	13.66%	£6,588	£549	£5,271	£439
3	£95,025	14.00%	£13,304	£1,109	£7,982	£665

Table 7

Member	Change in contributions paid			
	Before tax relief		After tax relief	
	Annual	Monthly	Annual	Monthly
1	+ £44	+ £4	+ £35	+ £3
2	+ £106	+ £9	+ £85	+ £7
3	+ £209	+ £17	+ £125	+ £10

5. Considerations and Proposals

5.1 The Home Office intends on making amendments to the pension scheme's regulations that are required to update the member contribution structure, ensuring we meet the target yield of 13.2%.

5.2 This section outlines proposals and considerations for elements of the contribution structure that could be adjusted as part of this review. There are also some varied examples in appendix A to support.

Adjustment of the member contribution structure

5.3 Stakeholders have raised concerns that the pay thresholds for the existing tiers have remained unchanged since 2015, while police officer salaries have significantly increased. As a result, the lowest tier has become obsolete. There are three options set out below to consider. The structures shown are intended to provide a basis for stakeholders to provide comment on the underlying principles, rather than to set out a limited range of options. The final structure may differ from the three options shown.

<u>Contribution structure option 1: Increase tiers by known pay increases to 1 September 2024.</u>

5.4 The current tiers can be increased by known pay increases since they were last updated in 2015, up to and including the pay award applied from 1 September 2024, with no other changes to the contribution structure, as shown in the table below. The rates may represent a larger increase than the 0.22% required in Table 3 above to meet the target yield. This is because the tier pay thresholds have increased, meaning more members would be expected to fall into the lower tiers. This brings down the projected yield, so the rates need to increase slightly to offset this for the projected yield to meet the target.

Tier	Annualised rate of pensionable earnings	Contribution rate
1	£35,542 or less	12.86%
2	More than £35,542 but less than £76,380	13.86%
3	£76,380 or more	14.20%

5.5 The example 2 in appendix A demonstrates this structure in further detail. No allowance has been made for the pay thresholds to increase in future years.

Contribution structure option 2: Add an additional tier, update pay thresholds and modify the gaps between rates.

5.6 The gaps between the contribution rates in different tiers could be modified. The current rate differences were designed to meet the target yield during the 2012 valuation. Examples 1 and 2 in appendix A maintain these existing gaps.

5.7 The current differences between each tier are not consistent, e.g. the ‘step’ between rates ranges from 0.34% of pay between tiers 2 and 3 to 1% of pay between tiers 1 and 2. One way to mitigate the impact of a pay increase being offset by additional pension contributions could be to introduce another tier with smaller ‘steps’.

5.8 The below table is a four-tier example based on actual pay, with pay thresholds set with regard to those in the example in paragraph 5.4.

Tier	Actual pensionable earnings	Contribution rate
1	£35,542 or less	13.08%
2	More than £35,542 up to £50,000	13.58%
3	More than £50,000 but less than £76,380	14.08%
4	£76,380 or more	14.42%

5.9 Tier pay thresholds could be revised to capture different levels of the pay scale. This may be a key focus of the review, especially since tier one currently includes no members. Updating these tiers could also help align with stakeholder goals of improving engagement with the scheme, particularly for newer recruits.

5.10 Some of the key aims for a future contribution structure could be to protect lower-paid members and not discourage career progression. The current approach of higher-paid members paying more could be retained, justified by the expectation that discouraging opt-outs at the trainee/development level will benefit the Scheme in the longer-term, support members individually and also help with workforce retention.

5.11 The number of tiers and contribution rates could be increased or reduced. While additional tiers would provide more granularity, this could increase the administrative burden and make the system harder for members to understand.

5.12 A four-tier structure with the same gap between the lowest and highest tier as the existing structure, modelled on an actual pay basis, is demonstrated in more detail in example 3 in appendix A.

Contribution structure option 3: marginal structure.

5.13 A marginal structure would operate similarly to the current income tax structure, where a member will pay the lowest rate on the pay that falls within tier 1, followed by paying the tier 2 rate on any pay above the tier 1 threshold and below the tier 2 threshold, and so on. This effectively results in each member having a more individualised effective contribution rate.

5.14 Under this example marginal structure, a member earning £80,000 would not pay 18.05% on their whole pay, only on their pay above £76,380.

Tier	Actual pensionable earnings	Contribution rate
1	£35,542 or less	13.05%
2	More than £35,542 up to £76,380	15.55%
3	£76,380 or more	18.05%

5.15 The proportion of pay falling into each tier under this structure is as below:

Tier	Proportion of pay in each tier over 1 October 2025 to 31 March 2027
1	75%
2	24%
3	1%

5.16 This would mean all members would benefit from a proportion of their pension contribution being paid at a lower rate, but proportions of pay for higher paid members would attract higher contribution rates as a consequence of enabling the overall yield to be met.

5.17 This marginal structure, adapted to be based on actual pay, is demonstrated in example 4 in appendix A.

Determination of pay for contribution thresholds

5.18 A consideration as part of this review is to whether to calculate member contribution rates for officers based on actual annual earnings rather than notional FTE pay.

5.19 As a reflection of the increasing number of scheme members with no active final salary link, consideration is being given to determining a member’s contribution rate based on their actual pay, rather than FTE pay. Members who work part-time could benefit from their contribution rate being lower, to reflect their lower earnings compared to if they worked full-time.

5.20 Using actual pay means members pay a contribution rate that is more reflective of their pensionable pay and benefit accrual for that scheme year, particularly given that all active police scheme members accrue benefits in the 2015 Scheme from 1 April 2022. Unlike the legacy schemes, which provides final salary benefits, the 2015 Scheme provides career average revalued earnings (CARE) benefits and therefore paying contributions based on actual earnings is potentially a fairer approach to take.

5.21 The examples set out in this consultation document are a mix of actual and FTE pay based options, and alternative structures can be modelled and discussed in the planned drop-in sessions.

5.22 Some police officers have pensionable pay which fluctuates between pay periods due to varying activity rates and actual pay is not known until the end of the financial year. For police pension scheme purposes, the frequency at which a member is paid is known as their "pay period". There are three options:

Option 1: Make no changes.

5.23 Retain the current approach. Members pay contributions based on their actual pensionable pay in the current scheme year, but at a rate calculated based on WTE pensionable pay in the current scheme year.

Option 2: Use previous years actual pay, without an end of year adjustment.

5.24 Members pay contributions based on their actual pay in the current scheme year, but at a rate calculated based on their actual pensionable pay from the previous scheme year. Under this option no adjustments would apply to reflect any difference in rate which would occur if it were based on actual pay in the current scheme year.

Option 3: Use previous years actual pay, with an end of year adjustment.

5.25 Members pay contributions based on their actual pay in the current scheme year, but initially pay at a provisional rate calculated based on their actual pensionable pay figure from the previous scheme year (as per option 2 above). The rate is then adjusted, where necessary, to reflect the current year's actual pay at the end of each scheme year, or part way through the scheme year, where applicable, in the event of retirement, opting out, death in service or leaving service.

5.26 The proposal is that any monies owed by the member to the scheme where an adjustment is made would be deducted from final pay of that scheme year, or alternatively deducted from the death grant or lump sum. Any monies owed to the member would be paid as a refund of member contributions.

Futureproofing

5.27 Consideration needs to be given to include some mechanism for the tiers to update on an annual basis so that they better keep pace with pay increases in the future, protecting them from becoming misaligned as they currently are.

Option 1: Manually uplifting thresholds in line with the pay awards.

5.28 Annual indexing to increase tier thresholds in line with the pay award annually, ensures that members receive the full value of the award and reduces the possibility that members will move into a higher contribution tier solely as a result of receiving the pay award. The purpose of this is to avoid an increase to pensionable pay due to the annual pay award unintentionally resulting in a take-home pay reduction. This could occur in situations where a member is close to a contribution tier boundary and receives a pay award that tips them into a higher tier. Broadly, if the value of the jump between contribution rates is greater than the percentage value of the award, the member would have a reduction in take-home pay. Even if the value of the pay award was greater than the increase in member contributions, members would still receive less than the full value of the pay award as a result of paying increased contributions.

5.29 An annual indexing solution would mean that contribution thresholds could be changed without the need to directly amend scheme regulations. This would greatly improve the efficiency of the process for uplifting contribution thresholds in future years, which will provide greater certainty to members regarding their payable contributions.

5.30 We anticipate it would take at least two to three months between the pay award being agreed and the uplifted thresholds being applied. This is due to the time required following the agreement of the pay award to allow the administrators and payroll providers to build the uplifted thresholds into the system and distribute the new structure to members.

Option 2: Automatically increase pay thresholds in line with the consumer price index (CPI).

5.31 A proposed approach is to index contribution thresholds each year in line with inflation, based on the rate of the CPI increase annually from the previous September. A similar approach has already been adopted in other public sector pension schemes. Uplifting thresholds in line with CPI inflation has the benefit of being somewhat more straightforward than option 1 because the uplift would be applied from the beginning of each scheme year based on the rate of CPI from the previous September. This may provide a longer period of time between the value of the index becoming known and it being applied to tiers, compared to the option 1 of applying an uplift in line with the value of the pay award as quickly as possible after the pay award is agreed.

5.32 CPI is also a singular figure that would be applied evenly to all police scheme member contribution tier pay thresholds. This avoids the potential added complexity that could occur with indexation based on pay increases, as it is possible that the pay award may result in unequal uplifts to tiers if, for example, the pay award is targeted at lower tiers.

5.33 The pay award could be the most appropriate way to uplift tiers. However, CPI indexing offers a neater solution to this issue by uplifting all tiers in line with an index which is separate to the value of individual pay awards.

5.34 For the avoidance of doubt, all of the examples shown in this paper assume that the pay thresholds do not increase over the period 1 October 2025 to 31 March 2027.

6. Supplementary Resources and Additional Information

6.1 To assist respondents to evaluate these considerations, we will be hosting two drop-in sessions. One will be a remote session and one will be a face-to-face session held in London. The venue and date are yet to be confirmed, further details will be emailed to our stakeholder groups in due course. These sessions will be featuring an interactive modeller produced by GAD, who will also attend and present This tool will allow us to explore different contribution tiering and rate structures, including the effects of protecting lower pay levels, adjusting gaps between tiers, and using actual pay versus full-time equivalent pay.

6.2 Examples of possible adjustments are also included in **appendix A,** such as:

- Keeping the current structure but using actual pay rather than FTE pay to determine the rate a member will pay.
- Using a marginal ("tier", or "tax-like") structure.
- Adjustments based on compounded pay rises since the structure was last reviewed.

6.3 This list is not exhaustive, and we welcome suggestions for other changes to the contribution structure.

7. Public Sector Equality Duty

7.1 The Public Sector Equality Duty (PSED) is set out in section 149 of the Equality Act 2010 and requires public authorities, in the exercise of their functions, to have due regard to the need to:

Key Duties Under Section 149 are:

7.2 Public bodies must, when exercising their functions, have **due regard** to the need to:

- **Eliminate discrimination, harassment, victimisation, and any other conduct** prohibited by or under the Equality Act.

- **Advance equality of opportunity** between people who share a relevant protected characteristic and those who do not. This involves:

a) Removing or minimising disadvantages suffered by people who share a relevant protected characteristic that are connected to that characteristic.
b) Taking steps to meet the needs of people who share a relevant protected characteristic, where those needs are different from others.
c) Encouraging participation in public life or any other activity where it is disproportionately low among people who share a relevant protected characteristic.

- **Foster good relations** between people who share a relevant protected characteristic and those who do not. This involves:

a) Tackling prejudice.
b) Promoting understanding between different groups.

7.3 The equality duty covers the nine protected characteristics: age, disability, reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

8 Consultation questions

8.1 To ensure compliance with data protection legislation, we request that you do not provide any personally identifiable information (for example, names, dates, and locations) in your answers to the following questions:

Q1. What is your preferred tiering option to determine a members contribution tier?

Option 1: Increase tiers by known pay increases.
Option 2: Add an additional tier and modify the gap between tiers.
Option 3: Marginal system.

Option 1	Option 2	Option 3

If necessary, please concisely explain your answer.

Q2. What is your preferred option to determine a members contribution threshold?

Option 1: FTE to determine which contribution rate a member will **pay**
Option 2: Use the previous year's pay to determine which contribution rate**,** without any adjustment at the end of each scheme year.
Option 3: Use the previous year's pay to determine which initial contribution rate as in option 2, then adjust for actual pay at the end of the scheme year.

Option 1	Option 2	Option 3

If necessary, please concisely explain your answer.

Q3. What is your preferred futureproofing option to avoid future misalignment?

Option 1: Manually uplifting thresholds in line with the pay awards.
Option 2: Automatically increase thresholds in line with the consumer price index (CPI).

Option 1	Option 2

If necessary, please concisely explain your answer.

Q4. Do you believe that your preferred contribution structure option, which you indicated in Q1, is administratively sustainable?

Yes	No	Don’t know

If necessary, please concisely explain your answer.

Q5. Are there any other proposals for achieving the target yield through contribution structures that you would like to be considered which have not been considered or proposed in this consultation?

Yes	No	Don't know

If yes, please outline the proposal(s).

Q6. Do you anticipate any equality issues arising from the implementation of these proposals?

Yes	No	Don't Know

If yes, please explain the issue(s) and cause(s).

9 Conclusion and next steps

1.1 Following the outcome of this consultation, the Home Office is proposing to amend the Police Pensions Regulations 2015, so that the contribution yield is met in each valuation period by the appropriate adjustments to member contribution rates and/or tiers.

1.2 Once this consultation has concluded, we intend to:

- **Review the responses received:** We will carefully review the evidence and responses received during the consultation, by analysing both the quantitative and qualitative data, including drawing out key themes, recommendations, and areas of concern and consensus.
- **Consider discussions/evidence provided by stakeholder engagement meetings:** We will consider the suggestions, insights and concerns gathered from key stakeholders during our engagements and round table meetings.
- **Consider evidence already collected by other government departments:** Evidence received from other government departments will be reviewed to identify any relevant findings that could support the process.

1.3 Once we complete this consultation and our comprehensive review, we will determine what regulatory changes are needed and the most effective way to implement them. The aim is to ensure changes are based on a broad range of evidence and are consistent with best practise and regulatory requirements.

Appendix A: Examples

This appendix examines the impact of several different member contribution structures on three example members, selected based on the rates of pay from 1 September 2024.

The example member profiles considered are:

Member	Role	Pay basis	FTE/reference pay	Actual pay	Assumed marginal rate of income tax*
1	Constable tier 1	Full-time	£29,907	£20,000	20%
2	Constable tier 7	Part-time	£48,231	£48,231	20%
3	Post-2013 Superintendent tier 4	Full-time	£95,025	£95,025	40%

Pay impacts are shown based on 2024/25 income tax rates and thresholds at the time of writing (November 2024).

Future pay increases are assumed to be in line with the 2020 valuation, i.e.:

- 1 September 2025: 1.6%
- 1 September 2026: 1.9%

All examples assume that the pay thresholds do not increase over 1 October 2025 to 31 March 2027. This means that selecting different future pay increase assumptions may affect the resulting structures for each example.

Note, all amounts shown are rounded to the nearest £1.

For reference, the existing structure is as below:

Tier	Annualised rate of pensionable earnings	Contribution rate
1	£27,000 or less	12.44%
2	More than £27,000 but less than £60,000	13.44%
3	£60,000 or more	13.78%

This structure is not projected to meet the target yield. This example is only included as a basis for comparison against these examples.

The contributions paid by each example member under the current structure are:

Member	Pay used to determine rate	Rate payable	Contributions paid			
			Before tax relief		After tax relief	
			Annual	Monthly	Annual	Monthly
1	£29,907	13.44%	£2,688	£224	£2,150	£179
2	£48,231	13.44%	£6,482	£540	£5,186	£432
3	£95,025	13.78%	£13,094	£1,091	£7,857	£655

Example 1: current structure with rates determined by actual pay, solved to meet the target yield

This example takes the existing structure but uses individuals' actual pay, rather than FTE pay, to determine the rate payable. The steps between each rate in the current structure is maintained. This structure is as below:

Tier	Actual pensionable earnings	Contribution rate
1	£27,000 or less	12.67%
2	More than £27,000 but less than £60,000	13.67%
3	£60,000 or more	14.01%

The proportion of pay falling into each tier under this structure is as below:

Tier	Proportion of pay in each tier over 1 October 2025 to 31 March 2027
1	1%
2	87%
3	12%

The contributions paid by each example member under this structure are:

Member	Pay used to determine rate	Rate payable	Contributions paid			
			Before tax relief		After tax relief	
			Annual	Monthly	Annual	Monthly
1	£20,000	12.67%	£2,534	£211	£2,027	£169
2	£48,231	13.67%	£6,593	£549	£5,275	£440
3	£95,025	14.01%	£13,313	£1,109	£7,988	£666

The following table sets out the change in contributions relative to the existing structure for each example member:

Member	Change in contributions paid			
	Before tax relief		After tax relief	
	Annual	Monthly	Annual	Monthly
1	- £154	- £13	- £123	- £10
2	+ £111	+ £9	+ £89	+ £7
3	+ £219	+ £18	+ £131	+ £11

Example 2: current structure with pay thresholds increased with pay awards since 1 April 2015, solved to meet the target yield

This example takes the existing structure, last updated on 1 April 2015, and increases the pay thresholds in line with pay awards from September 2015 to September 2024 inclusive. This structure is as below:

Tier	Annualised rate of pensionable earnings	Contribution rate
1	£35,542 or less	12.86%
2	More than £35,542 but less than £76,380	13.86%
3	£76,380 or more	14.20%

The proportion of pay falling into each tier under this structure is as below:

Tier	Proportion of pay in each tier over 1 October 2025 to 31 March 2027
1	17%
2	79%
3	3%

The contributions paid by each example member under this structure are:

Member	Pay used to determine rate	Rate payable	Contributions paid			
			Before tax relief		After tax relief	
			Annual	Monthly	Annual	Monthly
1	£29,907	12.86%	£2,572	£214	£2,058	£171
2	£48,231	13.86%	£6,685	£557	£5,348	£446
3	£95,025	14.20%	£13,494	£1,124	£8,096	£675

The following table sets out the change in contributions relative to the existing structure for each example member:

Member	Change in contributions paid			
	Before tax relief		After tax relief	
	Annual	Monthly	Annual	Monthly
1	- £116	- £10	- £93	- £8
2	+ £203	+ £17	+ £162	+ £14
3	+ £399	+ £33	+ £239	+ £20

Example 3: illustrative 4-tier structure based on actual pay solved to meet the target yield

This example takes the existing structure, last updated on 1 April 2015, and increases the pay thresholds in line with pay awards from September 2015 to September 2024 inclusive. The resulting tier 2 is then divided into two with approximately equal amounts of pay in each of the new tiers 2 and 3 to create a 4-tier example. Actual pay is used to determine the rate members pay. This structure is as below:

Tier	Actual pensionable earnings	Contribution rate
1	£35,542 or less	13.08%
2	More than £35,542 but less than £50,000	13.58%
3	More than £50,000 but less than £76,380	14.08%
4	£76,380 or more	14.42%

The proportion of pay falling into each tier under this structure is as below:

Tier	Proportion of pay in each tier over 1 October 2025 to 31 March 2027
1	19%
2	40%
3	37%
4	3%

The contributions paid by each example member under this structure are:

Member	Pay used to determine rate	Rate payable	Contributions paid			
			Before tax relief		After tax relief	
			Annual	Monthly	Annual	Monthly
1	£20,000	13.08%	£2,616	£218	£2,093	£174
2	£48,231	13.58%	£6,550	£546	£5,240	£437
3	£95,025	14.42%	£13,703	£1,142	£8,222	£685

The following table sets out the change in contributions relative to the existing structure for each example member:

Member	Change in contributions paid			
	Before tax relief		After tax relief	
	Annual	Monthly	Annual	Monthly
1	- £72	- £6	- £58	- £5
2	+ £68	+ £6	+ £54	+ £5
3	+ £608	+ £51	+ £365	+ £30

Example 4: marginal structure with pay tier thresholds set in line with those applying from 1 April 2015, increased with pay awards to 1 September 2024

This structure works differently to the other example structures. It is designed to operate similarly to the income tax structure, where a member will pay the lowest rate on the pay that falls within tier 1, followed by paying the tier 2 rate on any pay above the tier 1 threshold and below the tier 2 threshold, and so on. This effectively results in each member having an individualised effective contribution rate. Implicitly, this structure uses actual pay to determine the contribution rate payable.

The pay thresholds are the same as in Example 2, i.e. based on the pay thresholds for the current tiers but increased with pay awards since 1 April 2015 (when they were last updated). The steps between each rate have been set at 2.5% for illustrative purposes only.

This structure is set out below:

Tier	Actual pensionable earnings	Contribution rate
1	£35,542 or less	13.05%
2	More than £35,542 but less than £76,380	15.55%
3	£76,380 or more	18.05%

Under this example marginal structure, a member earning £80,000 would not pay 18.05% on their whole pay, only on their pay above £76,380.

The proportion of pay falling into each tier under this structure is as below:

Tier	Proportion of pay in each tier over 1 October 2025 to 31 March 2027
1	75%
2	24%
3	1%

The contributions paid by each example member under this structure are:

Member	Pay used to determine rate	Effective contribution rate	Contributions paid			
			Before tax relief		After tax relief	
			Annual	Monthly	Annual	Monthly
1	£20,000	13.05%	£2,610	£218	£2,088	£174
2	£48,231	13.71%	£6,611	£551	£5,289	£441
3	£95,025	15.11%	£14,354	£1,196	£8,612	£718

The following table sets out the change in contributions relative to the existing structure for each example member:

Member	Change in contributions paid			
	Before tax relief		After tax relief	
	Annual	Monthly	Annual	Monthly
1	- £78	- £7	- £62	- £5
2	+ £129	+ £11	+ £103	+ £9
3	+ £1,260	+ £105	+ £756	+ £63

If a marginal structure were to be introduced partway through 2025/26, the effective contribution rate would be determined based on the member's earnings over the full scheme year.

Appendix B: Projected Yield Methodology

The methodology used by GAD to calculate the expected yield over 1 October 2025 to 31 March 2027 is briefly summarised below.

1. The starting point is membership pay data as of 31 March 2024.
2. For each member, pensionable pay is then calculated over each scheme year, 2025/26 (partial year) and 2026/27, by applying the known pay award from September 2024 followed by assumed pay increases based on 2020 valuation assumptions but assumed to apply in September each year. Different assumptions for future pay increases would have an impact on the projected yield for the examples shown.
3. For each year, an individual's pensionable pay (full-time equivalent unless otherwise specified) is assessed against the member contribution structure to determine their applicable contribution rate.
4. The applicable rate is applied to each member's projected actual pensionable pay to estimate the monetary value of contributions that would be payable in each year.
5. Total member contributions are summed and then divided by the total projected actual pensionable pay to calculate the member contribution yield as a proportion of total pensionable pay.
6. The average projected yield over 1 October 2025 to 31 March 2027 is then calculated – this is 13.5% pa based on current contribution structure, compared to the target yield of 13.7% pa.

GAD does not apply any promotional pay increases as it is assumed that these will be offset by members leaving and being replaced by new members entering the population lower down on the salary scale. This effectively assumes a stable workforce in terms of the number of members at each pay point.

About you

Please use this section to tell us about yourself. Please note you are completing this section **voluntarily**. Please be aware that by responding electronically we will have your email address.

Representation in which you are responding to this consultation exercise (for example, individual member or employer, employer, or member representative)	
If you are a representative of a group or force, please tell us the name of the group (for example the NPCC)	
Please also indicate if you agree for your response to be made public and associated with the group or if you would like to remain anonymous.	
Date	

Information and Data Handling

The Home Office will process personal data in accordance with the applicable data protection legislation.

The published consultation response may include extracts from any submission made by an individual or organisation. Comments made by individuals will normally be non-attributable, but respondents should be aware that information provided during this consultation may be released, on request, in accordance with the provisions of the Freedom of Information Act 2000. Personal data will likely be exempt. Comments submitted by an organisation are likely to be attributed to that organisation.

How long will we retain your data?

Data protection law requires that personal data shall be kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are collected. The Home Office will retain a record of the statistical analysis of returns, including the number of respondents, but personal information, including names, will not be retained after the Home Office Pension Scheme (Amendment) regulations are laid following on from this consultation.

Contact details and how to respond

Please respond by 29 January 2025, you can email your response to:

policepensionspublicservicepensionsremedy@homeoffice.gov.uk

You can post your response to:

Police Member Contribution Consultation Structure
Police Workforce and Professionalism Unit
Home Office
6th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Complaints or comments

If you have any complaints or comments about the consultation process, you should contact the Home Office at the above address.

Extra copies

Further paper copies of this consultation can be obtained from the above address.

Alternative format versions of this publication can be requested from:
Email: policepensionspublicservicepensionsremedy@homeoffice.gov.uk

Publication of response

The Home Office will endeavour to provide a response to this consultation by September 2025. The response paper will be available online on gov.uk.

Representative groups

Representative groups are asked to give a summary of the people and organisations they represent when they respond.

Confidentiality

Information provided in response to this consultation, including personal information, may be published, or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Home Office.

The Home Office will process your personal data in accordance with the DPA and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

Consultation principles

The principles that government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation are set out in the consultation principles.

https://www.gov.uk/government/publications/consultation-principles-guidance

This publication is available at www.gov.uk/government/publications.

Any enquiries regarding this publication should be sent to us at public.enquiries@homeoffice.gov.uk