Police Pension Reform
Home Secretary’s decision: How did we get here?

On 4 September the Home Secretary announced the Government’s final position in respect of the framework for reforming police pensions. This decision is contained in the Written Ministerial Statement with further details in the Reform Design Framework (RDF). Both documents can be viewed by clicking onto the following link:

http://www.homeoffice.gov.uk/pension-reform

Despite being disappointed with aspects of this announcement, Staff Side accepted it within the context of the Government’s wider public service pension’s reform agenda.

Background
The Government is reforming pensions across the public service.

In June 2010, the Government asked Lord Hutton to carry out a review of public service pensions. Lord Hutton published an interim report in October 2010 and a final report in March 2011. The main recommendation of Lord Hutton’s final report was that existing final salary public service pension schemes should be replaced by new Career Average Revalued Earnings (CARE) schemes. This recommendation applied to all public sector workers including police officers.

In a CARE scheme, each year members of the pension scheme earn an amount of pension based on the scheme accrual rate and their salary in that year. This is then revalued each year. When an individual retires their pension is calculated by adding together each year of revalued pension they have accrued while they have been a member of that scheme.

The consultation process for the reform of police officer pensions began in March 2012, when the Home Secretary wrote to the Independent Chair of the Police Negotiating Board (PNB) with a proposal for a new police pension scheme, referred to as the reference scheme:

http://www.polfed.org/Letter_HS_to_John_Randall_Pensions_270312.pdf

The Police Federation of England and Wales is a constituent part of the Staff Side of the PNB.
What were we offered?
The main elements of the Home Secretary’s proposal were as follows:

- the introduction of a “career average” scheme from 2015;
- Normal Pension Age of 60. If police officers retired before age 60 they would not be entitled to their career average pension until State Pension Age;
- Average member contributions of 13.7%;
- accrual rate of 1/57ths;
- revaluation based on national average earnings;
- no change in current pension age nor amount received at current pension age for those who at 1 April 2012 were:
  - aged 45 or over; or
  - members of the 1987 Police Pension Scheme and aged 40 or over and 10 years or less away from being able to retire with a maximum 30 year pension; and
- protection of pension rights accrued in the 1987 and 2006 police pension schemes.

What were our options?
Pensions are not subject to arbitration in the same way as pay and other negotiable conditions of service. Staff Side had a right only to be consulted over the Government’s proposals. It was always within the power of the Home Secretary to impose her preferred reference scheme in full, without any amendment.

Within those limits Staff Side attempted, during the consultation process, to influence the Government particularly in relation to the following priorities:

- to avoid the position (included in the Home Secretary’s preferred scheme) where any member who did not serve until 60 would not receive his or her pension until State Pension Age. It is currently intended that State Pension Age will increase to 67 and subsequently to 68;
- to reduce member contributions from the proposed average rate of 13.7%; and
- to achieve the best possible transitional arrangements outside the cost of the new scheme.

Staff Side responded to the consultation on 22 June 2012. That response can be found at:


What has changed since the Home Secretary’s initial proposal?
Staff Side continued to hold talks with Home Office officials following the submission of our response in an attempt to influence the Home Secretary’s final decision on the new police pension scheme and to secure as many improved benefits as possible.

Disappointingly we were unable to obtain any movement from the Government on the contribution rate. However, by engaging in the consultation process and reaching agreement, we have been able to secure the following:
• any member who serves until at least 55 will be able from that point:
  o to retire and take their career average pension immediately, with that pension actuarially reduced from 60 rather than from State Pension Age (for an explanation of “actuarial reduction” please see the Pension Reform Overview section of the Home Office website).

• improved transitional arrangements, outside the cost of the new scheme, in particular:
  o an extension of full protection to members of the 1987 Police Pension Scheme aged 38 or over and 10 years or less away from being able to retire with a maximum 30 year pension; and
  o tapering protection for those members within four years of full protection.

If we had not engaged in the consultation process then, under the Home Secretary’s preferred scheme, any member who left service before 60 would have had to wait until State Pension Age before accessing his or her career average pension (or would have had their actuarial reduction calculated from State Pension Age). In addition, fewer officers would have been afforded protection by the transitional arrangements.

The scheme design announced by the Home Secretary now includes the following features:

• a “career average” scheme from 2015;

• Normal Pension Age of 60. If police officers retire between ages 55 and 60, they will be able to take an actuarially reduced pension payable immediately;

• average member contributions of 13.7%;

• accrual rate of 1/55.3ths;

• revaluation based on CPI + 1.25 percent;

• no change in current pension age nor amount received at current pension age for those who at 1 April 2012 were:
  o aged 45 or over; or
  o members of the 1987 Police Pension Scheme and aged 38 or over and 10 years or less away from being able to retire with a maximum 30 year pension.

• officers within four years of qualifying for transitional protection gain around 53 days of protection for each month they are closer to qualifying for transitional protection. Details can be found at Annex A of the RDF on the Home Office website.

• protection of pension rights accrued in the 1987 and 2006 police pension schemes.

For a comparison of the Government’s final position with the original reference scheme, please see the table on the following page.

For further details about the career average scheme and about your accrued 1987 or 2006 pension entitlements, please use this link to the Home Office’s Q&A document:

http://www.homeoffice.gov.uk/pension-reform
### Comparison of the Government’s final position with the original reference scheme

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<tr>
<th></th>
<th>Original reference scheme</th>
<th>Government’s final position</th>
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<tbody>
<tr>
<td><strong>Pension age</strong></td>
<td>Normal Pension Age of 60</td>
<td>Normal Pension Age of 60</td>
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<tr>
<td><strong>Deferred pension</strong></td>
<td>Police officers retiring before age 60 would not be entitled to collect their career average (CARE) police pension until State Pension Age, currently due to increase to 67 and subsequently to 68.</td>
<td>Police officers may retire between 55 and 60 and take an immediate pension actuarially reduced from age 60.</td>
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<tr>
<td><strong>Average contribution rate</strong></td>
<td>13.7%</td>
<td>13.7%</td>
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<tr>
<td><strong>Accrual rate</strong></td>
<td>1/57ths</td>
<td>1/55.3ths</td>
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<tr>
<td><strong>Revaluation</strong></td>
<td>National average earnings</td>
<td>CPI + 1.25 percent</td>
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| **Transitional protection** | No change for those who at 1 April 2012 were:  • aged 45 or over; or  • members of the 1987 Police Pension Scheme and aged 40 or over and 10 years or less away from being able to retire with a maximum 30 year pension | No change for those who at 1 April 2012 were:  • aged 45 or over; or  • members of the 1987 Police Pension Scheme and aged 38 or over and 10 years or less away from being able to retire with a maximum 30 year pension  
In addition, officers within four years of qualifying for transitional protection will gain around 53 days of protection for each month they are closer to qualifying for transitional protection. |
| **Accrued rights**     | Protection of PPS/NPPS accrued rights | Protection of PPS/NPPS accrued rights |

For further details about the career scheme and about your accrued 1987/2006 pension, please use this link to the Home Office’s Q&A document:

[http://www.homeoffice.gov.uk/pension-reform](http://www.homeoffice.gov.uk/pension-reform)